

## **Firm Brochure**

(Part 2A of Form ADV)

# **HORIZON TECHNOLOGY FINANCE MANAGEMENT LLC**

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This brochure provides information about the qualifications and business practices of HORIZON TECHNOLOGY FINANCE MANAGEMENT LLC. If you have any questions about the contents of this brochure, please contact us at: 860-676-8654 or by email at: [jay@horizontechfinance.com](mailto:jay@horizontechfinance.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 HORIZON TECHNOLOGY FINANCE MANAGEMENT LLC is available on the SEC's website at [adviserinfo.sec.gov](http://adviserinfo.sec.gov) and at HORIZON TECHNOLOGY FINANCE MANAGEMENT LLC's website at [horizontechfinance.com](http://horizontechfinance.com).

MARCH 31, 2012

# Material Changes

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## **Annual Update**

The Material Changes section of this brochure will be updated when material changes occur. An Annual update will be made as required by applicable SEC laws and regulations.

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## **Material Changes since the Last Update**

There are no material updates contained in this brochure.

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## **Full Brochure Available**

Whenever you would like to receive a complete copy of our latest brochure, please contact us by telephone at: 860-676-8654 or by email at: [jay@horizontechfinance.com](mailto:jay@horizontechfinance.com).

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# Advisory Business

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## Firm Description

HORIZON TECHNOLOGY FINANCE MANAGEMENT LLC, a Delaware limited liability company (“HTFM”) was founded in 2008. HTFM is registered as an investment advisor under the Investment Advisers Act of 1940. HTFM is led by five senior managers, including its two co-founders, Robert D. Pomeroy, Jr., its Chief Executive Officer, and Gerald A. Michaud, its President. The other senior managers include Christopher M. Mathieu, its SVP and Chief Financial Officer, John C. Bombara, its SVP, General Counsel and Chief Compliance Officer, and Daniel S. Devorsetz, its SVP and Chief Credit Officer.

HTFM seeks to identify attractive investment opportunities, conducts diligence on and values prospective investments, negotiates investments and manages diversified portfolios of “Technology Loans” (as defined below) and related investments for its Clients. HTFM seeks investments in development-stage companies in the technology, life science, healthcare information and services, and cleantech industries, which HTFM refers to as “Target Industries”. Technology Loans are secured loans made to companies backed by established venture capital and private equity firms in Target Industries. HTFM’s investment objective is to generate current income from Technology Loans and capital appreciation from warrants received when making Technology Loans. HTFM also seeks opportunities for its Clients to lend to publicly traded companies in Target Industries.

HTFM receives a fee based on assets under management, as well as certain incentive fees for performance. HTFM does not receive commissions for purchasing or selling stocks, bonds, or other products. HTFM is not affiliated with entities that sell financial products or securities. HTFM does not receive finder’s fees.

With respect to its Clients that are investment companies under the Investment Company Act of 1940, HTFM has final decision on investment selection, subject to supervision by such companies’ board of directors. With respect to its Clients that are not investment companies, HTFM provides investment advice, with the Client making the final decision on investment selection. HTFM acts as a self-custodian of Client assets in accordance with applicable SEC rules.

Conflicts of interest will be disclosed to the Client in the unlikely event they should occur.

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## Principal Owners

HTFM is privately owned. Horizon Technology Finance, LLC (“HTF”) is the 100% owner of HTF Holdings LLC, which owns 60% of HTFM. Horizon Anchor Holdings, LLC owns 40% of HTFM. HTF is designated as the sole manager of HTF and has full authority to manage the operations and affairs of HTFM and to carry out its business. HTF is owned by Robert D. Pomeroy, Jr., HTFM’s Chief Executive Officer and Gerald A. Michaud, HTFM’s President.

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## **Types of Advisory Services**

HTFM provides investment advisory services, also known as asset management services, for its Clients; including identifying investment opportunities, conducting diligence on and valuing prospective investments, negotiating investments and managing diversified portfolios of Technology Loans. HTFM also provides advice and the sale or disposition of any warrants or equity obtained in connection with making Technology Loans. Its investment advice is limited to these types of investments.

As of December 31, 2011, HTFM manages approximately \$240,300,000 in assets for three Clients. Approximately \$239,600,000 is managed on a discretionary basis, and \$650,000 is managed on a non-discretionary basis.

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## **Tailored Relationships**

HTFM enters into investment management agreements or similar agreements that clearly set forth the types of investments HTFM will seek. To date all such agreements have set forth Technology Loans as the type of investments that HTFM will seek. Such agreements may impose restrictions on investing in certain types of investments or securities.

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## **Fees and Compensation**

HTFM is an SEC-registered adviser whose Clients are qualified purchasers as defined in Section 2(a)(51)(A) of the Investment Company Act and is not including its Fees and Compensation in this brochure. Such Fees and Compensation are described in the investment management or other written agreements entered into with HTFM's Clients. If any Client has questions about such Fees and Compensation please contact HTFM by the means set forth on the cover page to this brochure.

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## **Performance-Based Fees**

For its Clients that are not investment companies, HTFM receives a performance based fee as set forth in its investment management or other written agreements entered into with each Client. Typically, the performance based fee is based on a percentage of cash flow from the investments made by the Client after the return to the Client of all capital invested by the Client and a certain preferred return.

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## **Types of Clients**

HTFM provides investment advice to investment companies and private equity or hedge funds.

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## **Methods of Analysis, Investment Strategies and Risk of Loss**

### **Methods of Analysis and Investment Strategies**

HTFM uses a disciplined underwriting process that includes obtaining information validation from multiple sources, extensive knowledge of Target Industries, comparable industry valuation metrics, and sophisticated financial analysis related to development-stage companies. HTFM's due diligence on investment prospects includes obtaining and evaluating information on the prospective portfolio company's technology, market opportunity, management team, fund raising history, investor support, valuation considerations, financial condition and projections. The investment strategy of HTFM is described as follows:

*Portfolio Composition.* HTFM seeks investments in venture capital and private equity-backed development-stage companies in Target Industries. HTFM plans to make, investments which will result in a portfolio of investments in companies that are diversified by their stage of development, their Target Industries and sectors of Target Industries, and their geographical location, as well as by the venture capital and private equity sponsors that support Client's portfolio companies.

*Continuing Support from One or More Venture Capital and Private Equity Investors.* HTFM typically invests in companies in which one or more established venture capital and private equity investors have previously invested and continue to make a contribution to the management of the business.

*Company Stage of Development.* HTFM requires that prospective portfolio companies be beyond the seed stage of development and have received at least their first round of venture capital or private equity financing. HTFM expects a prospective portfolio company to demonstrate its ability to advance technology and increase its revenue and operating cash flow over time. The anticipated growth rate of a prospective portfolio company will be a key factor in determining the value that HTFM ascribes to any warrants that may be acquired in connection with making debt investments.

*Operating Plan.* HTFM generally requires that a prospective portfolio company, in addition to having sufficient access to capital to support leverage, demonstrate an operating plan capable of generating cash flows or the ability to raise the additional capital necessary to cover its operating expenses and service its debt. HTFM expects that the enterprise value of a prospective portfolio company should substantially exceed the principal balance of debt borrowed by the company.

*Liquidation Value of Assets.* The prospective liquidation value of the assets collateralizing loans is an important factor in HTFM's credit analysis. HTFM emphasizes both tangible assets, such as accounts receivable, inventory, equipment and real estate, and intangible assets, such as intellectual property, networks and databases and future revenue streams. In some cases, rather than obtaining a lien on intellectual property a Client may receive a negative pledge covering a company's intellectual property.

*Terms.* Although terms vary based on the portfolio company and other conditions, the typical repayment term of Technology Loans is between 24 and

48 months. The amortization schedule will vary, but there is typically some form of an interest only period and, in some cases, there is a balloon payment at the end of the term.

*Warrants and Equity Participation Rights.* HTFM's Clients generally receive warrants having terms consistent with the most recent or next round of venture capital and private equity capital financing. HTFM does not view the upside appreciation potential of warrants as a means to mitigate risk, but rather to ensure that the compensation Clients receive is appropriate for the level of risk being undertaken. HTFM also may seek to receive equity participation rights to invest in a future round of a portfolio company's equity capital financing through direct capital investments in portfolio companies. These opportunities to invest are at the Client's option and Clients are not obligated to make such investments.

*Experienced Management of Portfolio Companies.* HTFM generally requires that portfolio companies have a successful and experienced management team. HTFM also requires the portfolio companies to have in place proper incentives to induce management to succeed and to act in concert with our Clients' interests as investors.

*Exit Strategy.* HTFM analyzes the potential for a prospective portfolio company to increase the liquidity of its equity through a future event that would enable the Client to realize appreciation in the value of its warrants or other equity interests. Liquidity events typically include an IPO or a sale of the company.

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## **Risk of Loss**

All investment programs have certain risks that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks:

***Most portfolio companies will need additional capital, which may not be readily available.***

Portfolio companies will typically require substantial additional financing to satisfy their continuing working capital and other capital requirements and service the interest and principal payments on our investments. HTFM cannot predict the circumstances or market conditions under which portfolio companies will seek additional capital. Each round of institutional equity financing is typically intended to provide a company with only enough capital to reach the next stage of development. It is possible that one or more of our portfolio companies will not be able to raise additional financing or may be able to do so only at a price or on terms that are unfavorable to the portfolio company, either of which would negatively impact investment returns. Some of these companies may be unable to obtain sufficient financing from private investors, public capital markets or lenders thereby requiring these companies to cease or curtail business operations. Accordingly, investing in these types of companies generally entails a higher risk of loss

than investing in companies that do not have significant incremental capital raising requirements.

***Economic recessions or downturns could adversely affect portfolio companies.***

Many portfolio companies may be susceptible to economic slowdowns or recessions and may be unable to repay their Technology Loans during these periods. Adverse economic conditions also may decrease the value of collateral securing some of Technology Loans and the value of related equity investments. Economic slowdowns or recessions could lead to financial losses in and a decrease in value of HTFM's Clients' portfolios.

A portfolio company's failure to satisfy financial or operating covenants imposed by HTFM or other lenders could lead to defaults and, potentially, termination of its loans and foreclosure on its secured assets, which could trigger cross-defaults under other agreements and jeopardize the portfolio company's ability to meet its obligations under the Technology Loans held by Clients of HTFM. Clients may incur expenses to the extent necessary to recover their investments upon default or to negotiate new terms with a defaulting portfolio company.

***Investments in development-stage companies in Target Industries are subject to many risks, including volatility, intense competition, shortened product life cycles and periodic downturns, and are typically rated below "investment grade".***

HTFM invests, under normal circumstances, most of the value of Clients' total assets in development-stage companies, which may have relatively limited operating histories. Many of these companies may have narrow product lines and small market shares, compared to larger established publicly-owned firms, which tend to render them more vulnerable to competitors' actions and market conditions, as well as general economic downturns. The revenues, income (or losses) and valuations of development-stage companies in Target Industries can and often do fluctuate suddenly and dramatically. For these reasons, investments in portfolio companies, if rated by one or more ratings agency, would typically be rated below "investment grade," which refers to securities rated by ratings agencies below the four highest rating categories. These companies may also have more limited access to capital and higher funding costs. In addition, development-stage technology markets are generally characterized by abrupt business cycles and intense competition, and the competitive environment can change abruptly due to rapidly evolving technology. Therefore, portfolio companies may face considerably more risk than companies in other industry sectors. Accordingly, these factors could impair their cash flow or result in other events, such as bankruptcy, which could limit their ability to repay their obligations to Clients and may materially adversely affect the return on, or the recovery of, Clients' investments in these businesses.

Because of rapid technological change, the average selling prices of products and some services provided by development-stage companies in Target Industries have historically decreased over their productive lives. These decreases could adversely affect portfolio companies' operating results and cash flow, their ability to meet obligations

under their debt securities and the value of their equity securities. This could, in turn, materially adversely affect Clients' investments.

***If the assets securing the Technology Loans decrease in value, there may not be sufficient collateral to cover losses and Clients may experience losses upon foreclosure of such assets.***

HTFM believes portfolio companies generally will be able to repay their Technology Loans from their available capital, from future capital-raising transactions or from cash flow from operations. However, to mitigate credit risks, Clients typically take a security interest in all or a portion of the assets of portfolio companies, including the equity interests of their subsidiaries. There is a risk that the collateral securing the Technology Loans may decrease in value over time, may be difficult to appraise or sell in a timely manner and may fluctuate in value based upon the business and market conditions, including as a result of the inability of the portfolio company to raise additional capital, and, in some circumstances, Clients' liens could be subordinated to claims of other creditors. In addition, deterioration in a portfolio company's financial condition and prospects, including its inability to raise additional capital, may be accompanied by deterioration in the value of the collateral for the Technology Loan. Consequently, although such Technology Loan is secured the Client may not receive principal and interest payments according to the Technology Loan's terms and the value of the collateral may not be sufficient to recover the Client's investment should it be forced to enforce its remedies.

In addition, a substantial portion of the assets securing Clients' investments may be in the form of intellectual property, if any, inventory, equipment, cash and accounts receivables. Intellectual property, if any, which secures a Technology Loan, could lose value if the portfolio company's rights to the intellectual property are challenged or if the company's license to the intellectual property is revoked or expires. In addition, in lieu of a security interest in the intellectual property Client's may sometimes obtain a security interest in all assets of the portfolio company other than intellectual property and also obtain a commitment by the portfolio company not to grant liens to any other creditor on the company's intellectual property. In these cases, Clients may have additional difficulty recovering principal in the event of a foreclosure. Similarly, any equipment securing Technology Loans may not provide the anticipated collateral value if there are changes in technology or advances in new equipment that render the particular equipment obsolete or of limited value or if the portfolio company fails to adequately maintain or repair the equipment. Any one or more of the preceding factors could materially impair a Client's ability to recover principal in a foreclosure.

***Portfolio companies may incur debt that ranks equally with, or senior to, a Client's investments in such companies.***

HTFM plans to seek investments primarily in Technology Loans issued by its Clients' portfolio companies. Some of our portfolio companies will be permitted to have other debt that ranks equally with, or senior to, Clients' Technology Loans in the

portfolio company. By their terms, these debt instruments may provide that the holders thereof are entitled to receive payment of interest or principal on or before the dates on which Clients are entitled to receive payments in respect of their Technology Loans. These debt instruments may prohibit the portfolio companies from paying interest on or repaying Clients' investments in the event of, and during, the continuance of a default under the debt instruments. In addition, in the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of a portfolio company, holders of debt instruments ranking senior to Client's investment in such portfolio company would typically be entitled to receive payment in full before a Client receives any payment in respect of its investment. After repaying senior creditors, a portfolio company may not have any remaining assets to use for repaying its Technology Loan. In the case of debt ranking equally with Clients' Technology Loans, Clients would have to share on an equal basis any distributions with other creditors holding such debt in the event of an insolvency, liquidation, dissolution, reorganization or bankruptcy.

***There may be circumstances where Technology Loans could be subordinated to claims of other creditors or Clients could be subject to lender liability claims.***

Even though HTFM may structure certain of its Clients' investments as senior loans, if a portfolio company were to go bankrupt, depending on the facts and circumstances, including the extent to which HTFM actually provided managerial assistance to that portfolio company, a bankruptcy court might recharacterize Clients' debt investment and subordinate all or a portion of its claim to that of other creditors. A Client may also be subject to lender liability claims for actions taken by HTFM with respect to a portfolio company's business, including in rendering significant managerial assistance or instances where HTFM or its Client exercises control over the portfolio company.

***An investment strategy focused primarily on privately held companies presents certain challenges, including the lack of available information about these companies, a dependence on the talents and efforts of only a few key portfolio company personnel and a greater vulnerability to economic downturns.***

HTFM plans to invest its Clients' funds primarily in privately held companies. Generally, very little public information exists about these companies. If HTFM is unable to uncover all material information about these companies, it may not make a fully informed investment decision or recommendation, and its Client may lose money on its investments. Also, privately held companies frequently have less diverse product lines and a smaller market presence than larger competitors. They are thus generally more vulnerable to economic downturns and may experience substantial variations in operating results. These factors could affect Clients' investment returns.

In addition, portfolio companies' success depends, in large part, upon the abilities of the key management personnel of such portfolio companies, who are responsible for day-to-day operations. Competition for qualified personnel is intense at any stage of a company's development. The loss of one or more key managers can hinder or delay a company's implementation of its business plan and harm its financial condition. Portfolio

companies may not be able to attract and retain qualified managers and personnel. Any inability to do so may negatively affect investment returns.

***Government regulations, priorities and resources impacting the industries in which portfolio companies operate may change.***

Some portfolio companies operate in industries that are highly regulated by federal, state and/or local agencies. Changes in existing laws, rules or regulations, or judicial or administrative interpretations thereof, or new laws, rules or regulations could have an adverse impact on the business and industries of portfolio companies. In addition, changes in government priorities or limitations on government resources could also adversely impact portfolio companies. HTFM is unable to predict whether any such changes in laws, rules or regulations will occur and, if they do occur, the impact of these changes on portfolio companies and investment returns.

***Portfolio companies operating in the life science industry are subject to extensive government regulation and certain other risks particular to that industry.***

Companies in the life science industry are subject to extensive regulation by the Food and Drug Administration, or FDA, and to a lesser extent, other federal and state agencies. If any of these portfolio companies fail to comply with applicable regulations, they could be subject to significant penalties and claims that could materially and adversely affect their operations. Portfolio companies that produce medical devices or drugs are subject to the expense, delay and uncertainty of the regulatory approval process for their products and, even if approved, these products may not be accepted in the marketplace. In addition, new laws, regulations or judicial interpretations of existing laws and regulations might adversely affect a portfolio company in this industry. Portfolio companies in the life science industry may also have a limited number of suppliers of necessary components or a limited number of manufacturers for their products, and therefore face a risk of disruption to their manufacturing process if they are unable to find alternative suppliers when needed. Any of these factors could materially and adversely affect the operations of a portfolio company in this industry and, in turn, impair their ability to timely make principal and interest payments owed to Clients.

***If portfolio companies are unable to commercialize their technologies, products, business concepts or services, the returns on investments could be adversely affected.***

The value of investments in portfolio companies may decline if portfolio companies are not able to commercialize their technology, products, business concepts or services. Additionally, although some portfolio companies may already have a commercially successful product or product line at the time of our investment, technology-related products and services often have a more limited market or life span than products in other industries. Thus, the ultimate success of these companies often depends on their ability to continually innovate in increasingly competitive markets. If they are unable to do so, investment returns could be adversely affected and portfolio companies' ability to service their debt obligations over the life of each Technology Loan could be impaired. Portfolio

companies may be unable to successfully acquire or develop new technologies and the intellectual property they currently hold may not remain viable. Even if portfolio companies are able to develop commercially viable products, the market for new products and services is highly competitive and rapidly changing. Neither portfolio companies nor HTFM will have any control over the pace of technology development. Commercial success is difficult to predict, and the marketing efforts of portfolio companies may not be successful.

***If portfolio companies are unable to protect their intellectual property rights, and if portfolio companies are required to devote significant resources to protecting their intellectual property rights, the value of Clients' investments could be reduced.***

The success and competitive position of portfolio companies will depend in part upon their ability to obtain, maintain and protect proprietary technology used in their products and services. The intellectual property held by portfolio companies often represents a substantial portion of the collateral securing Clients' investments and/or constitutes a significant portion of the portfolio companies' value that may be available in a downside scenario to repay Technology Loans. Portfolio companies will rely, in part, on patent, trade secret and trademark law to protect that technology, but competitors may misappropriate their intellectual property, and disputes as to ownership of intellectual property may arise. Portfolio companies may, from time to time, be required to institute litigation to enforce their patents, copyrights or other intellectual property rights, protect their trade secrets, determine the validity and scope of the proprietary rights of others or defend against claims of infringement. Such litigation could result in substantial costs and diversion of resources. Similarly, if a portfolio company is found to infringe or misappropriate a third party's patent or other proprietary rights, it could be required to pay damages to the third party, alter its products or processes, obtain a license from the third party and/or cease activities utilizing the proprietary rights, including making or selling products utilizing the proprietary rights. Any of the foregoing events could negatively affect both the portfolio company's ability to service its Technology Loan and the value of any related debt and equity securities that Clients own, as well as any collateral securing such Technology Loan.

***We do not expect to control any of our portfolio companies.***

HTFM does not expect nor does it expect its Clients will control any portfolio companies, even though the debt agreements for Technology Loans may contain certain restrictive covenants that limit the business and operations of portfolio companies. HTFM also does not intend that its Clients will maintain a control position to the extent they own equity interests in any portfolio company. As a result, each of Clients will be subject to the risk that a portfolio company in which it invests may make business decisions with which it disagrees and the management of such company, as representatives of the holders of their common equity, may take risks or otherwise act in ways that do not serve such Client's interests as debt investors. Due to the lack of liquidity of the investments that typically held by Clients in our portfolio companies, Clients may not be able to dispose of their investments in the event they disagree with the actions of a portfolio company and they may therefore, suffer a decrease in the value of their investments.

## **Disciplinary Information**

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HTFM and its employees have not been involved in legal or disciplinary events related to past or present investment Clients.

## **Other Financial Industry Activities and Affiliations**

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### **Financial Industry Activities**

HTFM is registered as an investment advisor under the Investment Advisers Act of 1940.

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### **Affiliations**

HTFM is the external manager of the investment activities of Horizon Technology Finance Corporation (“HRZN”), a publicly traded non-diversified closed-end management investment company that has elected to be regulated as a business development company under the Investment Company Act.

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

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### **Code of Ethics**

HTFM has adopted a Code of Ethics pursuant to SEC Rule 204A-1. The Code of Ethics, among other things, provides: (1) a standard of business conduct for employees, which reflects HTFM’s and its employees’ fiduciary obligations to Clients; (2) requires all employees to comply with applicable federal securities laws; (3) requires all employees with access to certain information to report, and HTFM’s Chief Compliance Officer to review, their personal securities transactions and holdings periodically; (4) requires all employees to report any violations of the Code of Ethics promptly to HTFM’s Chief Compliance Officer; and (5) requires HTFM to provide each employee with a copy of HTFM’s Code of Ethics and any amendments, and requires all employees to provide HTFM with a written acknowledgment of their receipt of the Code of Ethics and any amendments.

HTFM will provide a copy of the Code of Ethics to any Client or prospective Client upon request.

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### **Participation or Interest in Client Transactions**

HTFM and its employees do not buy or sell securities that are also held by Clients.

## **Brokerage Practices**

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HTFM may recommend brokerage firms to its Clients when executing the sale of equity interests obtained by its Clients, but Clients make the selection. HTFM bases its recommendation on the ability of the broker to handle the sale in a timely and cost efficient manner. HTFM receives no benefits from any brokers that execute trades for its Clients. HTFM reviews the execution of all trades.

## **Review of Accounts**

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### **Periodic Reviews**

HTFM reviews investments in Clients' accounts monthly and provides detailed quarterly reports to its Clients on all investments in their accounts.

### **Regular Reports**

The management of accounts is the responsibility of HTFM's executive officers and its investment committee who work with credit officers of HTFM. HTFM provides a written quarterly portfolio report to its Clients.

At least quarterly, HTFM contacts portfolio companies for operational and financial updates by phone and typically performs onsite reviews on an annual basis. HTFM may contact portfolio companies deemed to have greater credit risk on a monthly basis. HTFM requires all private companies to provide financial statements on a monthly basis. For public companies, HTFM typically relies on publicly reported quarterly financials.

HTFM has developed a proprietary credit rating system to analyze the quality of loans. Using this system, HTFM analyzes and then rates the credit risk within the portfolio on a monthly basis. Each portfolio company is rated on a 1 through 4 scale, with 3 representing the rating for a standard level of risk. A rating of 4 represents an improved and better credit quality. A rating of 2 or 1 represents a deteriorating credit quality and increasing risk. Newly funded investments are typically assigned a rating of 3, unless extraordinary circumstances require otherwise. HTFM closely monitors portfolio companies rated a 1 or 2 for adverse developments. These investment ratings are generated internally by HTFM, and HTFM cannot guarantee that others would assign the same ratings to portfolio investments.

## **Client Referrals and Other Compensation**

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HTFM has not received nor made Client referrals and does not receive or pay for Client referrals.

## **Custody**

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HTFM maintains self-custody of assets in its Clients' accounts in compliance with SEC laws and regulations. The assets managed by HTFM are audited annually by HTFM's outside auditor.

## **Investment Discretion**

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### **Discretionary Authority for Trading**

HTFM accepts discretionary authority to manage assets on behalf of its investment company Client. For its investment company Client, HTFM has the authority to determine, without obtaining specific Client consent, the assets to be bought or sold. For all other Clients, HTFM does not have the authority to determine, without obtaining specific Client consent, the assets to be bought or sold.

### **Limited Power of Attorney**

For Clients' accounts over which HTFM has discretionary authority or for which it has been instructed to purchase or sell a security, HTFM has obtained a limited power of attorney as a trading authorization for this purpose.

## **Voting Client Securities**

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For its investment company Client, HTFM has discretion to vote proxies on securities. HTFM has voting policies and procedures in place for voting Clients' proxies on securities. HTFM's policy is to vote proxies in the best interests of its Clients. HTFM carefully reviews on a case by case basis each proposal submitted to a Client to vote to determine its impact on the portfolio securities held by Clients. Although HTFM generally votes against proposals that may have a negative impact on a Clients portfolio securities, HTFM may vote for such a proposal if there exists compelling long-term reasons to do so. Proxy vote decisions are made HTFM's senior management who are responsible for monitoring Clients' investments.

For all other Clients, HTFM votes proxies on securities only at the direct instruction of such Clients.

## **Financial Information**

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HTFM does not have any financial impairment that will preclude the firm from meeting contractual commitments to Clients.