



ArrowMark Colorado Holdings, LLC  
Part 2A of Form ADV  
The Brochure

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This disclosure brochure provides information about the qualifications and business practices of ArrowMark Colorado Holdings, LLC and its affiliates (“ArrowMark”, “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@arrowmark.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 ArrowMark is available on the SEC’s website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

ArrowMark 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.

The last annual updating amendment to Form ADV Part 2A (the “Brochure”) was dated March 2020. Material changes to this Brochure since the March 2020 filing includes amendments to the following items:

**Item 8: Methods of Analysis, Investment Strategies and Risk of Loss – *Real Estate*:** Information was added regarding risks associated with real estate investments.

**Item 10: Other Financial Industry Activities and Affiliations -** Information was added regarding the services and fees that may be provided by an affiliate, ArrowMark Commercial Real Estate Partners.

**Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading** – Information was added regarding co-investment allocations and potential conflicts.

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## **Item 4: Advisory Business**

ArrowMark Colorado Holdings, LLC is a Delaware limited liability company, founded in 2007. ArrowMark provides investment management services to high-net-worth individuals and institutional clients including, trusts, estates, endowments, pensions, and foundations (which we collectively refer to as separate accounts); collateralized loan obligations (which we refer to as “CLOs”); privately offered limited partnerships and corporate investment vehicles (which we refer to as “funds”); and registered investment companies (which we refer to as “mutual funds”). As of December 31, 2020 we managed \$20,879,939,890 of regulatory assets on a discretionary basis.

We use fundamental research and opportunistic investment philosophy when investing. We may invest in a broad array of financial instruments including, but not limited to, fixed income, equity, distressed debt, options, defaulted instruments, mortgage-backed, asset-backed, collateralized debt obligations, direct lending, futures, swaps, repurchase agreements, bank loans, tax liens, and initial public offerings. On behalf of our clients we may engage in hedging, forward trading and short selling. We also may employ leverage. We have a long-term investment horizon.

ArrowMark works with each separate account client to understand its investment objectives and to establish the elements of our relationship as their investment adviser. This process culminates with the negotiation and preparation of an investment management agreement that outlines the terms of the client-adviser relationship including, but not limited to, investment strategy, investment limitations and fees. In limited circumstances, we oversee an external manager to manage certain portions of the client’s assets.

When managing CLOs, funds and mutual funds, we manage each client within the guidelines and restrictions set forth in each client’s legal documents and within any respective regulatory guidelines or limitations. Investment advice is provided directly to the CLOs, funds and mutual funds, and not individually to the investors or shareholders.

We also serve as sub-adviser to U.S. mutual funds. In such cases, we enter into a sub-advisory agreement with the investment adviser which typically include information related to sub-advisory fee, investment strategy, investment guidelines, termination rights and proxy voting.

Our partners are Brian Schaub, Chad Meade, David Corkins, Kaelyn Abrell, Karen Reidy, and Sanjai Bhonsle.

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

### **Separate Accounts**

As compensation for our advisory services, each separate account client may pay an investment management fee based on assets under management (which we refer to as the advisory fee), a performance-based incentive fee (which we refer to as the performance fee), or both. Performance fees are established in compliance with Rule 205-3 under the Advisers Act. See Item 6 below for a further discussion of such fees.

Our advisory fees, which range from 0.20% to 1.00% of assets per annum depending on strategy and size, are calculated and collected quarterly. Fees are calculated in arrears as of the first business day of each calendar quarter based on the account's average of the preceding three month-end net asset values as provided by the custodian or based on the account's quarter ending balance. Advisory fees are deducted directly from the client's brokerage account unless the client requests us to send quarterly invoices. Our performance fees are negotiable and may be subject to a performance "hurdle" and/or "high water mark" treatment. We have established lower fees or waived fees entirely based on particular elements of the individual client profile, such as the investment strategy to be deployed, the amount of assets under our discretionary management, and employee-related accounts.

If a separate account client contributes a large cash flow during a quarter we will pro-rate the fees on this contribution. A large cash flow is considered to be equal to or greater than 10% of an account's net asset value. Contributions of less than 10% and partial withdrawals of client assets are not pro-rated and will be reflected in our fee calculation for the entire quarter. If a separate account client terminates the investment management agreement with ArrowMark in the middle of a billing period we will collect a pro-rated fee based on the number of days that the account was managed.

In addition to our advisory fee and performance fee, separate account clients bear trading costs and custodial fees associated with their accounts. These expenses may include (i) all costs and expenses of transferring the assets to the account; (ii) all taxes and governmental fees and charges incurred by the account (including all withholding taxes); (iii) all brokerage commissions and other trading costs and fees, underwriting discounts, sales loads, spreads and other similar charges; and (iv) all charges of U.S. depositories and of any custodian and/or other service providers. To the extent that clients' accounts are invested in affiliated or unaffiliated mutual funds or unaffiliated exchange-traded funds, the accounts will indirectly share in the funds underlying expenses including a separate layer of management, trading, and administrative expenses. To the extent clients' assets are invested in sponsored funds, CLOs or mutual funds, these assets generally will not be included as client assets for purposes of calculating or charging the client's management fee. See Item 12 for a discussion of our brokerage practices.

Existing clients may have different fee arrangements from those described above.

## **Funds**

As compensation for our advisory services, we, or our affiliate, receive from each fund (or fund structure) we manage an investment management fee based on assets under management (which we refer to as the management fee) and a performance-based incentive allocation (which we refer to as the performance allocation).

Our management fees, which range from 0.0% to 1.5% per annum depending on the fund, are calculated and collected quarterly either in arrears or in advance as set forth in the applicable offering documents. They are based on the net asset value of each limited partner's capital account (calculated by the fund's third-party administrator) and the book value of certain sub-accounts with respect to special situation investments. This fee is deducted directly from each fund's brokerage account on a quarterly basis. We have the right to waive or reduce our management fee with respect to any investor. The management fees are prorated for partial periods.

The performance allocations, which our affiliated general partners are entitled to receive, range from 10% to 20% of the net increase, if any, in the net value of an investor's capital account or net investment income as determined by a third-party administrator on an annual basis for the preceding year, subject to a loss carry-forward commonly referred to as a "high-water mark." These performance allocations are allocated to our affiliated general partners through a re-allocation from the capital accounts of investors in our funds to the capital account of the affiliated general partner. Each general partner has the right to waive or reduce its performance allocations with respect to any investor. Investors in some of our funds benefit from a "clawback," calculated and due upon the fund's liquidation that, subject to certain limitations, requires us to restore to the investors amounts by which the performance allocations we receive over the life of the fund exceed the stated performance allocation percentage.

The funds also bear organizational and ongoing expenses (which include, without limitation, formation costs, legal expenses, audit expenses, expenses related to pricing services, and other fund related fees and expenses as set forth in the applicable offering document) as well as the fees and expenses of the administrator and custodian, the fees and commissions associated with brokerage services provided to each fund and fees or duties incurred by the fund in processing an investor's subscription documents. See Item 12 for a discussion of the brokerage practices. To the extent clients' assets are invested in sponsored funds, CLOs or mutual funds, these assets generally will not be included as client assets for purposes of calculating or charging the client's management fee.

## **CLOs**

As compensation for its investment advisory services, collateral management or collateral servicing, ArrowMark may receive 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, ArrowMark will charge a Base or Senior Investment Management Fee at a rate ranging from 0.05% 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 0.30% per annum of the AUM. The percentages may vary based on the type of fund and the assets ArrowMark manages. ArrowMark 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 investment management agreement and the relevant offering documents which will be provided to prospective investors. Clients are not billed directly by ArrowMark but by a CLO's trustee quarterly in arrears as is detailed in the relevant offering documents. Fees are deducted by the trustee from client assets and paid to ArrowMark.

The CLOs also bear organizational and ongoing expenses which include, without limitation, formation costs, legal expenses, accountant fees, trustee fees and other related fees and expenses as set forth in the applicable offering document.

### **Mutual Funds**

As compensation for our advisory services, we receive compensation for serving as the investment adviser to the Meridian Fund, Inc. series funds. Fees vary according to terms of investment advisory agreements with the individual funds.

ArrowMark charges the Meridian Growth Fund, as compensation for its services, an annual fee of 1.0% for the first \$50 million of the fund's net assets and 0.75% of the fund's net assets in excess of \$50 million; it charges the Meridian Contrarian Fund, as compensation for its services, an annual fee of 1.0% of the fund's net assets; it charges the Meridian Equity Income Fund an annual fee of 1.0% for the first \$10 million of the fund's net assets, 0.9% of the next \$20 million, then 0.8% of the next \$20 million and 0.7% of the fund's net assets in excess of \$50 million; and it charges the Meridian Small Cap Growth Fund an annual fee of 1.0% of the fund's net assets. Fees for each of the four Meridian Funds are billed monthly and are calculated on the basis of that month's average daily net assets.

All mutual fund assets are held by a custodian bank. Custodian fees, wire transaction fees and other expenses may be imposed by the custodian holding a client account. Brokerage commissions and transaction fees will be incurred in relation to client portfolio securities transactions. See Item 12 for a discussion of the brokerage practices.

Sub-advisory agreements entered into by ArrowMark with the mutual fund's adviser are typically negotiated and may include fee breakpoints.

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

As discussed in Item 5, we, or our affiliated general partners, are entitled to receive performance-based compensation from our clients. Our (or our affiliates) right to the performance allocation or fee may create an incentive for us to make investments that are riskier, more speculative, or more highly levered than would be the case in the absence of performance-based compensation. It may also create an incentive for us to direct riskier, more speculative or more highly levered investments to those separate accounts or funds with higher performance allocations or fees. To mitigate these conflicts, we have developed and maintain trade allocation policies that seek fair and equitable treatment for all accounts over time. For a description of how we allocate investments among our separate accounts, mutual funds and funds, please refer to "Brokerage Practices - Aggregation and Allocation of Transactions" in Item 12.

## Item 7: Types of Clients

ArrowMark's separate account clients are typically high net-worth individuals and associated trusts, estates, endowments and foundations. Our minimum separate account size is generally \$10,000,000, but this amount is negotiable.

ArrowMark is the adviser to the Meridian Funds. Investors in the mutual funds include, but are not limited to, individuals, trusts, investment advisers, pension and profit-sharing plans, charitable organizations and business entities. ArrowMark also serves as sub-adviser to third-party sponsored mutual funds.

ArrowMark manages CLOs which invest primarily in senior secured floating rate leveraged loans made to corporate and other business entities. These instruments are secured by the debtor's assets and rank first in priority of payment in the capital structure, ahead of unsecured debt.

Our fund clients are typically organized using a "master-feeder" structure where a Delaware limited partnership serves as the master fund and offshore entities (typically, Cayman Islands entities) serve as feeder funds, investing all or substantially all of their assets in the Master Fund. Each fund, however, may be restructured so that the fund becomes a feeder to a newly formed offshore master.

In order to be eligible to invest in our funds, an investor must be an "accredited investor" within the meaning of Regulation D under the Securities Act of 1933, and a "qualified client" within the meaning of the Advisers Act or "qualified purchaser" within the meaning of the Investment Company Act of 1940. Each investor in our funds is required to represent that their investment in our fund is being acquired for its own account, for investment, and not with a view to resale or distribution. Investments in our funds are suitable only for sophisticated investors for whom an investment in our fund does not constitute a complete investment program and who fully understand, are willing to assume, and who have the financial resources necessary to withstand the risks involved in our fund's specialized investment program and to bear the potential loss of their entire investment in those investments. The minimum initial investment in our funds ranges from \$500,000 to \$2,000,000, but is negotiable on a case-by-case basis.

ArrowMark on behalf of the funds may enter into separate agreements, commonly referred to as "side letters," or other similar agreements with a particular investor in connection with its admission to the fund without the approval of any other investor, which would have the effect of establishing rights under or supplementing the terms of the applicable fund's partnership agreement with respect to such investor in a manner more favorable to such investor than those applicable to other investors. Such rights or terms in any such side letter or other similar agreement may include, without limitation: (i) reporting obligations, (ii) lower fees, (iii) waiver of certain confidentiality obligations, (iv) "most favored nation" provisions or (v) rights or terms requested or necessary in light of particular investment, legal, regulatory or public policy characteristics of an investor.



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

### **General**

Our investment process for all clients is anchored by in-depth fundamental research and risk management. ArrowMark primarily invests for relatively long time horizons, often for a year or more. We conduct fundamental analysis to identify what we believe to be asymmetries in (or imbalances between) risks and rewards of investment opportunities. We rely on internal due diligence, research and modelling as well as research provided by brokers/dealers in order to better understand company fundamentals and street consensus expectations. The sources of our research span quantitative analysis and qualitative assessments, ranging from financial models to information collected at industry trade shows. However, financial modelling to forecast free cash flow generation, balance sheet health, management's effective deployment of capital, and repayment ability is at the core of our fundamental research process. The output of our financial modelling shapes both our directional view on whether we want to hold the security long or short and how we will invest within the capital structure (credit or equity).

We may employ various strategies in our capacity as investment advisers to the separate accounts, mutual funds and funds that we manage. These strategies may include acquiring and disposing of financial instruments that include fixed income, equity, distressed debt, options, defaulted instruments, real estate, mortgage-backed, asset-backed, collateralized debt obligations, futures, swaps, repurchase agreements, bank loans, tax liens, and initial public offerings. On behalf of our clients we engage in hedging, forward trading and short selling. We also employ leverage.

The following is a description of our significant strategies and the material risks associated with pursuing those strategies. All investing, and the strategies that direct that investing, involve a risk of loss that clients should be prepared to bear.

### **Fixed Income**

For certain of our clients, we pursue a strategy of investing primarily in a diversified portfolio of fixed income securities, including, but not limited to, government bonds, corporate bonds, convertible bonds, zero-coupon bonds, asset-backed bonds, credit linked notes, and securitized assets. Fixed income securities are subject to the risk of the issuer's inability to meet principal and interest payments on its obligations (*i.e.*, credit risk) and are subject to price volatility resulting from, among other things, interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (*i.e.*, market risk).

### **Equity**

We may recommend long and short positions in common stocks, preferred stocks and convertible securities. Equity securities fluctuate in value, often based on factors unrelated to the fundamental economic condition of the issuer of the securities, including general economic and market conditions, and these fluctuations can be pronounced.

## **IPOs**

We may purchase securities that are part of an initial public offering (“IPOs”). Underwriters may not sell such IPO securities to certain persons, including brokers or people associated with brokers. Certain clients of ArrowMark may be ineligible to participate in investments in IPO securities, therefore, some investors may not participate in any gain or loss associated with any IPO securities.

## **Options**

We may engage in various types of options transactions. We engage in buying and writing put and call options. An option gives the purchaser the right, but not the obligation, upon exercise of the option, either (i) to buy or sell a specific amount of the underlying security at a specific price (the “strike” price or “exercise” price), or (ii) in the case of a certain options, to receive a specified cash settlement. To purchase an option, the purchaser must pay a “premium,” which consists of a single, nonrefundable payment. Unless the price of the securities underlying the option changes and it becomes profitable to exercise or offset the option before it expires, our clients may lose the entire amount of the premium. The purchaser of an option runs the risk of losing the entire investment. Thus, our clients may incur significant losses in a relatively short period of time. The ability to trade in or exercise options also may be restricted in the event that trading in the underlying securities interest becomes restricted.

## **Asset Backed Securities**

Through the use of trusts and special purpose corporations, various types of assets including but not limited to manufactured housing loans, home equity loans, automobile loans, credit card receivables, and other receivables, are securitized in pass-through structures.

These asset backed securities, sometimes referred to as ABS, do not have the benefit of a security interest in the underlying collateral. Credit card receivables, for example, are generally unsecured and the debtors are entitled to the protection of a number of state and federal consumer loan laws, many of which give such debtors the right to set off certain amounts owed on the credit cards, thereby reducing the balance due.

ABS are subject to prepayment risk. ABS are often backed by a pool of assets representing the obligations of a number of different parties and use credit enhancement techniques such as letters of credit, guarantees or preference rights. The value of an asset backed security is affected by changes in the market’s perception of the asset backing the security and the creditworthiness of the servicing agent for the loan pool, the originator of the loans or the financial institution providing any credit enhancement, as well as by the expiration or removal of any credit enhancement.

## **Direct Lending**

Direct lending provides financing solutions to small-and mid-sized companies, while providing yield-driven solutions for investors. The investment team strives to generate current income and capital appreciation by investing in newly-originated investments in the private credit market in addition to structured investments. The success of our investment activities will be affected by

general economic conditions, such as interest rates, commodity prices, general levels of economic activity, the price of securities and participation by other investors in the financial markets. A prolonged period of market illiquidity or uncertainty regarding U.S. tax rates, U.S. government spending and deficit levels and implementation of global fiscal austerity measures may have an adverse effect on our business, financial condition and results of operations. In addition, a decline in general economic conditions may affect the value and number of loans made or considered. In addition, volatility or illiquidity in the financial markets could impair the investment's profitability or result in losses. A large percentage of our investments will not be publicly traded. Because valuations of such investments, and particularly valuations of private securities and private companies, are inherently uncertain, may fluctuate over short periods of time and may be based on estimates, our determinations of fair value may differ materially from the values that would have been used if a ready market for these securities existed.

### **Short Selling**

We may sell securities short of an issuer in the expectation of covering the short sale with securities purchased in the open market at a price lower than that received in the short sale. We may adjust our client's net exposure as we determine to be appropriate in light of market conditions. We may apply short positions to seek to take advantage of deteriorating fundamentals at the individual security level but may also apply short positions as a hedging technique, such as shorts paired with more fundamentally attractive, historically correlated, long positions. We may also periodically hedge a client's long portfolio through short selling sector, industry, and market ETFs, or through the use of several smaller "basket" positions that, in aggregate, we believe, would theoretically hedge individual long positions or long industry or sector exposure. If the price of the issuer's securities declines, the client may then cover the short position with securities purchased in the market. The profit realized on a short sale will be the difference between the price received in the sale and the cost of the securities purchased to cover the sale. The possible losses from selling short a security differ from losses that could be incurred from a cash investment in the security; the former may be unlimited, whereas the latter can only equal the total amount of the cash investment. Short selling activities are also subject to restrictions imposed by the federal securities laws and the various national and regional securities exchanges, which restrictions could limit a client's investment activities. There can be no assurance that securities necessary to cover a short position will be available for purchase.

### **Real Estate**

Historically real estate has experienced significant fluctuations and cycles in value and local market conditions which result in reductions in real estate opportunities, value of real property interests and, possibly, the amount of income generated by real property. All real estate-related investments are subject to the risk attributable to, but not limited to: (i) inability to consummate investments on favorable terms; (ii) inability to complete renovation, expansion or development on advantageous terms; (iii) adverse government, environmental and tax regulations; (iv) leasing delays, tenant bankruptcies and low occupancy levels and lease rates; and (v) changes in the liquidity of real estate markets. Real estate investment strategies which employ leverage are subject to risks normally associated with debt financing, including the risk that; (a) cash flow after debt service will be insufficient to accumulate sufficient cash for distributions; (b) existing indebtedness (which is

unlikely to be fully amortized at maturity) will not be able to be refinanced; (c) terms of available refinancing will not be as favorable as the terms of existing indebtedness; or that the loan covenants will not be complied with. It is possible that property could be foreclosed upon or otherwise transferred to the mortgagee, with a consequent loss of income and asset value.

## **Unregistered Securities and Private Placements**

We may invest in private placements and unregistered securities. Investments through private placements are not immediately tradable on an exchange or in the over-the-counter (OTC) market and may be subject to restrictions on resale including significant holding or “lockup” restrictions for designated time periods. Private placements may serve as financing vehicles for public companies (commonly referred to as Private Investments in Public Entities or PIPEs) or for privately held entities. Securities purchased through private placements may be less liquid than publicly traded securities and investments in privately held entities are generally less liquid than PIPEs. The offering documents often contain limited information on the company’s business and many private placement securities are issued by companies that are not required to file audited financial reports making it difficult to gauge how the private placement is likely to perform over time. Investors purchasing private placements should be prepared to hold such investments over a longer time horizon than public company holdings or possibly for an indefinite period of time. In certain cases, ArrowMark personnel may take a seat on a company’s board of directors. In such a case, there exists the risk that the clients will be restricted in transacting in or redeeming its investment in that company as a result of, among other things, legal restrictions on transactions by company directors or affiliates. ArrowMark may not be able to liquidate such securities upon termination of a client’s account. ArrowMark cannot provide oversight of such securities following termination of a client’s account and such oversight will be the responsibility of the client or its subsequent adviser. Clients should consider these risks when considering whether to permit such investments for their accounts.

In connection with such investments, certain principals or employees of ArrowMark may acquire material non-public information or be restricted from initiating transactions in certain securities. ArrowMark is generally restricted from acting on such information, therefore ArrowMark may not be able to buy an investment that it otherwise might have bought or may not be able to sell an investment that it otherwise might have sold.

## **Leverage**

We use leverage in certain investment programs when we deem it to be appropriate for our clients and consistent with applicable regulations. At times, the amount of such leverage may be substantial. Unless otherwise agreed with our separate account clients, our clients are not subject to any limitations on borrowing or other forms of leverage. Indirect forms of leverage include leverage through short sales or derivative instruments such as options techniques, which have embedded leverage features. We may also leverage a client’s assets by entering into reverse repurchase agreements whereby we effectively borrow funds on a secured basis by “selling” interests in investments to a financial institution for cash and agreeing to “repurchase” such investments at a specified future date for the sales price paid plus interest at a negotiated rate.

Leverage creates an opportunity for greater yield and total return, but at the same time increases exposure to capital risk and higher current expenses. If a client purchases securities on margin and the value of those securities declines, the client may be obligated to pay down the margin loans to avoid liquidation of the securities. If loans to the client are collateralized with portfolio securities that decrease in value, the client may be obligated to provide additional collateral to the lender in the form of cash or securities to avoid liquidation of the pledged securities. Any such liquidation could result in substantial losses. Moreover, counterparties of our clients, in their sole discretion, may change the leverage limits that they extend to our clients.

## **Hedging**

We use a variety of financial instruments such as derivatives, options, swaps, futures, and forward contracts, both for investment purposes and for risk management purposes. Hedging also involves special risks including the possible default by the other party to the transaction, illiquidity, and, to the extent that our assessment of certain market movements is incorrect, the risk that the use of hedging could result in losses greater than if hedging had not been used. Those of our clients who engage in hedging transactions are subject to the risk of the failure or default of any counterparty to the client's transactions.

We manage risk at the security level through fundamental research aimed at understanding the strengths and weaknesses of the business model. We combine our fundamental analysis with risk management to structure investments to match our outlook and enhance the overall profile of the investment. We manage risk at the portfolio level by constructing a non-correlated, low volatility portfolio of diverse investments across sectors and asset classes.

The foregoing list of risk factors does not purport to be an all-encompassing list or explanation of the risks attendant to our investment program for our clients. Prospective clients and investors in the mutual fund or the funds are encouraged to seek the advice of independent legal counsel or investment advisers in evaluating the risks of the investment program. In addition, as our investment program develops and changes over time, the strategy may be subject to additional and different risks.

A more comprehensive list of risks with respect to the mutual funds or the funds is included in the relevant product's offering materials.

## **Cybersecurity Risk**

In connection with the continued use of the Internet and the dependence on computer systems to perform necessary business functions, ArrowMark may be susceptible to operational, information security and related risks due to the possibility of cyberattacks or other incidents. Cyber incidents may result from deliberate attacks or unintentional events. Cyberattacks include, but are not limited to, infection by computer viruses or other malicious software code, gaining unauthorized access to systems, networks or devices that are used to service our operations through hacking or other means for the purpose of misappropriating assets or sensitive information, corrupting data or causing operational disruption. Cyberattacks may also be carried out in a manner that does not require

gaining unauthorized access, such as causing denial-of-service attacks (which can make a website unavailable) on our website. In addition, authorized persons could inadvertently or intentionally release confidential or proprietary information stored on our systems. Cybersecurity failures or breaches by our third-party service providers may cause disruptions and impact the service providers' business operations, potentially resulting in financial losses, the inability to transact business and process transactions. We may incur substantial costs to prevent or address cyber incidents in the future. In addition, there is a possibility that certain risks have not been adequately identified or prepared for. Furthermore, we cannot directly control any cyber security plans and systems put in place by third party service providers. Cybersecurity risks are also present for issuers of securities in which we invest, which could result in material adverse consequences for such issuers, and may cause our investment in such securities to lose value.

### **Other Risk**

A large-scale pandemic, the occurrence of terrorism or military and other actions, may result in loss of life, property damage, and disruptions to commerce and reduced economic activity. Some of the assets in our investment portfolio may be adversely affected by declines in the equity markets, changes in interest rates, reduced liquidity and economic activity caused by a large-scale pandemic. Additionally, a large-scale pandemic or terrorist act could have a material effect on sales, liquidity and operating results.

## **Item 9: Disciplinary Information**

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

## Item 10: Other Financial Industry Activities and Affiliations

ArrowMark is a diversified financial services business and has affiliated investment advisers, operating entities and general partner entities.

### AFFILIATED REGISTERED INVESTMENT ADVISERS

ArrowMark has affiliated registered investment advisers that are either direct or indirect wholly-owned subsidiaries of ArrowMark. Additional information about these affiliates is available on the SEC's website at [www.adviserinfo.sec.gov/](http://www.adviserinfo.sec.gov/).

- 325 Fillmore LLC
- StoneCastle-ArrowMark Asset Management LLC

### AFFILIATED OPERATING ENTITIES

ArrowMark has the below affiliated operating companies.

- ArrowMark International, LLC is a U.K. subsidiary and is registered with the FCA
- ArrowMark Commercial Real Estate Partners, LLC is a real estate structured finance company.
- ArrowMark Agency Services, LLC is a loan servicing company.

We also have a material interest in First National Holdings which purchases and services delinquent tax liens.

### AFFILIATED GENERAL PARTNERS

Additionally, our U.S.-based funds are formed as limited partnerships and as such require a general partner. Below is a listing of those entities which are affiliated with us and which serve as a general partner for the master funds. ArrowMark principals are also principals of these general partners.

- ArrowMark Partners GP, LLC serves as general partner for ArrowMark Fundamental Opportunity Fund, L.P. a Delaware limited partnership.
- ArrowMark Partners GP3, LLC serves as general partner for ArrowMark Income Opportunity Fund, L.P. a Delaware limited partnership.
- ArrowMark Partners GP5, LLC serves as general partner for ArrowMark Income Opportunity Fund QP, L.P. a Delaware limited partnership.
- ArrowMark Global Fund GP, LLC serves as general partner for ArrowMark Global Opportunity Fund, L.P. a Delaware limited partnership.
- ArrowMark Global Fund GP II, LLC serves as general partner for ArrowMark Global Opportunity Fund II, L.P. a Delaware limited partnership.

- ArrowMark Global Fund GP III, LLC serves as general partner for ArrowMark Global Opportunity Fund III, L.P. a Delaware limited partnership.
- ArrowMark Specialty Finance MM, LLC serves as the managing member for ArrowMark Specialty Finance, LLC
- AMP Life Science GP, LLC serves as the managing member for ArrowMark Life Science Fund, LP
- KRS-ArrowMark Fund I GP, Ltd. serves as the managing member for KRS-ArrowMark Fund I, LP
- Ohio-ArrowMark Fund I GP, Ltd. serves as the managing member for Ohio-ArrowMark Fund I, LP
- PC-ArrowMark Fund I GP, Ltd. serves as the managing member for PC-ArrowMark Fund I, LP

As discussed in Item 6, this relationship and the incentive allocation to which the general partners are entitled, create an incentive for ArrowMark to make investments that are riskier, more speculative or more highly levered than would be the case in the absence of performance-based compensation.

In the course of advising and managing funds, separate accounts and, in some cases, the assets of our employees, we are confronted by several potential conflicts of interest. These potential conflicts of interest arise in the course of selecting investments for acquisition and disposition, allocating resources, allocating our time, allocating expenses, allocating securities, transactions where investments are sold by one fund or separate account to another fund or separate account, valuation of fund assets where such valuation will determine our management fee. We have adopted policies and procedures to address many, if not all, these potential conflicts of interests. A discussion of ArrowMark's brokerage practices and security allocation is included in Item 12 below.

In certain circumstances, ArrowMark Commercial Real Estate Partners, LLC, a wholly owned subsidiary of ArrowMark, may be engaged for services including: (i) origination of investment opportunities, underwriting, and managing the purchase process for investments including, without limitation, fixed rate commercial real estate first mortgage loans and transitional floating rate first mortgage loans ("Loans") or other investment instruments secured by or affiliated with commercial real estate assets or related businesses; (ii) asset management services including, without limitation, the servicing of certain Loans; and (iii) other commercial mortgage lending, brokering, advising and/or asset management opportunities that may be added over time. ArrowMark Commercial Real Estate Partners, LLC may receive a servicing and origination fees from the funds or separate accounts in respect of such services at rates ArrowMark believes to be standard in the market. ArrowMark reviews these fees on a periodic basis to determine that such fees are within the range of fees offered by third party unaffiliated providers for such services. However, it should be noted that there is limited public data in the marketplace for such services and many of such service providers are private companies. Accordingly, while ArrowMark believes on the basis of the data



collected that such fees are within the range of fees charged by unaffiliated service providers, the data collected to compare such fees may be limited. The foregoing fees are in addition to and will not offset management fees or performance-based compensation paid or allocated to ArrowMark.

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

ArrowMark 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 ArrowMark's policy not to permit its principals, employees or their immediate family members to benefit from trading done for ArrowMark'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, ArrowMark 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.

Our principals and employees may co-invest with a client in an investment. In addition to the potential conflicts of interest regarding investments in different parts of an issuer's capital structure discussed above, these co-investments present the possibility that we may have an incentive to make recommendations to, or investments on behalf of, clients that also benefit our principals and employees. We have adopted policies and procedures regarding the disclosure and management of such conflicts.

In addition, our account clients may from time to time invest in the funds, mutual funds or CLOs managed by us. This creates a potential conflict of interest for us in that we may have an incentive to recommend the funds as an investment to our clients because we, and our affiliated general partners, receive management fees and incentive allocations in connection therewith. We manage this conflict by meeting with each managed account client to help it determine whether an investment in a fund is appropriate for a portion of its assets that are not directly managed by us and do not duplicate fees on the same assets.

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

## **Item 12: Brokerage Practices**

ArrowMark has discretionary authority to select brokers to execute client transactions and negotiate commission rates with these executing brokers consistent with our best execution obligations. It is our policy to attempt to obtain the best net price considering both the execution price and the commission rate paid. Trades are typically executed through either an execution-only brokerage firm, an electronic trading system, 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; and (7) quality of research services. 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" discount equal to a lower per share commission.

### **Soft Dollar Benefits**

ArrowMark pays for some investment research with a portion of the client commissions (i.e., "soft dollars") charged on most client transactions. This is accomplished through either a commission sharing arrangement or trading higher volumes with brokers that provide both execution and research. These methods are described in more detail below. The receipt of such research may create an incentive for ArrowMark to select or recommend a broker-dealer based on its interest in such services. However, ArrowMark limits such arrangements to research and brokerage services within the safe harbor established by Section 28(e) of the Securities Exchange Act of 1934, as amended.

Our commission sharing agreements are with brokers providing execution services whereby a certain percentage of the commission dollars is accrued and used to pay for certain research services, non-proprietary brokerage research, and expert consulting provided by approved vendors/broker-dealers. This provides us with a better understanding of execution costs vs. investment research costs.

We also have soft dollar arrangements with brokerage firms to receive their proprietary investment research or participate in their investment research events. Under this arrangement, ArrowMark is expected to direct a minimum amount of brokerage commissions from client transactions to the

brokerage firm, which in turn provides quality research, access to investment conferences or access to company investor meetings.

We may use client commissions to acquire soft dollar items that we would otherwise be obligated to provide to, or acquire at our own expense for, the relevant account(s) and for which we therefore receive a benefit. Nonetheless, we believe that such soft dollar items may provide the clients with benefits by supplementing the research and services otherwise available to the clients and will use such soft dollar in good faith.

Brokerage commissions from all clients will generally be used to pay for the research services furnished by brokers. However, in certain circumstances, the benefits of the research services provided to each client may not directly align with the client's commission costs. For example, ArrowMark may use these research services for the benefit of all of its clients and not just the client whose transactions paid for the research services. Moreover, it is possible that the client whose transactions generate brokerage commissions that are used to pay some of ArrowMark's research obligations may not benefit in any way from this research. ArrowMark monitors its discretionary brokerage allocation to assure that those brokerage firms providing us with quality research and investment information receive sufficient brokerage business each year and typically allocates more brokerage to those firms that provide better research than other firms. We may have an incentive to select certain brokers based on the soft dollar items provided by such brokers rather than the client's interests in receiving the most favorable execution. There is a potential conflict of interest in these soft dollar arrangements because ArrowMark may have an incentive to trade clients' accounts in order to pay for research services even if the specific client may not benefit from such research.

### **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 ArrowMark determines that such investment is not consistent with such client's investment objectives and guidelines. ArrowMark receives no additional compensation for such aggregation.

While conflicts may arise in the allocation of investment opportunities among clients, ArrowMark'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, ArrowMark 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 ArrowMark 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. ArrowMark also may deploy specific index hedging techniques utilizing ETFs for general market exposure and/or specific sector exposure. ArrowMark 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.

ArrowMark may, from time to time, participate in an initial public offering ("IPO") through an underwriter. ArrowMark may only be allocated a small portion of the total IPO offering. It is ArrowMark's policy to allocate IPOs only to those accounts that ArrowMark considers suitable for such transactions and in accordance with our allocation policies described above and applicable FINRA rules.

### **Client Referrals**

ArrowMark does not compensate any custodian or broker/dealer for referring client accounts nor does it consider, in selecting or recommending broker-dealers, whether ArrowMark 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 ArrowMark.

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**

All clients' accounts and assets are held in custody by unaffiliated broker/dealers or banks. However, with respect to certain assets, we do possess a level of authority and/or legal capacity and for this reason ArrowMark is considered to have custody of such assets. Such capacity comes from our ability to debit advisory fees from the client's account, our standing letters of authorization for certain clients, our general power of attorney for certain clients, the legal capacity of our affiliated general partners for the funds, and the positions of our principals as directors of the offshore funds. Account custodians send statements directly to the account owners monthly and fund investors are provided with monthly statements from the independent fund administrator. The fund investors are also provided with audited financial statements within 120 days of such fund's fiscal year-end (December 31). Clients and fund investors should carefully review statements from the custodians and administrators, and should compare these statements to any information provided by ArrowMark.

## **Item 16: Investment Discretion**

ArrowMark has investment discretion over all clients' accounts with the exception of one model portfolio which is non-discretionary. Account clients grant us trading discretion through the execution of a limited power of attorney included in ArrowMark's investment management agreement.

ArrowMark has discretionary investment authority, but will work within separate account client investment policy and asset allocation guidelines when it determines such management is feasible. Separate account clients can place reasonable restrictions on our investment discretion. For example, some separate account clients have asked us not to buy securities issued by companies in certain industries, or not to sell certain securities where the client has a particularly low tax basis. Separate account clients who place restrictions, including restrictions as to types of securities, concentrations, cash balances, and broker selection should recognize that the performance of their accounts may not be representative of the performance of accounts managed with no restrictions.

With respect to the funds and CLOs, our discretion is limited only by the investment restrictions set forth in each fund's documents and those set forth by the general partners of the funds or the directors of the funds (as applicable). The mutual funds are managed in accordance with applicable regulatory requirements and the respective prospectus and Statement of Additional Information.

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

We recognize our responsibility to vote proxies in respect of securities owned by a client in the best interests of our clients and without regard to the interests of ArrowMark. To that end, ArrowMark has subscribed to an independent proxy voting service to provide enhanced ballot analysis, timely voting, record archiving and comprehensive reporting capabilities. ArrowMark subscribes to Glass Lewis & Co. domestic and international voting policies which apply to all securities held by clients in which we direct voting authority.

Although each proxy issue will be considered individually, ArrowMark will generally use Glass Lewis' guidelines when voting proxies. Such guidelines are regularly reviewed by our investment and compliance staff. We may elect not to vote with Glass Lewis' guidelines if the investment or compliance staff believes the recommendation is not in the best interests of our clients. Absent specific client instructions, if we identify a material conflict of interest we'll address the conflict by voting with Glass Lewis' standard guidelines.

ArrowMark's authority to vote proxies or act with respect to other corporate actions is established through the delegation of discretionary authority under its investment advisory agreements. Therefore, unless a separate account client specifically reserves the right, in writing, to vote its own proxies or to take shareholder action with respect to other corporate actions requiring shareholder actions, we will vote all proxies and act on all other actions in a timely manner as part of our full discretionary authority over clients in accordance with established policies and procedures.

A copy of our proxy voting policies and procedures, as well as specific information about how we have voted proxies, is available upon written request. Upon written request, separate account clients can also take responsibility for voting their own proxies, or can give ArrowMark instructions about how to vote their respective shares.

## **Item 18: Financial Information**

ArrowMark 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.