



Horizon Technology Finance

Form ADV Part 2A Firm Brochure

as of March 29, 2023

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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 HORIZON TECHNOLOGY FINANCE MANAGEMENT LLC at 860-676-8654 or by email at jay@horizontechfinance.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional information about HORIZON TECHNOLOGY FINANCE MANAGEMENT LLC is available on the SEC’s website at www.adviserinfo.sec.gov and on HORIZON TECHNOLOGY FINANCE MANAGEMENT LLC’s website at www.horizontechfinance.com.

HORIZON TECHNOLOGY FINANCE MANAGEMENT LLC is registered as an investment adviser with the SEC. Registration as an investment adviser does not imply that HORIZON TECHNOLOGY FINANCE MANAGEMENT LLC possesses any certain level of skill or training.



ITEM 2: Material Changes

This Form ADV Part 2A Firm Brochure (this “Brochure”) annual amendment contains material changes from HTFM’s last annual amendment, which was filed with the SEC on March 10, 2022.

Material changes include:

- Item 4: Expansion of the description of HTFM’s advisory business and advisory services, including updates to the ownership of HTFM;
- Item 5: Expansion of the description of HTFM’s fees and compensation, including the addition of other fees and expenses, the allocation of expenses and payment of fees and expenses;
- Item 6: Addition of disclosure regarding conflicts of interest associated with performance-based fees and side-by-side management of client accounts;
- Item 7: Expansion of the description of types of HTFM clients;
- Item 10: Expansion of financial industry affiliations;
- Item 11: Expansion of the description of HTFM’s code of ethics and employee personal trading and addition of disclosure regarding conflicts of interest associated with participation or interest in client transactions;
- Item 12: Expansion of HTFM’s brokerage practices;
- Item 15: Clarification regarding custody of client funds and securities;
- Item 16: Expansion of the description of HTFM’s investment authority and investment discretion; and
- Item 17: Expansion of the description of the voting of client securities by HTFM.



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ITEM 4: Advisory Business

Firm Description and Ownership

Founded in 2008, Horizon Technology Finance Management LLC (“HTFM”) provides investment management services to its advisory clients, including, but not limited to, closed-end management investment companies that have elected to be regulated as business development companies (“BDC”) under the Investment Company Act of 1940, as amended (the “Company Act”), other management investment companies (collectively with BDC Clients, “Investment Company Clients”) and other institutional clients (collectively, “Clients”).

HTFM is privately owned. Horizon Technology Finance Principals LLC (“HTFP”) owns 54% of the membership interests, and 100% of the voting control, of HTFM and Horizon Technology Finance Employees LLC (“HTFE”) owns 46% of the membership interests of HTFM. HTFP is wholly owned by Robert D. Pomeroy, Jr., HTFM’s Chief Executive Officer, and Gerald A. Michaud, HTFM’s President. Robert D. Pomeroy, Jr. and Gerald A. Michaud are designated as managers of HTFM and have full power and authority to manage the operations and affairs of HTFM and to carry out its business.

On February 22, 2023, HTFM, HTFP and HTFE entered into a Membership Interest Purchase Agreement with MCH Holdco LLC (“MCH Holdco”), an affiliate of Monroe Capital LLC (“Monroe Capital”), and Monroe Capital Investment Holdings, L.P., an affiliate of Monroe Capital and the sole stockholder of MCH Holdco (“MCIH” and, together with MCH Holdco and Monroe Capital, “Monroe”), pursuant to which HTFP and HTFE will sell all of their membership interests in HTFM (which constitute 100% of the membership interests of HTFM) to MCH Holdco and HTFM will become a direct wholly owned subsidiary of MCH Holdco and an affiliate of Monroe Capital (the “Transaction”). Subject to customary closing conditions, the Transaction is expected to close around the end of May 2023.

Types of Advisory Services

HTFM provides investment management services to its Clients, including identifying investment opportunities, conducting diligence on and valuing prospective investments, negotiating investments and managing diversified portfolios of Venture Loans (as defined below).

HTFM sources and makes debt investments to venture capital and private equity-backed companies and publicly targeted companies (“Venture Loans”) in the technology, life science, healthcare information and services and sustainability/cleantech industries (collectively, “Target Industries”) and manages such debt investments for its Clients (“Venture Lending”). HTFM seeks to maximize its Clients’ investment portfolios’ total return by generating current income from the Venture Loans it makes and capital appreciation from the warrants and other equity interests received when making such Venture Loans. The Venture Loans are typically secured by first liens, first liens behind a secured revolving line of credit or liens behind a combination of secured revolving and term debt provided by the same lender. Venture Lending is typically



characterized by (1) the making of a secured debt investment after a venture capital or equity investment in the portfolio company has been made, which investment provides a source of cash to fund the portfolio company's debt service obligations under the Venture Loan, (2) the senior priority of the Venture Loan which requires repayment of the Venture Loan prior to the equity investors realizing a return on their capital, (3) the amortization of the Venture Loan and (4) the receipt of warrants or other success fees with the making of the Venture Loan. HTFM also provides advice on the sale or disposition of any warrants or equity interests obtained in connection with the making of Venture Loans. HTFM's investment advice is limited to the above referenced types of investments.

Tailored Relationships

HTFM enters into investment management agreements, program agreements or similar agreements ("Investment Agreements") with its Clients and manages Client accounts in accordance with such Client's investment guidelines, including any limitations or restrictions on diversification, concentration, investment size limits, etc. For Investment Company Clients, such Investment Company Client's investment objective, guidelines and restrictions are described in the Investment Company Client's registration statement filed with the SEC. To date, all of HTFM's Clients have set forth Venture Loans as the type of investments that HTFM will seek for such Client.

Assets Under Management

As of December 31, 2022, HTFM managed approximately (i) \$766,826,000 of assets on a discretionary basis and (ii) \$234,536,000 of assets on a non-discretionary basis.

ITEM 5: Fees and Compensation

Advisory Fees

For its advisory services to its Clients, HTFM typically receives a fee based on the amount of assets under management, as well as certain incentive fees for performance, as set forth in the Investment Agreement with such Client. HTFM does not have a set fee schedule and fees and other compensation are negotiated with each Client.

For its Clients that are not Investment Company Clients, HTFM may receive a performance-based fee as described in the Investment Agreement with each Client. Typically, the performance-based fee is based on a percentage of cash flow from the investments made on behalf of the Client after the return to the Client of all capital invested by the Client and a certain preferred return.

Information concerning the fees and other compensation paid to HTFM by its Investment Company Clients can be found in the Investment Company Client's registration statement and investment management agreement filed with the SEC. If there are questions regarding the fees



and compensation of an Investment Company Client, please contact HTFM as set forth on the cover page to this Brochure.

Other Fees and Compensation

Administrative Fees

HTFM may provide administrative services to its Client pursuant to a written administrative services agreement. For such administrative services, HTFM receives administrative fees and is reimbursed for the Client's allocable portion of HTFM's administrative expense incurred in providing such services, including rent and other overhead, and the costs of compensation and related expenses of the chief compliance officer, the chief financial officer and their respective staffs.

Other Fees and Client Expenses

Depending on the Client's written Investment Agreement with HTFM, HTFM may receive a commission from the Client for originating a loan for the Client. Otherwise, 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.

In addition to the advisory fees, administrative fees and other fees described above, Clients may be responsible to reimburse HTFM for certain other fees and expenses. Any such other fees and expenses are set forth in the Client's written Investment Agreement with HTFM.

Clients may also be responsible for certain other fees and expenses relating to the Client's investments or accounts, including, among others, transaction charges, service provider fees, organizational, operational and fund expenses, professional fees, valuation service fees, audit fees, tax preparation fees, taxes and other governmental charges, insurance premiums or other similar fees and expenses.

Allocation of Expenses

In circumstances where expenses are incurred by HTFM that are allocable to more than one Client, HTFM will allocate such expenses among all applicable Clients on a pro rata basis.

Payment of Fees and Expenses

The timing of payments relating to fees and other expenses is set forth in the Client's Investment Agreement or administrative services agreement. Asset-based and incentive fees are generally calculated quarterly in arrears based on asset values as of the end of the quarter. Asset-based and incentive fees are either invoiced directly to the Client or deducted directly from the Client's account as set forth in the Client's Investment Agreement. If a Client begins or terminates its



relationship with HTFM during the quarter, the asset-based and incentive fees are prorated for the number of days during the quarter the Client was a client of HTFM.

Performance-based fees are calculated in arrears. The timing of payment of performance-based fees varies by Client and is set forth in the Client's Investment Agreement. Performance-based fees are either invoiced directly to the Client or deducted directly from the Client's account as set forth in the Client's Investment Agreement. If a Client begins or terminates its relationship with HTFM during the performance period, the performance-based fees are prorated for the number of days during the year the Client was a client of HTFM.

Administrative expenses are generally calculated quarterly in arrears. Administrative fees are either invoiced directly to the Client or deducted directly from the Client's account as set forth in the Client's administrative services agreement.

ITEM 6: Performance-Based Fees and Side-by-Side Management

As described Item 5: Fees and Compensation above, HTFM may receive performance-based fees from Clients. HTFM recognizes that the management of accounts with performance-based fee arrangements alongside accounts with lower or no performance-based fee arrangements creates certain conflicts of interest. HTFM may have an incentive to select or make investments with a greater potential for return but are also riskier or more speculative on behalf of Clients with performance-based fee arrangements than would be the case in the absence of such performance-based fee arrangement. The payment by some, but not all, Clients of performance-based fees or the payment of performance-based fees at differing rates may create an incentive for HTFM to favor Clients paying performance-based fees or Clients' paying higher performance-based fees by disproportionately allocating time, services and resources or investment opportunities to Clients' paying performance-based fees or Clients' paying higher performance-based fees.

To mitigate the conflicts of interest associated with managing Clients with different fee arrangements, HTFM has policies and procedures in place to provide for the allocation of investment opportunities equally to all Clients, subject to underlying investment philosophy, diversification and concentration limits, mandates, investment size limits and SEC exemptive relief.

ITEM 7: Types of Clients

As described in Item 4: Advisory Services above, HTFM provides investment management services to its advisory clients, including, but not limited to, closed-end management investment companies that have elected to be regulated as BDCs, other management investment companies, and other institutional clients.

HTFM may also have non-client relationships with certain entities for which HTFM provides services and receives compensation. These services are provided pursuant to a written agreement between HTFM and such entity. While such entity is not an investment management



Client of HTFM, in certain circumstances and in HTFM's discretion, HTFM may elect to treat such entities in the same manner as it treats its Clients for purposes of HTFM's policies and procedures, including allocation of investment opportunities.

ITEM 8: 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:

- *Structured investments in the venture capital and private and public equity markets.* HTFM makes loans on behalf of its Clients to development-stage companies within its Target Industries typically in the form of secured loans. The secured debt structure provides a lower risk strategy, as compared to equity or unsecured debt investments, to participate in the emerging technology markets because the debt structures HTFM typically utilizes provide collateral against the downside risk of loss, provide return of capital in a much shorter timeframe through current-pay interest and amortization of principal and have a senior position to equity in the borrower's capital structure in the case of insolvency, wind down or bankruptcy. Unlike venture capital and private equity investments, Clients' investment returns and return of Clients' capital do not require equity investment exits such as mergers and acquisitions or initial public offerings. Instead, return of capital on debt investments is primarily through regularly scheduled payments of principal and interest and, if necessary, liquidation of the collateral supporting the debt investment upon a default. Only the potential gains from warrants depend upon equity investment exits.
- *"Enterprise value" lending.* HTFM takes an enterprise value approach to structuring and underwriting loans on behalf of its Clients. Enterprise value includes the implied valuation based upon recent equity capital invested as well as the intrinsic value of the applicable portfolio company's particular technology, service or customer base. Clients secures a position against the enterprise value of each portfolio company through a lien on all of the assets of the portfolio company or through a lien on all assets of the portfolio company except its intellectual property, with a prohibition on any other party taking a lien on such intellectual property.
- *Creative products with attractive risk-adjusted pricing.* Each existing and prospective portfolio company has its own unique funding needs for the capital provided from the proceeds of Venture Loans. These funding needs include funds for additional



development “runways”, funds to hire or retain sales staff or funds to invest in research and development in order to reach important technical milestones in advance of raising additional equity. Clients’ loans include current-pay interest, commitment fees, end-of-term payments, pre-payment fees, success fees and non-utilization fees. HTFM believes it has developed pricing tools, structuring techniques and valuation metrics that satisfy portfolio companies’ financing requirements while mitigating risk and maximizing returns on its Clients’ investments.

- *Opportunity for enhanced returns.* To enhance debt investment portfolio returns, in addition to interest and fees, HTFM frequently obtains warrants on behalf of its Clients to purchase the equity of portfolio companies as additional consideration for making debt investments. The warrants generally include a “cashless exercise” provision to allow the exercise of these rights without requiring any additional cash investment. Obtaining warrants in portfolio companies provides participation in the equity appreciation of portfolio companies, which may generate higher returns for Clients’ investors.
- *Direct origination.* HTFM originates transactions directly with technology, life science, healthcare information and services and sustainability/cleantech companies. These transactions are referred to HTFM from a number of sources, including referrals from, or direct solicitation of, venture capital and private equity firms, portfolio company management teams, legal firms, accounting firms, investment banks, portfolio company advisors and other lenders that represent companies within HTFM’s Target Industries. HTFM has been the sole or lead originator in substantially all transactions in which Clients have invested.
- *Disciplined and balanced underwriting and portfolio management.* HTFM uses a disciplined underwriting process that includes obtaining information validation from multiple sources, extensive knowledge of its 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. HTFM seeks to balance the investment portfolios of its Clients to reduce the risk of down-market cycles associated with any particular industry or sector, development-stage or geographic area by quarterly reviewing each criteria and, in the event there is an overconcentration, seeking investment opportunities to reduce such overconcentration. HTFM employs a “hands on” approach to portfolio management, requiring private portfolio companies to provide monthly financial information and to participate in regular updates on performance and future plans. For public companies, HTFM typically relies on publicly reported quarterly financials.



Risk of Loss

All investment programs have certain risks that are borne by the Client. There can be no assurance that investments will not lose money, including the potential loss of the entire investment. HTFM's investment approach constantly keeps the risk of loss in mind. Clients 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 Clients' 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 portfolio company with only enough capital to reach the next stage of development. It is possible that one or more 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 portfolio 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 portfolio 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 Venture Loans during these periods. Adverse economic conditions also may decrease the value of collateral securing some Venture Loans and the value of related equity investments. Economic slowdowns or recessions could lead to financial losses in and a decrease in value of 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 Venture Loans held by Clients. 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 on behalf of its Clients, 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 development-stage 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 development-stage 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 portfolio companies' 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 Venture 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 Venture 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 Venture 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 Venture Loan. Consequently, although such Venture Loan is secured the Client may not receive principal and interest payments according to the Venture 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 Venture Loan, could lose value if the portfolio company's



rights to the intellectual property are challenged or if the portfolio 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 portfolio company's intellectual property. In these cases, Clients may have additional difficulty recovering principal in the event of a foreclosure. Similarly, any equipment securing Venture 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.

HTFM may choose to waive or defer enforcement of covenants.

HTFM structures debt investments in portfolio companies on behalf of its Clients to include business and financial covenants placing affirmative and negative obligations on the operation of such portfolio companies' business and financial condition. However, from time-to-time, HTFM may elect to waive breaches of these covenants, including the right to payment, or waive or defer enforcement of remedies, such as acceleration of obligations or foreclosure on collateral, depending upon the financial condition and prospects of the particular portfolio company. These actions may reduce the likelihood of receiving the full amount of future payments of interest or principal and be accompanied by a deterioration in the value of the underlying collateral as many of these portfolio companies may have limited financial resources, may be unable to meet future obligations and may go bankrupt. These events could harm the financial condition and operating results of Clients.

Portfolio companies may incur debt that ranks equally with, or senior to, Clients' investments in such portfolio companies.

HTFM plans to primarily make Venture Loans on behalf of its Clients in portfolio companies. Some portfolio companies will be permitted to have other debt that ranks equally with, or senior to, Clients' Venture Loans. By their terms, these debt instruments may provide that the holders of such debt investments are entitled to receive payment of interest or principal on or before the dates on which Clients are entitled to receive payments of interest or principal in respect of their Venture Loans. These debt instruments may prohibit the portfolio companies from paying interest on or repaying Clients' Venture Loans 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 Clients' Venture Loan in such portfolio company would typically be entitled to receive payment in full before Clients receive any payment in respect of their Venture Loan. After repaying senior creditors, a portfolio company may not have any remaining assets to use for repaying its Venture Loan. In the case of debt ranking equally with Clients' Venture 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 Venture 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 their claim to that of other creditors. Clients 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 a 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 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 Clients may lose money on their 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, a portfolio company's success depends, in large part, upon the abilities of the key management personnel of such portfolio company, who are responsible for day-to-day operations. Competition for qualified personnel is intense at any stage of a portfolio company's development. The loss of one or more key managers can hinder or delay a portfolio company's implementation of its business plan and harm its financial condition. A portfolio company may not be able to attract and retain qualified managers and personnel. Any inability to do so may negatively affect Clients' 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 Clients' investment returns.



Clients may hold the debt securities of leveraged companies that may, due to the significant volatility of such companies, experience bankruptcy or similar financial distress.

Leveraged companies may experience bankruptcy, receivership or similar financial distress. The debt investments of distressed companies may not produce income, may require Clients to bear certain expenses or to make additional advances in order to protect their investment and may subject Clients to uncertainty as to when, in what manner (e.g., through liquidation, reorganization, receivership or bankruptcy) and for what value such distressed debt will eventually be satisfied. In the event that a plan of reorganization is adopted or a receivership is established, in exchange for a debt investment, Clients may receive non-cash proceeds, including equity securities or license or royalty agreements with contingent payments, which may require significantly more of HTFM's time and attention to manage. In addition, if Clients take control of a distressed company in connection with a reorganization, it could require Clients to bear additional costs and significant amounts of HTFM's time and attention to manage.

If a portfolio company enters a bankruptcy process, the debt investment will be subject to a number of significant inherent risks. Many events in a bankruptcy proceeding are the product of contested matters and adversarial proceedings and are beyond the control of the creditors. A bankruptcy filing by a portfolio company may adversely and permanently affect the portfolio company. If the proceeding is converted to a liquidation, the value of the portfolio company may not equal the liquidation value that was believed to exist at the time of the debt investment. The duration of a bankruptcy proceeding is also difficult to predict, and Clients' return on investment can be adversely affected by delays until the plan of reorganization or liquidation ultimately becomes effective. The administrative costs of a bankruptcy proceeding are frequently high and would be paid out of the portfolio company's estate prior to any return to creditors. Because the standards for classification of claims under bankruptcy law are vague, HTFM's influence with respect to the class of securities or other obligations Clients own may be lost by increases in the number and amount of claims in the same class or by different classification and treatment. In the early stages of the bankruptcy process, it is often difficult to estimate the extent of, or even to identify, any contingent claims that might be made. In addition, certain claims that have priority by law (for example, claims for taxes) may be substantial.

Portfolio companies operating in the technology industry are subject to risks particular to that industry.

Companies in the technology industry face intense competition as their businesses are rapidly evolving and intensely competitive, and are subject to changing technology, shifting user needs, and frequent introductions of new products and services. The growth of certain technology sectors (such as communications, networking, data storage, software, cloud computing, and internet and media) into a variety of new fields implicates new regulatory issues and may result in portfolio companies in such sectors being subject to new regulations.

Portfolio companies in the technology 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. In addition, litigation regarding intellectual property rights is common in the sectors of the technology industry. Any of these factors could materially and adversely affect the operations of a portfolio company in the technology industry and, in turn, impair their ability to timely make payments of principal and interest on Clients' Venture Loans.

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 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. In addition, new laws, regulations or judicial interpretations of existing laws and regulations might adversely affect a portfolio company in the life science industry.

The successful and timely implementation of the business model of life science companies depends on their ability to adapt to changing technologies and introduce new products. The success of new product offerings will depend, in turn, on many factors, including the ability to properly anticipate and satisfy customer needs, obtain regulatory approvals on a timely basis, develop and manufacture products in an economic and timely manner, obtain or maintain advantageous positions with respect to intellectual property, and differentiate products from those of competitors.

Further, the development of products (including medical devices or drugs) by life science companies requires significant research and development, clinical trials and regulatory approvals. The results of product development efforts may be affected by a number of factors, including the ability to innovate, develop and manufacture new products, complete clinical trials, obtain regulatory approvals and reimbursement by insurers in the U.S. (including Medicare and Medicaid) and abroad, or gain and maintain market approval of products. In addition, patents attained by others can preclude or delay the commercialization of a product. There can be no assurance that any products now in development will achieve technological feasibility, obtain regulatory approval, or gain market acceptance. Failure can occur at any point in the development process, including after significant funds have been invested. Products may fail to reach the market or may have only limited commercial success because of efficacy or safety concerns, failure to achieve positive clinical outcomes, inability to obtain necessary regulatory approvals, failure to achieve market adoption, limited scope of approved uses, excessive costs to manufacture, failure to establish or maintain intellectual property rights, infringement by others of a company's intellectual property rights, or infringement by a company of intellectual property rights of others.

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 the life science industry and, in turn, impair their ability to timely make payments of principal and interest on Clients' Venture Loans.

Portfolio companies operating in the healthcare information and services industry are subject to extensive government regulation and certain other risks particular to that industry.

Companies in the healthcare information and services industry provide technology to companies that are subject to extensive regulation, including Medicare and Medicaid payment rules and regulation, the False Claims Act and federal and state laws regarding the collection, use and disclosure of patient health information and the storage, handling and administration of pharmaceuticals. If any of such portfolio companies or the companies to which they provide such technology 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 in the healthcare information or services industry are also subject to the risk that changes in applicable regulations will render their technology obsolete or less desirable in the marketplace.

Portfolio companies in the healthcare information and services 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 the healthcare information and services industry and, in turn, impair their ability to timely make payments of principal and interest on Clients' Venture Loans.

Investments in the sustainability/cleantech industry are subject to many risks, including volatility, intense competition, unproven technologies, periodic downturns and potential litigation.

Investments in sustainability/cleantech companies are subject to substantial operational risks, such as underestimated cost projections, unanticipated operation and maintenance expenses, loss of government subsidies, and inability to deliver cost-effective alternative energy solutions compared to traditional energy products. In addition, energy companies employ a variety of means of increasing cash flow, including increasing utilization of existing facilities, expanding operations through new construction or acquisitions, or securing additional long-term contracts. Thus, some energy companies may be subject to construction risk, acquisition risk or other risks arising from their specific business strategies. Furthermore, production levels for solar, wind and other renewable energies may be dependent upon adequate sunlight, wind, or biogas production, which can vary from market to market and period to period, resulting in volatility in production levels and profitability. In addition, sustainability/cleantech companies may have narrow product lines and small market shares, which tend to render them more vulnerable to competitors' actions and market conditions, as well as to general economic downturns. The revenues, income (or losses) and valuations of sustainability/cleantech companies can and often



do fluctuate suddenly and dramatically and the markets in which sustainability/cleantech companies operate are generally characterized by abrupt business cycles and intense competition. Demand for sustainability and renewable energy is also influenced by the available supply and prices for other energy products, such as coal, oil and natural gas. A decrease in prices in these energy products could reduce demand for alternative energy. Sustainability/cleantech companies face potential litigation, including significant warranty and product liability claims, as well as class action and government claims. Such litigation could adversely affect the business and results of operations of sustainability/cleantech portfolio companies.

Sustainability/cleantech companies are subject to extensive government regulation and certain other risks particular to the sectors in which they operate, and such companies' business and growth strategy could be adversely affected if government regulations, priorities and resources impacting such sectors change or if such companies fail to comply with such regulations.

Portfolio companies in sustainability/cleantech sectors may be subject to extensive regulation by foreign, U.S. federal, state and/or local agencies. Changes in existing laws, rules or regulations, or judicial or administrative interpretations thereof, uncertainty regarding such changes or new laws, rules or regulations could have an adverse impact on such portfolio companies' business and industries. In addition, changes in government priorities or limitations on government resources could also adversely impact such 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 Clients' investment returns. Furthermore, if 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 may be 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 particular, there is considerable uncertainty about whether foreign, U.S. federal, state and/or local governmental entities will enact or maintain legislation or regulatory programs that mandate reductions in greenhouse gas emissions or provide incentives for sustainability/cleantech companies. Without such regulatory policies, investments in sustainability/cleantech companies may not be economical and financing for sustainability/cleantech companies may become unavailable, which could materially adversely affect such companies' ability to repay their debt, including Clients' Venture Loans. Any of these factors could materially and adversely affect the operations and financial condition of a portfolio company and, in turn, the ability of the portfolio company to repay their debt.

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 Clients' 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 portfolio companies often depends on their ability to continually innovate in increasingly competitive markets. If they are unable to do so, Clients' investment returns could be adversely affected and portfolio companies' ability to service their debt obligations over the life of each Venture 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 Clients' Venture 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 Venture Loan and the value of any related debt and equity securities that Clients own, as well as any collateral securing such Venture Loan.

HTFM does not expect to control any of Clients' portfolio companies.

HTFM does not expect nor does it expect its Clients will control any portfolio companies, even though the debt agreements for Venture 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 Client 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



portfolio 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 a debt investor. Due to the lack of liquidity of the investments that are typically held by Clients in 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.

HTFM, on behalf of its Clients, may invest in foreign portfolio companies or secure investments with the assets of portfolio companies' foreign subsidiaries.

HTFM may invest Clients' funds in securities of foreign companies. Additionally, certain debt investments consisting of secured loans to portfolio companies with headquarters and primary operations located within the U.S. may be secured by the assets of a portfolio company's foreign subsidiary. Investments involving foreign companies may involve greater risks. These risks include: (i) less publicly available information; (ii) varying levels of governmental regulation and supervision; and (iii) the difficulty of enforcing legal rights in a foreign jurisdiction and uncertainties as to the status, interpretation and application of laws. Moreover, foreign companies are generally not subject to uniform accounting, auditing and financial reporting standards, practices and requirements comparable to those applicable to U.S. companies. Debt investments secured by the assets of a portfolio company's foreign subsidiary may be subject to various laws enacted in their home countries for the protection of debtors or creditors, which could adversely affect Clients' ability to recover amounts owed. Insolvency considerations will differ depending on the country in which each foreign subsidiary is located and may differ depending on whether the foreign subsidiary is a non-sovereign or a sovereign entity. The economies of individual non-U.S. countries may also differ from the U.S. economy in such respects as growth of gross domestic product, rate of inflation, volatility of currency exchange rates, depreciation, capital reinvestment, resources self-sufficiency and balance of payments position. Accordingly, debt investments secured by the assets of a portfolio company's foreign subsidiary could face risks which would not pertain to debt investments solely in U.S. portfolio companies.

ITEM 9: Disciplinary Information

HTFM and its employees do not have any legal or disciplinary events to report that would be material to a Client's or prospective client's evaluation of HTFM's advisory business or the integrity of HTFM's management.

ITEM 10: Other Financial Industry Activities and Affiliations

Financial Industry Activities

HTFM is registered as an investment adviser under the Investment Advisers Act of 1940, as amended (the "Advisers Act").



Affiliations

HTFM is the investment adviser to Horizon Technology Finance Corporation (“HRZN”), a publicly traded non-diversified closed-end management investment company that has elected to be regulated as a BDC under the Company Act. Senior officers of HTFM serve as officers of HRZN. HTFM and HRZN have entered into an administration agreement pursuant to which HTFM provides HRZN with office facilities, equipment, clerical, bookkeeping, recordkeeping and other administrative services at such facilities.

ITEM 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Code of Ethics and Personal Trading

HTFM has adopted a Code of Ethics and Personal Trading Policy (the “Code of Ethics”) pursuant to Rule 204A-1 under the Advisers Act, and Rule 17j-1 under the Company Act. A copy of HTFM’s Code of Ethics is available on its website at www.horizontechfinance.com on the “Investor Relations” page under “Corporate Governance.” HTFM will provide a copy of the Code of Ethics to any Client or prospective client upon request by contacting HTFM as set forth on the cover page to this Brochure.

The Code of Ethics applies to all HTFM employees and other individuals that HTFM’s chief compliance officer deems appropriate (“Covered Persons”). The Code of Ethics, among other things, (1) establishes standards of conduct and procedures for Covered Persons relating to personal securities transactions and related accounts that reflect the fiduciary obligations HTFM and Covered Persons owe to Clients; (2) requires Covered Persons to comply with applicable securities laws and regulations; (3) requires Covered Persons to periodically disclose personal securities transactions and holdings for their personal securities accounts; (4) requires Covered Persons to report any violations of the Code of Ethics promptly to HTFM’s chief compliance officer; and (5) requires HTFM to provide Covered Persons with a copy of HTFM’s Code of Ethics annually and when amendments are made, and requires Covered Persons to provide HTFM with written acknowledgment that they have received and read the Code of Ethics, and any amendments thereto, and agree to comply with it.

Covered Persons may invest in securities for their personal investment accounts, including securities that may be purchased or sold by HTFM or securities of HTFM’s Clients so long as such personal investments are made in accordance with the Code of Ethics, including the requirement to seek approval before purchasing or selling certain securities in accordance with the Code of Ethics.

Participation or Interest in Client Transactions

Conflicts Among Client Interests. Conflicts of interest may arise where HTFM or its Covered Persons have reason to favor the interests of one Client over another Client (e.g., larger accounts



over smaller accounts; accounts compensated by performance-based fees over accounts compensated differently; accounts in which employees have made material personal investments; or accounts of close friends or relatives of Covered Persons). Favoritism of one group of Clients over another is prohibited under the Code of Ethics.

Competing with Client Trades. Covered Persons are prohibited by the Code of Ethics from using knowledge about pending or currently considered securities transactions for Clients to profit personally (directly or indirectly) as a result of such transactions, including by purchasing or selling such securities for their own, their family's or their friends' accounts or by relaying such information to others for their use.

Disclosure of Personal Interest. Covered Persons are prohibited by the Code of Ethics from recommending, implementing or considering any securities transaction for a Client without first disclosing any material beneficial ownership, business or personal relationship, or other material interest in the issuer of such security or its affiliates, to the chief compliance officer of HTFM. In addition, Covered Persons must obtain approval before agreeing to serve as a director or an officer of an outside company or before engaging in an outside business activity. If the disclosed interest is deemed to present a material conflict, the Covered Person may not participate in any decision-making process regarding the securities of that issuer.

ITEM 12: Brokerage Practices

HTFM makes Venture Loans on behalf of its Clients in privately negotiated transactions. Such Client transactions do not require the use and engagement of brokers or dealers or the payment of brokerage commissions. HTFM does not regularly use brokers or dealers to provide research or other products or services other than the execution of trades and dispositions of equity securities obtained on behalf of a Client. HTFM may recommend brokerage firms to its Clients when executing the sale of equity securities obtained by its Clients, but Clients make the selection. HTFM bases its recommendation to Clients on the ability of the broker to handle the sale in a timely and cost-efficient manner. Because of the limited number of transactions that require the use of brokers and Clients select the broker, Clients may pay a higher brokerage commission when transactions are executed. HTFM receives no benefits from any brokers that execute trades for its Clients. HTFM reviews the execution of all trades. Not all investment advisers require their clients to select brokers and have the authority to select brokers on their clients' behalf.

If trade execution is required and one or more Clients are purchasing or selling the same security, HTFM will generally aggregate orders in a single transaction unless HTFM and the Client determine that aggregation is not in the best interest of the Client. A Client may pay a higher brokerage commission if such Client's trade is not aggregated to reduce transaction costs.



ITEM 13: Review of Accounts

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

The management of Client accounts is the responsibility of HTFM's executive officers and its investment committee who work with credit officers of HTFM. At least quarterly, HTFM contacts portfolio companies for operational and financial updates by phone and/or email and typically performs onsite reviews on an annual basis. As described below, 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 portfolio companies. Using this system, HTFM analyzes and then rates the credit risk within a portfolio company 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 portfolio companies 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 on a monthly basis. These credit ratings are generated internally by HTFM, and HTFM cannot guarantee that others would assign the same ratings to portfolio companies.

ITEM 14: Client Referrals and Other Compensation

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

ITEM 15: Custody

HTFM does not have custody of Client funds or securities pursuant to Rule 206(4)-2 of the Advisers Act. HTFM's Investment Company Clients maintain self-custody of funds and securities pursuant to Rule 17f-2 of the Company Act.

ITEM 16: Investment Discretion

For its Investment Company Clients, HTFM enters into investment management agreements that provide HTFM with discretionary authority to manage assets on behalf of its Investment Company Clients. HTFM is provided with discretionary authority to determine which assets are to be bought or sold and in what amounts and on what terms to buy or sell assets on behalf of an Investment Company Client's account, without obtaining specific Investment Company Client consent. HTFM makes investment decisions with a view towards achieving an Investment Company's Client's investment objectives. If an Investment Company Client wishes to limit or



restrict HTFM's investment discretion, such Investment Company Client will establish specific investment guidelines for its account, which will provide for any limitations or restrictions.

For other Clients, HTFM enters into investment or program agreements that do not provide HTFM with discretionary authority to manage assets on behalf of such Clients. HTFM is provided with specific investment guidelines and HTFM must obtain specific Client consent prior to buying or selling assets on behalf of such Clients.

ITEM 17: Voting Client Securities

HTFM has adopted a Proxy Voting Policy that requires HTFM to vote proxies in the best interest of its Clients. For Clients in which HTFM has discretionary authority to vote proxies on securities, including Investment Company 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 the Client. Although HTFM generally votes against proposals that may have a negative impact on a Client's portfolio securities, HTFM may vote for such a proposal if there exists compelling long-term reasons to do so. Proxy voting decisions are made by HTFM's senior management who are responsible for monitoring Clients' investments.

For Clients in which HTFM does not have discretionary authority to vote proxies on securities, HTFM votes proxies on securities only at the direct instruction of such Clients.

To ensure that a vote by HTFM is not the product of a conflict of interest, HTFM requires that (i) employees involved in the decision-making process disclose to the chief compliance officer any potential conflict of interest of which he or she is aware and disclose any contact that he or she has had with any interested party regarding the vote and (ii) employees involved in the decision-making process or vote administration are prohibited from revealing how HTFM intends to vote on a proposal to reduce any attempted influence from interested parties.

Clients can obtain a copy of HTFM's Proxy Voting Policy and information about how HTFM voted proxies relating to their securities, free of charge, by contacting HTFM as set forth on the cover page to this Brochure.

ITEM 18: Financial Information

This item is not applicable.