As filed with the Securities and Exchange Commission on July 2, 2010
Securities Act Registration No. 333-165570

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

Form N-2

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

Pre-Effective Amendment No. 2 ☒
Post-Effective Amendment No. ☐

Horizon Technology Finance Corporation

(Exact name of Registrant as specified in its charter)

76 Batterson Park Road
Farmington, Connecticut 06032
(Address of Principal Executive Offices)

(860) 676-8654
(Registrant's Telephone Number, Including Area Code)

Robert D. Pomeroy, Jr.
Chief Executive Officer
Horizon Technology Finance Corporation
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Farmington, Connecticut 06032
(Name and Address of Agent for Service)

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APPROXIMATE DATE OF PROPOSED PUBLIC OFFERING:
As soon as practicable after the effective date of this Registration Statement.

If any securities being registered on this form will be offered on a delayed or continuous basis in reliance on Rule 415 under the Securities Act of 1933, other than securities offered in connection with a dividend reinvestment plan, check the following box. ☐

It is proposed that this filing will become effective (check the appropriate box)

☐ When declared effective pursuant to section 8(c)

If appropriate, check the following box:

☐ This [post-effective] amendment designates a new effective date for a previously filed [post-effective amendment][registration statement].

☐ This form is filed to register additional securities for an offering pursuant to Rule 462 (b) under the Securities Act and the Securities Act registration number of the earlier effective registration statement for the same offering is .

CALCULATION OF REGISTRATION FEE UNDER THE SECURITIES ACT OF 1933

Title of Securities Being Registered	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee
Common Stock, $0.001 par value per share	$125,000,000	$8,912.50(2)

(1) Estimated pursuant to Rule 457(o) solely for the purpose of determining the registration fee.

(2) Previously paid.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that the Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such dates as the Commission, acting pursuant to said Section 8(a), may determine.

The information in this prospectus is not complete and may be changed. We may not sell these securities until the Securities and Exchange Commission declares our registration statement effective. This prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

PROSPECTUS (Subject to Completion)
Preliminary Prospectus dated July 2, 2010

Shares

Horizon Technology Finance Corporation

COMMON STOCK

We are a non-diversified closed-end management investment company that intends to file an election to be regulated as a business development company under the Investment Company Act of 1940. We were formed to continue and expand the business of Compass Horizon Funding Company LLC, a Delaware limited liability company, which commenced operations in March 2008 and will become our wholly owned subsidiary in connection with this offering. We are externally managed by Horizon Technology Finance Management LLC.

Our investment objective is to maximize our investment portfolio's return by generating current income from the loans we make and capital appreciation from the warrants we receive when making such loans. We make secured loans to development-stage companies in the technology, life science, healthcare information and services, and cleantech industries.

This is our initial public offering, and there is no prior public market for our shares. We are offering shares of common stock, and the selling stockholder, Compass Horizon Partners, LP, is offering shares of our common stock. We will not receive any of the net proceeds from the sale of shares of our common stock by Compass Horizon Partners, LP. Following the completion of this offering, Compass Horizon Partners, LP will own approximately % of our common stock.

We anticipate that the initial public offering price will be between $ and $ per share. We have applied to have our common stock approved for listing on The NASDAQ Global Market under the symbol "HRZN."

This prospectus contains important information you should know before investing in our common stock and should be retained for future reference. Upon completion of this offering, we will file annual, quarterly and current reports, proxy statements and other information about us with the Securities and Exchange Commission. Upon closing of this offering, we will maintain a website at http://www.horizontechnologyfinancecorp.com and intend to make all of the foregoing information available, free of charge, on or through our website. You may also obtain such information by contacting us at 76 Batterson Park Road, Farmington, Connecticut 06032 or by calling us at (860) 676-8654. The Securities and Exchange Commission maintains a website at http://www.sec.gov where such information is available without charge upon request. Information contained on our website is not incorporated by reference into this prospectus, and you should not consider information contained on our website to be part of this prospectus.

Investing in our common stock should be considered highly speculative and involves a high degree of risk. See "Risk Factors" beginning on page 16. This is our initial public offering, and there is no prior public market for our shares. Based on an assumed initial public offering price of $ per share (the mid-point of the range set forth herein), purchasers in this offering will experience immediate dilution of approximately $ per share. Shares of closed-end investment companies, including business development companies, frequently trade at a discount from their net asset value. If our shares trade at a discount to our net asset value, the risk of loss for purchasers in this offering may increase. See "Risk Factors — Risks Related to this Offering and our Common Stock — Investors in this offering will incur immediate dilution upon the closing of this offering" on page 34 and "Dilution" on page 48.

PRICE $ A SHARE

	Price to Public	Sales Load (Underwriting Discount and Commissions)	Proceeds, Before Expenses, to Horizon Technology Finance Corporation(1)	Proceeds to Selling Stockholder(2)
Per Share	$	$	$	$
Total	$	$	$	$

(1) We estimate that we will incur expenses of approximately $1.5 million in connection with this offering. Stockholders will indirectly bear such expenses as investors in Horizon Technology Finance Corporation.

(2) We will pay all offering expenses incident to the offer and sale of shares of our common stock in this offering by the selling stockholder (excluding underwriting discounts and commissions). We estimate that we will incur approximately $ of such expenses.

The underwriters may also purchase up to an additional shares of common stock from us at the public offering price, less the sales load, within 30 days of the date of this prospectus to cover any over-allotments. If the underwriters exercise this option in full, the total price to the public, sales load and proceeds will be $, $, and $, respectively.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares of common stock to purchasers on or about , 2010.

MORGAN STANLEY UBS INVESTMENT BANK

Stifel Nicolaus

Morgan Keegan & Company, Inc.

RBC Capital Markets

BMO Capital Markets

Lazard Capital Markets **Northland Capital Markets**

, 2010

You should rely only on the information contained in this prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information in this prospectus is accurate only as of the date of this prospectus. Our business, financial condition and prospects may have changed since that date. We will update this prospectus to reflect material changes to the information contained herein. Additionally, there is no minimum offering requirement and, as a result, there is a risk that we could be undercapitalized after the completion of this offering.

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PROSPECTUS SUMMARY

This summary highlights some of the information in this prospectus. It is not complete and may not contain all of the information that you may want to consider before investing in our common stock. You should read the entire prospectus carefully, including "Risk Factors." Horizon Technology Finance Corporation, a Delaware corporation, was formed on March 16, 2010. The shares of common stock being offered to investors in this offering are shares of Horizon Technology Finance Corporation. Compass Horizon Funding Company LLC, a Delaware limited liability company, which we refer to as "Compass Horizon," currently owns all of our portfolio investments and will become our wholly owned subsidiary in connection with this offering. Except where the context suggests otherwise, the terms "we," "us," "our" and "Company" refer to Compass Horizon and its consolidated subsidiary prior to the Share Exchange and to Horizon Technology Finance Corporation and its consolidated subsidiaries after the Share Exchange. See "The Exchange Transaction" in this prospectus for a more detailed discussion of the Share Exchange. In addition, we refer to Horizon Technology Finance Management LLC, a Delaware limited liability company, as "HTFM," our "Advisor" or our "Administrator."

From the date of its organization through the date of this prospectus, all of the outstanding limited liability company interests in Compass Horizon have been owned by its members, Compass Horizon Partners, LP, an exempted limited partnership registered in Bermuda which we refer to as "CHP," and HTF-CHF Holdings LLC, a Delaware limited liability company which we refer to as "HTF-CHF." Collectively, we refer to CHP and HTF-CHF as the "Compass Horizon Owners." CHP is the selling stockholder in this offering.

Our Company

We are an externally-managed, non-diversified closed-end management investment company that intends to file an election to be regulated as a business development company under the Investment Company Act of 1940, as amended, which we refer to as the 1940 Act. In addition, we intend to elect to be treated, and intend to qualify, as a regulated investment company, frequently referred to as a RIC, under Subchapter M of the Internal Revenue Code of 1986, as amended, which we refer to as the "Code," commencing with our taxable year ending on December 31, 2010. We were formed to continue and expand the business of Compass Horizon which was formed in January 2008 and commenced operations in March 2008 and will become our wholly owned subsidiary in connection with this offering. Our Advisor manages our day-to-day operations and also provides all administrative services necessary for us to operate. We invest in development-stage companies in the technology, life science, healthcare information and services, and cleantech industries, which we refer to as our "Target Industries." Our investment objective is to generate current income from the loans we make and capital appreciation from the warrants we receive when making such loans. We make secured loans, which we refer to as "Technology Loans," to development-stage companies backed by established venture capital and private equity firms in our Target Industries, which we refer to as "Technology Lending." To a limited extent, we also selectively lend to publicly traded companies in our Target Industries. See "Business — General" on page 62 for more information about us.

Our existing loan portfolio will continue to generate revenue for us. We believe our existing investment portfolio has performed well since its inception notwithstanding the economic downturn starting in 2008 and continuing through 2009, and we have no realized losses (charge-offs) in our loan portfolio since we commenced operations in March 2008. Our existing portfolio of investments and loan commitments provide the following benefits:

- Interest income from the portfolio will provide immediate income and cash flow allowing for potential near term dividends to our stockholders;
- Capital gains from warrants to purchase either common stock or preferred stock received from our existing investments are expected to be realized sooner than if we were beginning our initial investment operations without an existing portfolio of earning assets; and
- Warrants to purchase either common stock or preferred stock issued to us through the economic downturn have exercise prices at relatively lower valuations due to the depressed equity and debt markets in 2008 and 2009.

Since our inception and through March 31, 2010, we have funded 43 portfolio companies and have invested $173.3 million in loans (including ten loans that have been repaid). See our "Investment Summary" below. As of March 31, 2010, our total investment portfolio consisted of 33 loans which totaled $116.3 million and our members' capital was $62.2 million. As of March 31, 2010, our debt portfolio consisted of 30 secured term loans in the aggregate amount of $110.7 million, two secured revolving loans in the aggregate amount of $2.3 million and one secured equipment loan in the aggregate amount of $3.2 million. All of our existing loans are secured by all or a portion of the tangible and intangible assets of the applicable portfolio company. The loans in our loan portfolio will generally not be rated by any rating agency. For the three months ended March 31, 2010, our loan portfolio had a dollar-weighted average annualized yield of approximately 13.6% (excluding any yield from warrants). As of March 31, 2010, our loan portfolio had a dollar-weighted average term of approximately 41 months from inception and a dollar-weighted average remaining term of approximately 28 months. In addition, we held warrants to purchase either common stock or preferred stock in 38 portfolio companies.

As of March 31, 2010, our loans had an original committed principal amount of between $1 million and $10 million, repayment terms of between 30 and 48 months, and bore current pay interest at annual interest rates of between 10% and 14%.

Pipeline

As of March 31, 2010, we had unfunded loan commitments to four companies, representing $16.7 million. While our portfolio companies have discretion whether to draw down such commitments, in some cases, the right of a company to draw down its commitment is subject to the portfolio company achieving specific milestones (e.g. an additional capital issuance or the completion of a clinical trial).

As of , 2010, our Advisor had executed non-binding term sheets with prospective portfolio companies, representing $. These proposed investments are subject to the completion of due diligence and our Advisor's approval process, as well as negotiation of definitive documentation with the prospective portfolio companies and, as a result, may not result in completed investments. In addition, as of , 2010, our Advisor had issued non-binding term sheets to companies representing $ in potential loans. There is no guarantee that we will enter into any of these transactions.

Our Advisor and Its Personnel

Our investment activities are managed by HTFM, and we expect to continue to benefit from our Advisor's ability to identify attractive investment opportunities, conduct diligence on and value prospective investments, negotiate investments and manage our diversified portfolio of investments. In addition to the years that they have worked together both at our Advisor and prior to the formation by our Advisor of the Company, the members of our investment team have broad lending backgrounds, with substantial experience at a variety of commercial finance companies and private debt funds, and have developed a broad network of contacts within the venture capital and private equity community. This network of contacts provides a principal source of investment opportunities.

Our Advisor is led by five senior managers, including its two co-founders, Robert D. Pomeroy, Jr., our Chief Executive Officer, and Gerald A. Michaud, our President, each of whom has more than 23 years of experience in Technology Lending. Christopher M. Mathieu, our SVP and Chief Financial Officer, has more than 16 years of Technology Lending experience, and each of John C. Bombara, our SVP and General Counsel, and Daniel S. Devorsetz, our SVP and Chief Credit Officer, has more than nine years experience in Technology Lending. Our Advisor has an additional eight experienced professionals with marketing, legal, accounting, and portfolio management experience in Technology Lending. Our Advisor's predecessor, Horizon Technology Finance, LLC, which we refer to as "HTF," was formed in May 2003 by Messrs. Pomeroy and Michaud and began originating loans and investments in April 2004. All of the senior managers of our Advisor were employed by HTF prior to the formation of our Advisor. Our Advisor assumed all of the management operations of HTF. When we refer to our Advisor's historical performance we include the performance of HTF.

Prior to the formation of HTF, members of senior management of our Advisor grew a Technology Lending business for GATX Ventures, Inc., a unit of GATX Corporation, founded and led Transamerica Technology Finance, a division of Transamerica Corporation, and were instrumental in the growth of Financing for Science

International, Inc., a healthcare equipment leasing and Technology Lending company. We believe the personnel of our Advisor have achieved strong returns at each of these institutions throughout multiple business cycles.

Our Strategy

Our investment objective is to maximize our investment portfolio's total return by generating current income from the loans we make and capital appreciation from the warrants we receive when making such loans. We believe our Advisor has demonstrated that its expertise in debt product development, transaction sourcing, its knowledge of our Target Industries, and its disciplined underwriting process create value for our investors. We believe that this expertise results in returns that exceed those typically available from more traditional commercial finance products (such as equipment leasing or middle market lending) while mitigating the risks typically associated with investments in development-stage technology companies.

To further implement our business strategy, our Advisor will continue to employ the following core strategies:

- *Structured Investments in the Venture Capital and Private Equity Markets.* We make loans to development-stage companies within our Target Industries typically in the form of secured amortizing loans. The secured amortizing debt structure provides a lower risk strategy, as compared to equity investments, to participate in the emerging technology markets, because the debt structures we typically utilize provide collateral against the downside risk of loss, provide return of capital in a much shorter timeframe through current pay interest and amortization of loan principal and have a senior position in the capital structure to equity in the case of insolvency, wind down or bankruptcy. Unlike venture capital and private equity-backed investments, our investment returns and return of our capital do not require equity investment exits such as mergers and acquisitions or initial public offerings. Instead, we receive returns on our loans primarily through regularly scheduled payments of principal and interest and, if necessary, liquidation of the collateral supporting the loan. Only the potential gains from warrants are dependent upon exits.
- *"Enterprise Value" Lending.* We take an enterprise value approach to the loan structuring and underwriting process. We secure a senior or subordinated lien position against the enterprise value of a portfolio company and generally our exposure is less than 25% of the enterprise value.
- *Creative Products with Attractive Risk-Adjusted Pricing.* Each of our existing and prospective portfolio companies has its own unique funding needs for the capital provided from the proceeds of our Technology Loans. These funding needs include, but are not limited to, 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. Our loans include current pay interest, commitment fees, pre-payment fees and non-utilization fees. We believe we have developed pricing tools, structuring techniques and valuation metrics that satisfy our portfolio companies' requirements while mitigating risk and maximizing returns on our investments.
- *Opportunity for Enhanced Returns.* To enhance our loan portfolio returns, in addition to interest and fees, we obtain warrants to purchase the equity of our portfolio companies, as additional consideration for making loans. The warrants we obtain generally include a "cashless exercise" provision to allow us to exercise these rights without requiring us to make any additional cash investment. Obtaining warrants in our portfolio companies has allowed us to participate in the equity appreciation of our portfolio companies which we expect will enable us to generate higher returns for our investors.
- *Direct Origination.* We originate transactions directly with technology, life science, healthcare information and services, and cleantech companies. Since it commenced operations in 2004, our Advisor has directly originated more than 110 transactions resulting in over $650 million of Technology Loans. These transactions were referred to our Advisor 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 and other lenders that represent companies within our Target Industries. Our Advisor has been the sole or lead originator in substantially all transactions in which the funds it managed have invested.
- *Disciplined and Balanced Underwriting and Portfolio Management.* We use a disciplined underwriting process that includes obtaining information validation from multiple sources, extensive knowledge of our

Target Industries, comparable industry valuation metrics, and sophisticated financial analysis related to development-stage companies. Our Advisor'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. We seek to balance our investment portfolio to reduce the risk of down market cycles associated with any particular industry or sector, development-stage or geographic area. Our Advisor 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.

- *Use of Leverage; SBA Debenture Program.* We believe our existing credit facility provides us with a substantial amount of capital for deployment into new investment opportunities. Since its inception, Compass Horizon has employed leverage to increase its return on equity through a revolving credit facility provided by WestLB AG, which we refer to as the "Credit Facility." The Credit Facility, pursuant to which we will be able to borrow up to $125 million upon completion of this offering, matures on March 4, 2015. The Credit Facility will begin to amortize on March 4, 2011. In addition, on July 14, 2009, our Advisor received a letter, which we refer to as the "Move Forward Letter," from the Investment Division of the Small Business Administration, which we refer to as the "SBA," that invited our Advisor to continue moving forward with the licensing of a small business investment company, or "SBIC." To the extent that our Advisor receives an SBIC license, we expect to form an SBIC subsidiary which will issue SBA-guaranteed debentures at long-term fixed rates. Under the regulations applicable to SBICs, an SBIC generally may have outstanding debentures guaranteed by the SBA in an aggregate amount of up to twice its regulatory capital. In connection with the filing of the SBA license application, we will be applying for exemptive relief from the Securities and Exchange Commission, which we refer to as the "SEC," to permit us to exclude the debt of the SBIC subsidiary guaranteed by the SBA from the consolidated asset coverage ratio, and, if obtained, will enable us to fund more investments with debt capital. However, there can be no assurance that we will be granted an SBIC license or that if granted it will be granted in a timely manner or that we will receive the exemptive relief from the SEC.

See "Business — Our Strategy" on page 62 for more information about our strategy.

Market Opportunity

Our Target Industries. We intend to focus our investments primarily in four key industries of the emerging technology market: technology, life science, healthcare information and services, and cleantech. The technology industry sectors we intend to focus on include communications, networking, wireless communications, data storage, software, cloud computing, semiconductor, internet and media, and consumer-related technologies. Life science sectors we intend to focus on include biotechnology, drug delivery, bioinformatics, and medical devices. Healthcare information and services sectors we intend to focus on include diagnostics, medical record services and software, and other healthcare related services and technologies that improve efficiency and quality of administered healthcare. Cleantech sectors we intend to focus on include alternative energy, water purification, energy efficiency, green building materials, and waste recycling.

Technology Lending. We believe that Technology Lending has the potential to achieve enhanced returns that are attractive notwithstanding the increased level of risk associated with lending to development-stage companies. Potential benefits include:

- interest rates that typically exceed rates that would be available to portfolio companies if they could borrow in traditional commercial financing transactions;
- the loan support provided by cash proceeds from equity capital invested by venture capital and private equity firms;
- relatively rapid amortization of loans;
- senior ranking to equity and collateralization of loans to minimize potential loss of capital; and
- potential equity appreciation through warrants.

We believe that Technology Lending also provides an attractive financing source for portfolio companies, their management teams and their equity capital investors, as it:

- is typically less dilutive to the equity holders than additional equity financing;
- extends the time period during which a portfolio company can operate before seeking additional equity capital or pursuing a sale transaction or other liquidity event; and
- allows portfolio companies to better match cash sources with uses.

Market Size. Our Advisor estimates, based upon our 16 years of experience making Technology Loans to companies in our Target Industries, that during such period the ratio of the aggregate principal amount of debt investments made to the aggregate capital invested by venture capital investors has been approximately 10% to 20%. According to Dow Jones VentureSource, $21.4 billion of venture capital equity was invested in companies in our Target Industries during 2009. Accordingly, based on our Advisor's past experience, we would estimate that the size of the Technology Loan market for 2009 was in the range of approximately $2.1 billion to $4.2 billion. We believe that the market for Technology Loans should grow over the next several years based upon several factors. We believe the level of venture capital investment for 2009 is at a cyclical low, as shown by the $32.2 billion and $31.0 billion of venture capital investment for 2007 and 2008, respectively, as reported by Dow Jones VentureSource. We believe that the comparable period of 2009 in the venture capital investment cycle is 2003, because 2003 represented the last period of decline in the amount of venture capital investment following the burst of the technology bubble in 2000. Venture capital investment steadily increased from $22.9 billion in 2004 to $32.2 billion in 2007 as, reported by Dow Jones VentureSource, representing a compounded annual growth rate of 8.9% for that period. Our belief that 2009 was a low point in the venture capital investment cycle is further supported by the fact that the amount of venture capital investment in the last three quarters of 2009 increased from a 13 year low of $4.2 billion in the first quarter of 2009 to $5.6 billion in the second quarter of 2009, $5.4 billion in the third quarter of 2009, and $6.2 billion in the fourth quarter of 2009. The potential for future growth in the market for Technology Loans is also supported by the fact that, according to Dow Jones VentureSource, there was $17 billion of liquidity events related to M&A and IPO activity for companies in our Target Industries in 2009, of which $7.3 billion was generated in the fourth quarter, representing 44% of the total activity for the year. This not only returns capital to investors which can be reinvested in venture capital investments, but also makes venture capital a more attractive investment class to investors, thus attracting additional capital. In addition, nearer term exits for venture capital investors, reinforces Technology Loans as a cheaper financing alternative than venture capital for companies in our Target Industries and their investors, thus driving up demand for Technology Loans.

Portfolio Company Valuations. According to Dow Jones VentureSource, from 2007 through 2009 valuations of existing companies in our Target Industries significantly decreased, as they did for most asset classes. We believe this decrease was due to general macroeconomic conditions, including lower demand for products and services, lack of availability of capital and investors' decreased risk tolerance. We believe the decrease in valuations in our Target Industries caused by macroeconomic factors may present a cyclical opportunity to participate in warrant gains in excess of those which are typically experienced by Technology Lenders. Our future portfolio companies may not only increase in value due to their successful technology development and/or revenue growth, but as macroeconomic conditions improve, valuations may also increase due to the general increase in demand for goods and services, the greater availability of capital and an increase in investor risk tolerance. An example of the positive and negative macroeconomic impact on valuations last occurred in the years between 2001 and 2005. Following the macroeconomic impact of the technology downturn of 2001 and the events of "9/11", according to Dow Jones VentureSource, median valuations for venture capital backed technology-related financing fell from $25 million at December 2000 to $10 million at January 2003, but by December 2005, median valuations for venture capital backed technology related financings had risen to $15 million.

See "Business — Market Opportunity" on page 65 for more information about our market opportunity.

Competitive Strengths

We believe that we, together with our Advisor, possess significant competitive strengths, including:

Consistently execute commitments and close transactions. Our Advisor and its senior management and investment professionals have an extensive track record of originating, underwriting and closing Technology Loans.

Our Advisor has directly originated, underwritten, and managed more than 110 Technology Loans with an aggregate original principal amount of $650 million since it commenced operations in 2004 to the present. In our experience, prospective portfolio companies prefer lenders that have demonstrated their ability to deliver on their commitments. Our Advisor's ability to deliver on its commitments has resulted in satisfied portfolio companies, management teams and venture capital and private equity investors and created an extensive base of transaction sources and references for our Advisor.

Robust direct origination capabilities. Our Advisor's managing directors each have significant experience originating Technology Loans in our Target Industries. This experience has given each managing director a deep knowledge of our Target Industries and, assisted by their long standing working relationships with our Advisor's senior management and our Advisor's brand name recognition in our market, has resulted in a steady flow of high quality investment opportunities that are consistent with the strategic vision and expectations of our Advisor's senior management. The combination of the managing directors' experience and their close working relationship with our Advisor's senior management, together with the extensive base of transaction sources and references generated by our Advisor's active participation in the Technology Lending market, has created an efficient marketing and sales organization.

Access to capital. Since it commenced operations in 2004, our Advisor has always had access to capital which allowed it to consistently offer Technology Loans to companies in our Target Industries, including offering loans through Compass Horizon during the difficult economic markets of 2008 and 2009. Our Advisor's demonstrated access to capital, including through the Credit Facility, has created awareness among companies in our Target Industries of our Advisor's consistent ability to make Technology Loans without interruption in all market conditions, thus making our Advisor a trusted source for Technology Loans to companies, their management teams and their venture capital and private equity investors.

Highly experienced and cohesive management team. Our Advisor has had the same senior management team of experienced professionals since its inception, thereby creating awareness among companies in our Target Industries, their management and their investors that prospective portfolio companies of Horizon will receive consistent and predictable service, in terms of available loan products and economic terms, underwriting requirements, loan closing process and portfolio management. This consistency allows companies, their management teams and their investors to predict likely outcomes when expending resources in seeking and obtaining Technology Loans from us. Companies may not have the same level of predictability when dealing with other lenders in the Technology Lending market.

Relationships with venture capital and private equity investors. Our Advisor's senior management team and managing directors have developed a comprehensive knowledge of the venture capital and private equity firms and their partners that participate in our Target Industries. Because of our Advisor's senior management and managing directors' demonstrated history of delivering loan commitments and value to many of these firms' portfolio companies, our Advisor has developed strong relationships with many of these firms and their partners. The strength and breadth of our Advisor's venture capital and private equity relationships would take considerable time and expense to develop. We will rely on these relationships to implement our business plan.

Well-known brand name. Our Advisor has originated over $650 million in Technology Loans to more than 110 companies in our Target Industries under the "Horizon Technology Finance" brand. Each of these companies is backed by one or more venture capital or private equity firms, thus creating a network of Target Industry companies and equity sponsors who know of, and have worked with, "Horizon Technology Finance." In addition, our Advisor has attended, participated in, or moderated venture lending or alternative financing panel sessions at venture capital, technology, life sciences and other industry related events over the past six years. This pro-active participation in the lending market for our Target Industries has created strong and positive brand name recognition for our Advisor. We believe that the "Horizon Technology Finance" brand is a competent, knowledgeable and active participant in the Technology Lending marketplace and will continue to result in a significant number of referrals and prospective investment opportunities in our Target Industries.

Investment Summary

The following table summarizes our total original funded investments since inception, including ten loans that have been fully repaid. See “Business — General” on page 62 for a description of the general terms of our loans and other investments.

Portfolio Company	Target Industry — Sector	Investment
Advanced Biohealing, Inc.	Life Science — Biotechnology	$ 5,000,000
Ambit Biosciences Corporation	Life Science — Biotechnology	$ 8,000,000
Anesiva, Inc.	Life Science — Biotechnology	$ 3,333,333
Arcot Systems, Inc.	Technology — Software	$ 1,250,000
Authoria, Inc.	Technology — Software	$ 1,575,000
BioScale, Inc.	Healthcare Information and Services — Diagnostics	$ 4,000,000
Brix Networks, Inc.	Technology — Communications	$ 3,150,000
Calypso Medical Technologies, Inc.	Life Science — Medical Device	$ 4,800,001
Clarabridge, Inc.	Technology — Software	$ 2,250,000
Concentric Medical, Inc.	Life Science — Medical Device	$ 3,333,333
Configuresoft, Inc.	Technology — Software	$ 1,750,000
Courion Corporation	Technology — Software	$ 2,500,000
DriveCam, Inc.	Technology — Software	$ 4,200,000
Enphase Energy, Inc.	Cleantech — Energy efficiency	$ 7,000,000
EnteroMedics, Inc.	Life Science — Medical Device	$ 5,000,000
Everyday Health, Inc. f/k/a Waterfront Media, Inc.	Technology — Consumer related technologies	$ 5,000,000
F&S Health Care Services, Inc.	Healthcare Information and Services — Diagnostics	$ 7,500,000
Genesis Networks, Inc.	Technology — Networking	$ 4,000,000
Grab Networks, Inc.	Technology — Networking	$ 4,000,000
Hatteras Networks, Inc.	Technology — Communications	$ 3,500,000
Impinj, Inc.	Technology — Semiconductor	$ 1,000,000
IntelePeer, Inc.	Technology — Networking	$ 4,000,000
iSkoot, INC	Technology — Software	$ 4,000,000
Mall Networks	Technology — Internet and media	$ 2,500,000
Motion Computing, Inc.	Technology — Networking	$ 5,000,000
Netuitive, Inc.	Technology — Software	$ 1,000,000
NewRiver, Inc.	Technology — Software	$ 4,000,000
Novalar Pharmaceuticals, Inc.	Life Science — Biotechnology	$ 5,000,000
Pharmasset, Inc.	Life Science — Biotechnology	$ 10,000,000
PixelOptics, Inc.	Life Science — Medical Device	$ 5,000,000
Plateau Systems, Ltd.	Technology — Software	$ 2,500,000
Precision Therapeutics, Inc.	Healthcare Information and Services — Diagnostics	$ 5,000,000
Revance Therapeutics, Inc.	Life Science — Biotechnology	$ 4,000,000
SnagAJob.com, Inc.	Technology — Consumer-related technologies	$ 3,500,000
Softrax Corporation	Technology — Software	$ 2,000,000
StarCite, Inc.	Technology — Consumer-related technologies	$ 4,000,000
Tagged, Inc.	Technology — Consumer-related technologies	$ 3,000,000
Tengion, Inc.	Life Science — Medical Device	$ 5,772,622
Transave, Inc.	Life Science — Biotechnology	$ 5,199,180
Vette Corp.	Technology — Datacenter storage	$ 5,000,000
ViOptix, Inc.	Life Science — Medical Device	$ 2,000,000
XIOTech Corporation	Technology — Data Storage	$ 5,000,000
Xoft, Inc.	Life Science — Medical Device	$ 3,701,000
Total investment		**$ 173,315,269**

Distribution and Share Exchange

We were formed in March 2010 to continue and expand the business of Compass Horizon. Compass Horizon is the entity that currently owns all of the portfolio investments that we will own upon the closing of this offering. Prior to the completion of this offering, Compass Horizon intends to make a cash distribution to CHP of approximately $16.0 million from net income and as a return of capital, which we refer to as the "Pre-IPO Distribution." After the Pre-IPO Distribution and immediately prior to the completion of this offering, the Compass Horizon Owners will exchange their membership interests in Compass Horizon for shares of our common stock based upon a net asset value of $ as of , 2010, which we refer to as the "Share Exchange." Upon completion of the Share Exchange and this offering, Compass Horizon will become our wholly owned subsidiary, and we will effectively own all of Compass Horizon's assets, including all of its investments. See "The Exchange Transaction" on page 38 for more information about the Pre-IPO Distribution and the Share Exchange.

Risk Factors

The value of our assets, as well as the market price of our shares, will fluctuate. Our investments may be risky, and you may lose all or part of your investment in us. Investing in us involves other risks, including the following:

- We have a limited operating history and may not be able to achieve our investment objective or generate sufficient revenue to make or sustain distributions to our stockholders and your investment in us could decline substantially;
- We may not replicate the historical results achieved by other entities managed or sponsored by members of our Advisor or its affiliates;
- Neither we nor our Advisor has any experience operating under the constraints imposed on a business development company or managing an investment company, which may affect our ability to manage our business and impair your ability to assess our prospects;
- We are dependent upon key personnel of our Advisor and our Advisor's ability to hire and retain qualified personnel;
- If we are unable to satisfy the requirements under the Code for qualification as a RIC, we will be subject to corporate-level federal income tax;
- We have not yet identified many of the potential investment opportunities for our portfolio that we will invest in with the proceeds of this offering;
- If our investments do not meet our performance expectations, you may not receive distributions;
- Most of our portfolio companies will need additional capital, which may not be readily available;
- Economic recessions or downturns could adversely affect our business and that of our portfolio companies which may have an adverse effect on our business, results of operations and financial condition;
- Our investment strategy will focus on investments in development-stage companies in our Target Industries, which are subject to many risks, including volatility, intense competition, shortened product life cycles and periodic downturns, and would be typically rated below "investment grade";
- Prior to this offering, there has been no public market for our common stock, and we cannot assure you that the market price of shares of our common stock will not decline following the offering;
- Subsequent sales in the public market of substantial amounts of our common stock issued to insiders or others may have an adverse effect on the market price of our common stock;
- Our common stock price may be volatile and may decrease substantially;
- We may allocate the net proceeds from this offering in ways with which you may not agree; and
- Investors in this offering will incur immediate dilution upon the closing of this offering.

See “Risk Factors” beginning on page 16 and the other information included in this prospectus, for a more detailed discussion of the material risks you should carefully consider before deciding to invest in our common stock.

Company Information

Our administrative and executive offices are located at 76 Batterson Park Road, Farmington, Connecticut 06032, and our telephone number is (860) 676-8654. We expect to establish a website at *http://www.horizontechnologyfinancecorp.com* upon completion of this offering. Information contained on our website is not incorporated by reference into this prospectus, and you should not consider information contained on our website to be part of this prospectus.

THE OFFERING

Common stock offered:	
By us	shares
By the selling stockholder	shares
Total	shares
Over-allotment option	shares
Common stock to be outstanding immediately after this offering	shares, excluding shares of common stock issuable pursuant to the over-allotment option granted to the underwriters.
Proposed NASDAQ Global Market symbol	"HRZN"
Use of proceeds	We estimate that we will receive net proceeds from our sale of shares of common stock in this offering of approximately $ (approximately $ if the underwriters exercise their over-allotment option to purchase additional shares in full), assuming an initial public offering price of $ per share (based on the mid-point of the range set forth on the cover of this prospectus), after deducting underwriting discounts and commissions and estimated offering expenses payable by us. We plan to use the net proceeds of this offering for new investments in portfolio companies in accordance with our investment objective and strategies as described in this prospectus, for general working capital purposes, and for temporary repayment of debt under our credit facility (which amounts are subject to reborrowing). We will also pay operating expenses, including management and administrative fees, and may pay other expenses such as due diligence expenses of potential new investments, from the net proceeds of this offering. We may also use a portion of the net proceeds to capitalize an SBIC subsidiary to the extent our Advisor's application to license such entity as an SBIC is approved. Pending such use, we will invest the remaining net proceeds of this offering primarily in cash, cash equivalents, U.S. Government securities and other high-quality debt investments that mature in one year or less from the date of investment. See "Use of Proceeds." We will not receive any of the proceeds from the shares sold by the selling stockholder.
Investment Management Agreement	We have entered into an investment management agreement with our Advisor, under which our Advisor, subject to the overall supervision of our board of directors, manages our day-to-day operations and provides investment advisory services to us. For providing these services, our Advisor receives a base management fee from us, paid monthly in arrears, at an annual rate of 2.00% of our gross assets, including any assets acquired with the proceeds of leverage. The investment management agreement also provides that our Advisor or its affiliates may be entitled to an incentive fee under certain circumstances. The incentive fee has two parts, which are independent of each other, with the result that one part may be payable even if the other is not. Under the first part we will pay our Advisor each quarter 20.00% of the amount by which our accrued net income for the quarter after expenses and excluding the effect of any realized capital gains

	and losses and any unrealized appreciation and depreciation for the quarter exceeds 1.75% (which is 7.00% annualized) of our average net assets at the end of the immediately preceding calendar quarter, subject to a "catch-up" feature. Under the second part of the incentive fee, we will pay our Advisor at the end of each calendar year 20.00% of our realized capital gains from inception through the end of that year, computed net of all realized capital losses and all unrealized depreciation on a cumulative basis, less the aggregate amount of any previously paid capital gain incentive fees. The second part of the incentive fee is not subject to any minimum return to stockholders. The investment management agreement also provides that we will bear the costs payable to the Advisor under the separate administration agreement. The investment management agreement may be terminated by either party without penalty by delivering written notice to the other party upon not more than 60 days' written notice. See "Investment Management and Administration Agreements — Investment Management Agreement."
Distributions	In connection with certain RIC requirements described below in "— Taxation," we intend to distribute quarterly dividends to stockholders beginning with our first full quarter after the completion of this offering. Our quarterly distributions, if any, will be determined by our board of directors.
Taxation	We intend to elect to be treated, and intend to qualify, as a RIC under Subchapter M of the Code commencing with our taxable year ending on December 31, 2010. As a RIC, we generally will not pay corporate-level federal income taxes on any ordinary income or capital gains that we timely distribute to our stockholders as dividends. To maintain our RIC status, we must meet specified source-of-income and asset diversification requirements and distribute annually at least 90% of our net ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any. See "Distributions" and "Material U.S. Federal Income Tax Considerations."
Borrowings	As of March 31, 2010, we had $75.2 million of indebtedness outstanding under the Credit Facility. We will borrow additional money or issue debt securities within the levels permitted by the 1940 Act when the terms and conditions available are favorable to long-term investing and well-aligned with our investment strategy and portfolio composition in an effort to increase returns to our common stockholders. Borrowing involves significant risks. See "Risk Factors."
Trading at a Discount	Shares of closed-end investment companies frequently trade at a discount to their net asset value. The possibility that our shares may trade at a discount to our net asset value is separate and distinct from the risk that our net asset value per share may decline. Our net asset value immediately following this offering will reflect reductions resulting from the sales load and the amount of the organization and offering expenses paid by us. This risk may have a greater effect on investors expecting to sell their shares soon after completion of the public offering, and our shares may be more appropriate for long-term investors than for investors with shorter investment horizons. We cannot predict whether our shares will trade above, at or below net asset value.

Dividend Reinvestment Plan	We are adopting a dividend reinvestment plan for our stockholders. This will be an "opt out" dividend reinvestment plan. As a result, if we declare cash distributions, each stockholder's cash distributions will be automatically reinvested in additional shares of our common stock unless they specifically "opt out" of our dividend reinvestment plan so as to receive cash distributions. Stockholders who receive distributions in the form of shares of common stock will be subject to the same federal income tax consequences as if they received their distributions in cash. See "Dividend Reinvestment Plan."
Anti-Takeover Provisions	Our certificate of incorporation and bylaws, as well as certain statutory and regulatory requirements, contain certain provisions that may have the effect of discouraging a third party from making an acquisition proposal for us. These anti-takeover provisions may inhibit a change in control in circumstances that could give the holders of our common stock the opportunity to realize a premium over the market price for our common stock. See "Description of Capital Stock." In addition, our board of directors will be divided into three classes with the term of one class expiring at each annual meeting of stockholders. This structure is intended to provide us with a greater likelihood of continuity of management. A staggered board of directors also may serve to deter hostile takeovers or proxy contests, as may certain other measures we have adopted. See "Description of Capital Stock."
Administration Agreement	Under a separate administration agreement, our Advisor will also serve as our administrator. We will reimburse our Advisor for the allocable portion of overhead and other expenses incurred by our Advisor in performing its obligations under the Administration Agreement, including furnishing us with office facilities, equipment and clerical, bookkeeping and record keeping services at such facilities, as well as providing us with other administrative services. In addition, we will reimburse our Advisor for the fees and expenses associated with performing compliance functions, and our allocable portion of the compensation of our chief financial officer and chief compliance officer and their respective staffs. See "Investment Management and Administration Agreement — Administration Agreement."
Dilution	Based on an assumed initial public offering price of $ per share (the mid-point of the range set forth on the cover of this prospectus), purchasers in this offering will experience immediate dilution of approximately $ per share. See "Risk Factors — Risks Related to this Offering and our Common Stock — Investors in this offering will incur immediate dilution upon the closing of this offering" on page 34 and "Dilution" on page 48.
Available Information	We have filed with the SEC a registration statement on Form N-2 under the Securities Act of 1933, as amended, or the Securities Act, which contains additional information about us and the shares of our common stock being offered by this prospectus. After completion of this offering, we will be obligated to file periodic reports, proxy statements and other information with the SEC. This information will be available at the SEC's public reference room in Washington, D.C. and on the SEC's website at *http://www.sec.gov*.

Upon closing of this offering, we will maintain a website at *http://www.horizontechnologyfinancecorp.com* and intend to make all of our annual, quarterly and current reports, proxy statements and other publicly filed information available, free of charge, on or through our website. You may also obtain such information by contacting us at 76 Batterson Park Road, Farmington, Connecticut 06032, or by calling us at (860) 676-8654. Information contained on our website is not incorporated by reference into this prospectus, and you should not consider information contained on our website to be part of this prospectus.

See "Where You Can Find More Information."

Unless the context otherwise requires, the number of shares of our common stock to be outstanding immediately following the completion of this offering is based on the number of shares outstanding as of March 31, 2010 and assumes the sale of shares of our common stock by the selling stockholder and the issuance of shares of our common stock in this offering at the mid-point of the range set forth on the cover of this prospectus. Unless otherwise noted, all information in this prospectus assumes no exercise by the underwriters of their right to purchase up to shares of common stock to cover over-allotments.

FEES AND EXPENSES

The following table is intended to assist you in understanding the costs and expenses that an investor in this offering will bear directly or indirectly. However, we caution you that some of the percentages indicated in the table below are estimates and may vary. **The following table and example should not be considered a representation of our future expenses. Actual expenses may be greater or less than shown.** Except where the context suggests otherwise, whenever this prospectus contains a reference to fees or expenses paid by "you" or "us" or that "we" will pay fees or expenses, stockholders will indirectly bear such fees or expenses as investors in the Company.

Stockholder Transaction Expenses	
Sales Load (as a percentage of offering price)	7.00%(1)
Offering Expenses (as a percentage of offering price)	1.20%(2)
Dividend Reinvestment Plan Fees	None (3)
Total Stockholder Transaction Expenses (as a percentage of offering price)	8.20%
Annual Expenses (as a Percentage of Net Assets Attributable to Common Stock)	
Management Fee	3.12%(4)
Incentive Fees Payable Under the Investment Management Agreement	0.00%(5)
Interest Payments on Borrowed Funds	2.90%(6)
Other Expenses (estimated for the current fiscal year)	1.42%(7)
Total Annual Expenses (estimated)	7.44%(4)(8)

(1) The underwriting discounts and commissions with respect to shares sold in this offering, which are one-time fees to the underwriters in connection with this offering, is the only sales load being paid in connection with this offering.

(2) Amount reflects estimated offering expenses of approximately $1.5 million.

(3) The expenses of the dividend reinvestment plan are included in "other expenses." See "Dividend Reinvestment Plan."

(4) Our base management fee under the investment management agreement is based on our gross assets, which includes assets acquired using leverage, and is payable monthly in arrears. The management fee referenced in the table above is based on $214.7 million of gross assets, $138.3 million of net assets, which reflects our gross assets and net assets on a pro forma basis after giving effect to this offering and $75.2 million of expected outstanding indebtedness immediately upon the closing of this offering. See "Investment Management and Administration Agreements — Investment Management Agreement."

(5) We may have capital gains and interest income that could result in the payment of an incentive fee to our Advisor in the first year after completion of this offering. However, the incentive fee payable to our Advisor is based on our performance and will not be paid unless we achieve certain goals. As we cannot predict whether we will meet the necessary performance targets, we have assumed an incentive fee of 0% in this chart. Based on our current business plan, we anticipate that substantially all of the net proceeds of this offering will be used within nine months, depending on the availability of appropriate investment opportunities, consistent with our investment objective and market conditions. We expect that during this period we will not have any capital gains and that the amount of our interest income will not exceed the quarterly minimum hurdle rate discussed below. As a result, we do not anticipate paying any incentive fees in the first year after the completion of this offering.

The incentive fee consists of two parts:

The first part, which is payable quarterly in arrears, will equal 20.00% of the excess, if any, of our "Pre-Incentive Fee Net Investment Income" over a 1.75% quarterly (7.00% annualized) hurdle rate and a "catch-up" provision measured as of the end of each calendar quarter. Under this provision, in any calendar quarter, our Advisor receives no incentive fee until our net investment income equals the hurdle rate of 1.75% but then receives, as a "catch-up," 100.00% of our pre-incentive fee net investment income with respect to that portion of such pre-incentive fee net investment income, if any, that exceeds the hurdle rate but is less than 2.1875%. The effect of this provision is that, if pre-incentive fee net investment income exceeds 2.1875% in any calendar quarter, our Advisor will receive 20.00% of our pre-incentive fee net investment income as if a hurdle rate did not apply. The first part of the incentive fee will be computed and paid on income that may include interest that is accrued but not yet received in cash.

The second part of the incentive fee will equal 20.00% of our "Incentive Fee Capital Gains," if any, which will equal our realized capital gains on a cumulative basis from inception through the end of each calendar year, computed net of all realized capital losses and unrealized capital depreciation on a cumulative basis, less the aggregate amount of any previously paid capital gain incentive fees. The second part of the incentive fee will be payable, in arrears, at the end of each calendar year (or upon termination of the investment management agreement, as of the termination date), commencing with the year ending December 31, 2010. For a more detailed discussion of the calculation of this fee, see "Investment Management and Administration Agreements — Investment Management Agreement."

(6) We will borrow funds from time to time to make investments to the extent we determine that the economic situation is conducive to doing so. The costs associated with our borrowings are indirectly borne by our investors. As of March 31, 2010, we had $75.2 million outstanding under our Credit Facility. For purposes of this section, we have computed interest expense using the balance outstanding at, and the LIBOR rate on, March 31, 2010 and the interest rate on our Credit Facility of LIBOR plus 2.50%. The LIBOR rate on March 31, 2010 was 0.25%. We have also included the estimated amortization of fees incurred in establishing our Credit Facility and estimated settlements under existing interest rate swap agreements. We may also issue preferred stock, subject to our compliance with applicable requirements under the 1940 Act.

(7) Includes our assumed overhead expenses, including payments under the administration agreement, based on our projected assumed allocable portion of overhead and other expenses incurred by the Administrator in performing its obligations under the administration agreement during the first full year of operations. See "Investment Management and Administration Agreements — Administration Agreement."

(8) "Total annual expenses" as a percentage of consolidated net assets attributable to common stock are higher than the total annual expenses percentage would be for a company that is not leveraged. We borrow money to leverage our net assets and increase our total assets. The SEC requires that the "Total annual expenses" percentage be calculated as a percentage of net assets (defined as total assets less indebtedness and after taking into account any incentive fees payable during the period), rather than the total assets, including assets that have been funded with borrowed monies. The reason for presenting expenses as a percentage of net assets attributable to common stockholders is that our common stockholders bear all of our fees and expenses.

Example

The following example demonstrates the projected dollar amount of total cumulative expenses that would be incurred over various periods with respect to a hypothetical investment in our common stock. In calculating the following expense amounts, we have assumed that our annual operating expenses remain at the levels set forth in the table above.

	1 Year	3 Years	5 Years	10 Years
You would pay the following expenses on a $1,000 investment, assuming a 5% annual return	$ 150	$ 281	$ 405	$ 685

While the example assumes, as required by the applicable rules of the SEC, a 5% annual return, our performance will vary and may result in a return greater or less than 5%. The incentive fee under our investment management agreement is unlikely to be significant assuming a 5% annual return and is not included in the example. If we achieve sufficient returns on our investments, including through the realization of capital gains, to trigger an incentive fee of a material amount, our distributions to our common stockholders and our expenses would likely be higher. See "Investment Management and Administration Agreements — Examples of Incentive Fee Calculation" for additional information regarding the calculation of incentive fees. In addition, while the example assumes reinvestment of all dividends and other distributions at net asset value, participants in our dividend reinvestment plan will receive a number of shares of our common stock determined by dividing the total dollar amount of the distribution payable to a participant by the market price per share of our common stock at the close of trading on the valuation date for the distribution. This price may be at, above or below net asset value. See "Dividend Reinvestment Plan" for additional information regarding our dividend reinvestment plan.

RISK FACTORS

Investing in our common stock involves a high degree of risk. Before you invest in shares of our common stock, you should be aware of various risks, including those described below. You should carefully consider these risk factors, together with all of the other information included in this prospectus, before you decide whether to make an investment in our common stock. The risks set forth below are not the only risks we face. If any of the following events occur, our business, financial condition and results of operations could be materially adversely affected. In such case, our net asset value and the trading price of our common stock could decline, and you may lose all or part of your investment.

Risks Related to our Business and Structure

We have a limited operating history and may not be able to achieve our investment objective or generate sufficient revenue to make or sustain distributions to our stockholders and your investment in us could decline substantially.

We commenced operations in March 2008. As a result of our limited operating history, we are subject to certain business risks and uncertainties associated with any recently formed business enterprise, including the risk that we will not achieve our investment objective and that the value of your investment in us could decline substantially. As a public company, we will be subject to the regulatory requirements of the SEC, in addition to the specific regulatory requirements applicable to business development companies under the 1940 Act and RICs under the Code. Our management and that of our Advisor has not had any prior experience operating under this regulatory framework, and we may incur substantial additional costs, and expend significant time or other resources, to do so. From time to time our Advisor may pursue investment opportunities, like equity investments, in which our Advisor has more limited experience. We may also be unable to replicate the historical performance of prior investment funds. In addition, we may be unable to generate sufficient revenue from our operations to make or sustain distributions to our stockholders.

We may not replicate the historical results achieved by other entities managed or sponsored by members of our Advisor or its affiliates.

We may be unable to replicate the historical results achieved by our Advisor or its affiliates, and our investment returns could be substantially lower than the returns achieved by them in prior periods. In particular, our Advisor's returns from several of its other investment vehicles may not be comparable because they were capital call funds and their respective returns were not negatively impacted by uninvested cash. We also may not be able to replicate the performance of our warrants and may not have returns on warrants from our existing portfolio that we hold. Neither our Advisor nor its affiliates were subject to the same tax and regulatory conditions that we intend to operate under following the offering. Furthermore, none of the prior results were from public reporting companies. Additionally, all or a portion of these prior results may have been achieved in particular market conditions which may never be repeated. We are not a capital call fund and, as a result, may have more limited access to cash for investment opportunities than our Advisor historically experienced which could impair our ability to make future investments. Moreover, current or future market volatility and regulatory uncertainty may also have an adverse impact on our future performance.

Neither we nor our Advisor has any experience operating under the constraints imposed on a business development company or managing an investment company, which may affect our ability to manage our business and impair your ability to assess our prospects.

Prior to this offering, we did not operate as a business development company or manage an investment company under the 1940 Act. As a result, we have no operating results under this regulatory framework that can demonstrate to you either its effect on our business or our ability to manage our business within this framework. The 1940 Act imposes numerous constraints on the operations of business development companies. For example, business development companies are required to invest at least 70% of their total assets in specified types of securities, primarily securities of "eligible portfolio companies" (as defined in the 1940 Act), cash, cash equivalents, U.S. government securities and other high quality debt investments that mature in one year or less. See

"Regulation." Our Advisor's lack of experience in managing a portfolio of assets under these constraints may hinder our ability to take advantage of attractive investment opportunities and, as a result, could impair our ability to achieve our investment objective. Furthermore, if we are unable to comply with the requirements imposed on business development companies by the 1940 Act, the SEC could bring an enforcement action against us and/or we could be exposed to claims of private litigants. In addition, we could be regulated as a closed-end management investment company under the 1940 Act, which could further decrease our operating flexibility and may prevent us from operating our business as described in this prospectus, either of which could have a material adverse effect on our business, results of operations or financial condition.

We are dependent upon key personnel of our Advisor and our Advisor's ability to hire and retain qualified personnel.

We depend on the members of our Advisor's senior management, particularly Mr. Pomeroy, our Chairman and Chief Executive Officer, and Mr. Michaud, our President, as well as other key personnel for the identification, evaluation, final selection, structuring, closing and monitoring of our investments. These employees have critical industry experience and relationships that we will rely on to implement our business plan to originate Technology Loans in our Target Industries. Our future success will depend on the continued service of Messrs. Pomeroy and Michaud as well as the other senior members of our Advisor's management team. If our Advisor were to lose the services of either Mr. Pomeroy or Mr. Michaud or any of the other senior members of our Advisor's management team, we may not be able to operate our business as we expect, and our ability to compete could be harmed, either of which could cause our business, results of operations or financial condition to suffer. In addition, if either of Mr. Pomeroy or Mr. Michaud ceases to be employed by us, the lender under our Credit Facility could, absent a waiver or cure, refuse to advance future funds to us under the facility. Our future success will also depend, in part, on our Advisor's ability to identify, attract and retain sufficient numbers of highly skilled employees. Absent exemptive or other relief granted by the SEC and for so long as we remain externally managed, the 1940 Act will prevent us from granting options to our employees and adopting a profit sharing plan, which may make it more difficult for us to attract and retain highly skilled employees. If we are not successful in identifying, attracting and retaining these employees, we may not be able to operate our business as we expect. Moreover, we cannot assure you that our Advisor will remain our investment adviser or that we will continue to have access to our Advisor's investment professionals or its relationships. For example, our Advisor may in the future manage investment funds with investment objectives similar to ours thereby diverting the time and attention of its investment professionals that we rely on to implement our business plan.

We operate in a highly competitive market for investment opportunities, and if we are not able to compete effectively, our business, results of operations and financial condition may be adversely affected and the value of your investment in us could decline.

A number of entities compete with us to make the types of investments that we plan to make in prospective portfolio companies in our Target Industries. We compete with other business development companies and a large number of venture capital and private equity firms, as well as other investment funds, investment banks and other sources of financing, including traditional financial services companies such as commercial banks and finance companies. Some of our competitors are larger and have greater financial, technical, marketing and other resources than we have. For example, some competitors may have a lower cost of funds and access to funding sources that are not available to us. This may enable these competitors to make commercial loans with interest rates that are comparable to, or lower than, the rates we typically offer. We may lose prospective portfolio companies if we do not match our competitors' pricing, terms and structure. If we do match our competitors' pricing, terms or structure, we may experience decreased net interest income and increased risk of credit losses. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments, establish more relationships than us and build their market shares. Furthermore, many of our competitors are not subject to the regulatory restrictions that the 1940 Act will impose on us as a business development company or that the Code will impose on us as a RIC. If we are not able to compete effectively, we may not be able to identify and take advantage of attractive investment opportunities that we identify and may not be able to fully invest our available capital. If this occurs, our business, financial condition and results of operations could be materially adversely affected.

We will borrow money, which will magnify the potential for gain or loss on amounts invested and may increase the risk of investing in us.

Leverage is generally considered a speculative investment technique, and we intend to continue to borrow money as part of our business plan. The use of leverage will magnify the potential for gain or loss on amounts invested and, therefore, increases the risks associated with investing in us. We expect to borrow from and issue senior debt securities to banks and other lenders including under the Credit Facility pursuant to which we will be able to borrow up to $125 million upon completion of this offering. As of March 31, 2010, we had outstanding indebtedness of $75.2 million. We also intend to issue debt securities guaranteed by the SBA and sold in the capital markets, to the extent that we or one of our subsidiaries becomes licensed by the SBA. The SBIC regulations, subject to certain regulatory capital requirements among other things, currently permit an SBIC subsidiary to borrow up to $150 million. Lenders of senior securities, including the SBA, will have fixed dollar claims on our assets that will be superior to the claims of our common stockholders. If the value of our assets increases, then leveraging would cause the net asset value attributable to our common stock to increase more sharply than it would have had we not leveraged. However, any decrease in our income would cause net income to decline more sharply than it would have had we not leveraged. This decline could adversely affect our ability to make common stock dividend payments. In addition, because our investments may be illiquid, we may be unable to dispose of them or to do so at a favorable price in the event we need to do so if we are unable to refinance any indebtedness upon maturity, and, as a result, we may suffer losses.

Our ability to service any debt that we incur will depend largely on our financial performance and will be subject to prevailing economic conditions and competitive pressures. Moreover, as our Advisor’s management fee will be payable to our Advisor based on our gross assets, including those assets acquired through the use of leverage, our Advisor may have a financial incentive to incur leverage which may not be consistent with our stockholders’ interests. In addition, holders of our common stock will bear the burden of any increase in our expenses, as a result of leverage, including any increase in the management fee payable to our Advisor.

Illustration: The following table illustrates the effect of leverage on returns from an investment in our common stock assuming various annual returns, net of expenses. The calculations in the table below are hypothetical and actual returns may be higher or lower than those appearing in the table below:

	Assumed Return on our Portfolio (net of expenses)				
	−10%	**−5%**	**0%**	**5%**	**10%**
Corresponding return to stockholder(1)	−27%	−16%	−5%	7%	18%

(1) Assumes $139 million in total assets, $75 million in debt outstanding, $62 million in stockholders’ equity, and an average cost of funds of 3.78%. Assumptions are based on our financial condition and our average costs of funds at March 31, 2010. Actual interest payments may be different.

If we are unable to comply with the covenants or restrictions in the Credit Facility, our business could be materially adversely affected.

Our wholly owned subsidiary, Horizon Credit I LLC, which we refer to as “Credit I,” is party to our Credit Facility with WestLB AG. This Credit Facility includes covenants that, among other things, restrict the ability of Compass Horizon and Credit I to make loans to, or investments in, third parties (other than Technology Loans and warrants or other equity participation rights), pay dividends and distributions, incur additional indebtedness and engage in mergers or consolidations. The Credit Facility also restricts the ability of Compass Horizon, Credit I, and our Advisor to create liens on the collateral securing the Credit Facility, permit additional negative pledges on such collateral and change the business currently conducted by them. The Credit Facility also includes provisions that permit our lender to refuse to advance funds under the facility in the event of a change of control of us or Compass Horizon. For this purpose a change of control generally means a merger or other consolidation, a liquidation, a sale of all or substantially all of our assets, or a transaction in which any person or group acquires more than 50% of our shares. In addition, the Credit Facility also requires Compass Horizon, Credit I and our Advisor to comply with

various financial covenants, including, among other covenants, maintenance by Compass Horizon and our Advisor of a minimum tangible net worth and limitations on the value of, and modifications to, the loan collateral that secures the Credit Facility. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources." Complying with these restrictions may prevent us from taking actions that we believe would help us to grow our business or are otherwise consistent with our investment objective. These restrictions could also limit our ability to plan for or react to market conditions or meet extraordinary capital needs or otherwise restrict corporate activities or could result in our failing to qualify as a RIC and thus becoming subject to corporate-level income tax. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources" for additional information regarding our credit arrangements.

The breach of certain of the covenants or restrictions unless cured within the applicable grace period, would result in a default under the Credit Facility that would permit the lender to declare all amounts outstanding to be due and payable. In such an event, we may not have sufficient assets to repay such indebtedness and the lender may exercise rights available to it under the security interest granted in the assets of Credit I, including, to the extent permitted under applicable law, the seizure of such assets without adjudication. As a result, any default could have serious consequences to our financial condition. An event of default or an acceleration under the Credit Facility could also cause a cross-default or cross-acceleration of another debt instrument or contractual obligation, which would adversely impact our liquidity. We may not be granted waivers or amendments to the Credit Agreement if for any reason we are unable to comply with it, and we may not be able to refinance the Credit Agreement on terms acceptable to us, or at all.

Because we will distribute all or substantially all of our income and any realized net short-term capital gains over realized net long-term capital losses to our stockholders, we will need additional capital to finance our growth, if any. If additional funds are unavailable or not available on favorable terms, our ability to grow will be impaired.

To satisfy the requirements applicable to a RIC, to avoid payment of excise taxes and to minimize or avoid payment of corporate-level federal income taxes, we intend to distribute to our stockholders all or substantially all of our net ordinary income and realized net short-term capital gains over realized net long-term capital losses except that we may retain certain net long-term capital gains, pay applicable income taxes with respect thereto, and elect to treat such retained capital gains as deemed distributions to our stockholders. As a business development company, we will generally be required to meet a coverage ratio of total assets to total senior securities, which includes all of our borrowings and any preferred stock we may issue in the future, of at least 200%. This requirement limits the amount that we may borrow. Because we will continue to need capital to grow our loan and investment portfolio, this limitation may prevent us from incurring debt and require us to raise additional equity at a time when it may be disadvantageous to do so. We cannot assure you that debt and equity financing will be available to us on favorable terms, or at all, and debt financings may be restricted by the terms of any of our outstanding borrowings. In addition, as discussed above, as a business development company, we will be limited in our ability to issue equity securities priced below net asset value. If additional funds are not available to us, we could be forced to curtail or cease new lending and investment activities, and our net asset value could decline.

If we are unable to obtain additional debt financing, our business could be materially adversely affected.

We may want to obtain additional debt financing, or need to do so upon maturity of the Credit Facility, in order to obtain funds which may be made available for investments. The Credit Facility matures in March 2015. We may request advances under the Credit Facility, which we refer to as the "Revolving Period," through March 4, 2011, unless the Revolving Period is extended upon Credit I's request and upon mutual agreement of WestLB and Credit I. Upon the date of termination of the Revolving Period, we may not request new advances and we must repay the outstanding advances under the Credit Facility as of such date at such times and in such amounts as are necessary to maintain compliance with the terms and conditions of the Credit Facility, particularly the condition that the principal balance of the Credit Facility does not exceed 75% of the aggregate principal balance of our eligible loans to our portfolio companies. All outstanding advances under the Credit Facility are due and payable on March 4, 2015, unless such date is extended upon Credit I's request and upon mutual agreement of WestLB and Credit I. If we

are unable to increase, renew or replace any such facility and enter into a new debt financing facility on commercially reasonable terms, our liquidity may be reduced significantly. In addition, if we are unable to repay amounts outstanding under any such facilities and are declared in default or are unable to renew or refinance these facilities, we may not be able to make new investments or operate our business in the normal course. These situations may arise due to circumstances that we may be unable to control, such as lack of access to the credit markets, a severe decline in the value of the U.S. dollar, a further economic down turn or an operational problem that affects third parties or us, and could materially damage our business.

If we do not receive qualification from the SBA to form an SBIC or we are unable to comply with SBA regulations after our SBIC subsidiary is formed, our business plan and investment objective could be materially adversely affected.

We are currently seeking qualification as an SBIC for a to-be-formed wholly owned subsidiary which will be regulated by the SBA. On July 14, 2009, our Advisor received notification from the SBA that invited our Advisor to continue with the application process for licensing this subsidiary as an SBIC. However, the application to license this subsidiary as an SBIC is subject to SBA approval. If we do not receive SBA approval to license an SBIC our business plan and investment objective could be materially adversely affected. If we or one of our subsidiaries receives this qualification, we will become subject to SBA regulations that may constrain our activities or the activities of one of our subsidiaries. We may need to make allowances in our investment activity or the investment activity of our subsidiaries to comply with SBA regulations. In addition, SBA regulations may impose parameters on our business operations and investment objectives that are different than what we otherwise would do if we were not subject to these regulations. Failure to comply with the SBA regulations could result in the loss of the SBIC license and the resulting inability to participate in the SBA-sponsored debenture program. The SBA also limits the maximum amount that may be borrowed by any single SBIC. The SBA prohibits, without prior SBA approval, a “change of control” of an SBIC or transfers that would result in any person (or a group of persons acting in concert) owning 10% or more of a class of capital stock of a licensed SBIC. A “change of control” is any event which would result in the transfer of the power, direct or indirect, to direct the management and policies of an SBIC, whether through ownership, contractual arrangements or otherwise. To the extent that we form an SBIC subsidiary, this would prohibit a change of control of us without prior SBA approval. If we are unable to comply with SBA regulations, our business plan and growth strategy could be materially adversely affected.

Changes in interest rates may affect our cost of capital and net investment income.

Because we may incur indebtedness to fund our investments, a portion of our income will depend upon the difference between the interest rate at which we borrow funds and the interest rate at which we invest these funds. Some of our investments will have fixed interest rates, while other borrowings will likely have floating interest rates. As a result, a significant change in interest rates could have a material adverse effect on our net investment income. In periods of rising interest rates, our cost of funds could increase, which would reduce our net investment income. We may hedge against interest rate fluctuations by using hedging instruments such as swaps, futures, options and forward contracts, subject to applicable legal requirements, including, without limitation, all necessary registrations (or exemptions from registration) with the Commodity Futures Trading Commission. These activities may limit our ability to benefit from lower interest rates with respect to the hedged portfolio. We also have limited experience in entering into hedging transactions, and we will initially have to rely on the advice of outside parties with respect to the use of these financial instruments or develop this expertise internally. Adverse developments resulting from changes in interest rates or hedging transactions or any adverse developments from our use of hedging instruments could have a material adverse effect on our business, financial condition and results of operations. In addition, we may be unable to enter into appropriate hedging transactions when desired and any hedging transactions we enter into may not be effective.

Because many of our investments typically will not be in publicly traded securities, the value of our investments may not be readily determinable, which could adversely affect the determination of our net asset value.

We expect our investments to consist primarily of loans or securities issued by privately held companies. As a result, the fair value of these investments that are not publicly traded may not be readily determinable. In addition, we will not be permitted to maintain a general reserve for anticipated loan losses. Instead, we will be required by the 1940 Act to specifically value each investment and record an unrealized gain or loss for any asset that we believe has increased or decreased in value. We will value these investments on a quarterly basis, or more frequently as circumstances require, in accordance with our valuation policy consistent with generally accepted accounting principles. Our board of directors will employ an independent third-party valuation firm to assist the board in arriving at the fair value of our investments. The board will discuss valuations and determine the fair value in good faith based on the input of our Advisor and the third-party valuation firm. The factors that may be considered in fair value pricing our investments include the nature and realizable value of any collateral, the portfolio company's earnings and its ability to make payments on its indebtedness, the markets in which the portfolio company does business, comparisons to publicly traded companies, discounted cash flow and other relevant factors. Because such valuations are inherently uncertain and may be based on estimates, our determinations of fair value may differ materially from the values that would be assessed if a ready market for these securities existed. Our net asset value could be adversely affected if our determinations regarding the fair value of our investments are materially higher than the values that we ultimately realize upon the disposal of these investments. See "Determination of Net Asset Value."

Disruption in the capital markets and the credit markets could adversely affect our business.

Without sufficient access to the capital markets or credit markets, we may be forced to curtail our business operations or we may not be able to pursue new investment opportunities. Beginning in 2007, the global capital markets entered into a period of disruption and extreme volatility and, accordingly, there has been and will continue to be uncertainty in the financial markets in general. Ongoing disruptive conditions in the financial industry could restrict our business operations and could adversely impact or results of operations and financial condition. We are unable to predict when economic and market conditions may become more favorable. Even if these conditions improve significantly over the long term, adverse conditions in particular sectors of the financial markets could adversely impact our business.

We may not realize gains from our equity investments.

All of our investments that we have made in the past include, and investments we may make in the future are expected to include warrants. In addition, we may from time to time make non-control, equity co-investments in companies in conjunction with private equity sponsors. Our goal with respect to these equity investments is to ultimately realize gains upon disposition. The equity interests we receive may not appreciate in value and, in fact, may decline in value. Accordingly, we may not be able to realize gains from our equity interests, and any gains that we do realize on the disposition of any equity interests may not be sufficient to offset any other losses we experience. We also may be unable to realize any value if a portfolio company does not have a liquidity event, such as a sale of the business, refinancing or public offering, which would allow us to sell the underlying equity interests. In addition, the time and attention of the investment personnel of our Advisor could be diverted from managing our debt portfolio in order to manage any equity investments we receive thereby impacting the value of our remaining portfolio, and our Advisor's significant experience in Technology Lending may not result in returns on our equity investments.

From time to time we may also acquire equity participation rights in connection with an investment which will allow us, at our option, to participate in future rounds of equity financing through direct capital investments in our portfolio companies. Our Advisor will determine whether to exercise any of these rights. Accordingly, you will have no control over whether or to what extent these rights are exercised, if at all. If we exercise these rights, we will be making an additional investment completely in the form of equity which will subject us to significantly more risk than our Technology Loans and we may not receive the returns that are anticipated with respect to these investments.

We may not realize expected returns on warrants received in connection with our debt investments.

As discussed above, we generally receive warrants in connection with our debt investments. If we do not receive the returns that are anticipated on the warrants, our investment returns on our portfolio companies, and the value of your investment in us, may be lower than expected.

Regulations governing our operation as a business development company will affect our ability to, and the way in which, we raise additional capital, which may expose us to additional risks.

Our business plans contemplate a substantial amount of capital in addition to the proceeds of this offering. We may obtain additional capital through the issuance of debt securities, other indebtedness or preferred stock, and we may borrow money from banks or other financial institutions, which we refer to collectively as "senior securities," up to the maximum amount permitted by the 1940 Act. Moreover, in connection with the filing of the SBA license application, we expect to seek exemptive relief from the SEC to permit us to exclude the debt of the SBIC subsidiary guaranteed by the SBA from the 200% consolidated asset coverage ratio requirements. If we issue senior securities, we would be exposed to typical risks associated with leverage, including an increased risk of loss. In addition, if we issue preferred stock, it would rank "senior" to common stock in our capital structure and preferred stockholders would have separate voting rights and may have rights, preferences or privileges more favorable than those of holders of our common stock.

The 1940 Act permits us to issue senior securities in amounts such that our asset coverage, as defined in the 1940 Act, equals at least 200% after each issuance of senior securities. If our asset coverage ratio is not at least 200%, we will not be permitted to pay dividends or issue additional senior securities. If the value of our assets declines, we may be unable to satisfy this asset coverage test. If that happens, we may be required to liquidate a portion of our investments and repay a portion of our indebtedness at a time when we may be unable to do so or to do so on favorable terms.

As a business development company, we will generally not be able to issue our common stock at a price below net asset value without first obtaining the approval of our stockholders and our independent directors. This requirement will not apply to stock issued upon the exercise of options, warrants or rights that we may issue from time to time. If we raise additional funds by issuing more common stock or senior securities convertible into, or exchangeable for, our common stock, the percentage ownership of our stockholders at that time would decrease, and you may experience dilution.

If we are unable to satisfy the requirements under the Code for qualification as a RIC, we will be subject to corporate-level federal income tax.

To qualify as a RIC under the Code, we must meet certain source of income, diversification and distribution requirements contained in Subchapter M of the Code and maintain our election to be regulated as a business development company under the 1940 Act.

The source of income requirement is satisfied if we derive in each taxable year at least 90% of our gross income from dividends, interest (including tax-exempt interest), payments with respect to certain securities loans, gains from the sale or other disposition of stock, securities or foreign currencies, other income (including but not limited to gain from options, futures or forward contracts) derived with respect to our business of investing in stock, securities or currencies, or net income derived from an interest in a "qualified publicly traded partnership." The status of certain forms of income we receive could be subject to different interpretations under the Code and might be characterized as non-qualifying income that could cause us to fail to qualify as a RIC and, thus, may cause us to be subject to corporate-level federal income taxes.

The annual distribution requirement for a RIC is satisfied if we distribute to our stockholders on an annual basis an amount equal to at least 90% of our net ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any. If we borrow money, we may be subject to certain asset coverage ratio requirements under the 1940 Act and loan covenants that could, under certain circumstances, restrict us from making distributions necessary to qualify as a RIC. If we are unable to obtain cash from other sources, we may fail to qualify as a RIC and, thus, may be subject to corporate-level income tax.

To qualify as a RIC, we must also meet certain asset diversification requirements at the end of each calendar quarter. Failure to meet these tests may result in our having to (i) dispose of certain investments quickly or (ii) raise additional capital to prevent the loss of RIC status. Because most of our investments will be in development-stage companies within our Target Industries, any such dispositions could be made at disadvantageous prices and may result in substantial losses. If we raise additional capital to satisfy the asset diversification requirements, it could take a longer time to invest such capital. During this period, we will invest in temporary investments, such as cash and cash equivalents, which we expect will earn yields substantially lower than the interest income that we anticipate receiving in respect of our investments in secured and amortizing loans.

If we were to fail to qualify for the federal income tax benefits allowable to RICs for any reason and become subject to a corporate-level federal income tax, the resulting taxes could substantially reduce our net assets, the amount of income available for distribution to our stockholders, and the actual amount of our distributions. Such a failure would have a material adverse effect on us, the net asset value of our common stock and the total return, if any, obtainable from your investment in our common stock. In addition, we could be required to recognize unrealized gains, pay substantial taxes and interest and make substantial distributions before requalifying as a RIC. See “Regulation” and “Material U.S. Federal Income Tax Considerations.”

We may have difficulty paying our required distributions if we recognize taxable income before or without receiving cash.

We may be required to recognize taxable income in circumstances in which we do not receive cash. For example if we hold debt instruments that are treated under applicable tax rules as having original issue discount (such as debt instruments with payment-in-kind interest or, in certain cases, increasing interest rates or issued with warrants), we must include in taxable income each year a portion of the original issue discount that accrues over the life of the debt instrument, regardless of whether cash representing such income is received by us in the same taxable year. Because in certain cases we may recognize taxable income before or without receiving cash representing such income, we may have difficulty meeting the requirement that we distribute an amount equal to at least 90% of our net ordinary income and realized net short-term capital gains in excess of realized long-term capital losses, if any (the “Annual Distribution Requirement”). For example, the proportion of our income that resulted from original issue discount for the fiscal years ended December 31, 2008 and December 31, 2009 and the quarterly period ended March 31, 2010 was approximately 4.34%, 8.24% and 7.66%, respectively.

Accordingly, we may need to sell some of our assets at times that we would not consider advantageous, raise additional debt or equity capital or forego new investment opportunities or otherwise take actions that are disadvantageous to our business (or be unable to take actions that we believe are necessary or advantageous to our business) in order to satisfy the Annual Distribution Requirement. If we are unable to obtain cash from other sources to satisfy the Annual Distribution Requirement, we may fail to qualify for the federal income tax benefits allowable to RICs and, thus, become subject to a corporate-level federal income tax on all our income. See “Material U.S. Federal Income Tax Considerations.”

If we do not invest a sufficient portion of our assets in qualifying assets, we could fail to qualify as a business development company or be precluded from investing according to our current business strategy.

As a business development company, we will be prohibited from acquiring any assets other than “qualifying assets” unless, at the time of and after giving effect to such acquisition, at least 70% of our total assets are qualifying assets. We expect that substantially all of our assets that we may acquire in the future will be “qualifying assets,” although we may decide to make other investments that are not “qualifying assets” to the extent permitted by the 1940 Act. If we acquire debt or equity securities from an issuer that has outstanding marginable securities at the time we make an investment, these acquired assets may not be treated as qualifying assets. This result is dictated by the definition of “eligible portfolio company” under the 1940 Act, which in part looks to whether a company has outstanding marginable securities. See “Regulation — Qualifying assets.” If we do not invest a sufficient portion of our assets in qualifying assets, we could lose our status as a business development company, which would have a material adverse effect on our business, financial condition and results of operations.

Changes in laws or regulations governing our business could adversely affect our business, results of operations and financial condition.

Changes in the laws or regulations or the interpretations of the laws and regulations that govern business development companies, RICs, SBICs or non-depository commercial lenders could significantly affect our operations, our cost of doing business and our investment strategy. We are subject to federal, state and local laws and regulations and judicial and administrative decisions that affect our operations, including our loan originations, maximum interest rates, fees and other charges, disclosures to portfolio companies, the terms of secured transactions, collection and foreclosure procedures, portfolio composition and other trade practices. If these laws, regulations or decisions change, or if we expand our business into jurisdictions that have adopted more stringent requirements, we may incur significant expenses to comply with these laws, regulations or decisions or we might have to restrict our operations or alter our investment strategy. For example, any change to the SBA's current debenture SBIC program could have a significant impact on our ability to obtain lower-cost leverage and our ability to compete with other finance companies. In addition, if we do not comply with applicable laws, regulations and decisions, we may lose licenses needed for the conduct of our business and be subject to civil fines and criminal penalties, any of which could have a material adverse effect upon our business, results of operations or financial condition.

Our Advisor has significant potential conflicts of interest with us and your interests as stockholders.

As a result of our arrangements with our Advisor, there may be times when our Advisor has interests that differ from those of our stockholders, giving rise to a potential conflict of interest. Our executive officers and directors, as well as the current and future executives and employees of our Advisor, serve or may serve as officers, directors or principals of entities that operate in the same or a related line of business as we do. Accordingly, they may have obligations to investors in those entities, the fulfillment of which might not be in the best interests of our stockholders. In addition, our Advisor may manage other funds in the future that may have investment objectives that are similar, in whole or in part, to ours. Our Advisor may determine that an investment is appropriate for us and for one or more of those other funds. In such an event, depending on the availability of the investment and other appropriate factors, our Advisor will endeavor to allocate investment opportunities in a fair and equitable manner. It is also possible that we may not be given the opportunity to participate in these other investment opportunities.

We pay management and incentive fees to our Advisor and reimburse our Advisor for certain expenses it incurs. As a result, investors in our common stock will invest on a "gross" basis and receive distributions on a "net" basis after expenses, resulting in a lower rate of return than an investor might achieve through direct investments. Also, the incentive fee payable by us to our Advisor may create an incentive for our Advisor to pursue investments on our behalf that are riskier or more speculative than would be the case in the absence of such compensation arrangements.

We have entered into a license agreement with our Advisor pursuant to which our Advisor has agreed to grant us a non-exclusive, royalty-free right and license to use the service mark "Horizon Technology Finance." Under this agreement, we have a right to use the "Horizon Technology Finance" service mark for so long as the investment management agreement is in effect. In addition, we pay our Advisor, our allocable portion of overhead and other expenses incurred by our Advisor in performing its obligations under the administration agreement, including rent, the fees and expenses associated with performing compliance functions, and our allocable portion of the compensation of our chief financial officer and any administrative support staff. Any potential conflict of interest arising as a result of our arrangements with our Advisor could have a material adverse effect on our business, results of operations and financial condition.

Our incentive fee may impact our Advisor's structuring of our investments, including by causing our Advisor to pursue speculative investments.

The incentive fee payable by us to our Advisor may create an incentive for our Advisor to pursue investments on our behalf that are riskier or more speculative than would be the case in the absence of such compensation arrangement. The incentive fee payable to our Advisor is calculated based on a percentage of our return on invested capital. This may encourage our Advisor to use leverage to increase the return on our investments. Under certain

circumstances, the use of leverage may increase the likelihood of default, which would impair the value of our common stock. In addition, our Advisor receives the incentive fee based, in part, upon net capital gains realized on our investments. Unlike that portion of the incentive fee based on income, there is no hurdle rate applicable to the portion of the incentive fee based on net capital gains. As a result, our Advisor may have a tendency to invest more capital in investments that are likely to result in capital gains as compared to income-producing securities. Such a practice could result in our investing in more speculative securities than would otherwise be the case, which could result in higher investment losses, particularly during economic downturns. In addition, the incentive fee may encourage our Advisor to pursue different types of investments or structure investments in ways that are more likely to result in warrant gains or gains on equity investments, including upon exercise of equity participation rights, which are inconsistent with our investment strategy and disciplined underwriting process.

The incentive fee payable by us to our Advisor also may induce our Advisor to pursue investments on our behalf that have a deferred interest feature, even if such deferred payments would not provide cash necessary to enable us to pay current distributions to our stockholders. Under these investments, we would accrue interest over the life of the investment but would not receive the cash income from the investment until the end of the term. Our net investment income used to calculate the income portion of our investment fee, however, includes accrued interest. Thus, a portion of this incentive fee would be based on income that we have not yet received in cash. In addition, the "catch-up" portion of the incentive fee may encourage our Advisor to accelerate or defer interest payable by portfolio companies from one calendar quarter to another, potentially resulting in fluctuations in the timing and amounts of dividends. Our governing documents do not limit the number of loans we may make with deferred interest features or the proportion of our income we derive from such loans. For the fiscal years ended December 31, 2008 and December 31, 2009 and the quarterly period ended March 31, 2010, we derived approximately 1.60%, 3.42% and 4.54%, respectively, of our income from the deferred interest component of our loans and approximately 2.74%, 4.82% and 3.12%, respectively, of our income from discount accretion associated with warrants we have received in connection with the making of our loans.

If we are unable to manage our future growth effectively, we may be unable to achieve our investment objective, which could adversely affect our business, results of operations and financial condition and cause the value of your investment in us to decline.

Our ability to achieve our investment objective will depend on our ability to achieve and sustain growth, which will depend, in turn, on our Advisor's direct origination capabilities and disciplined underwriting process in identifying, evaluating, financing, investing in and monitoring suitable companies that meet our investment criteria. Accomplishing this result on a cost-effective basis is largely a function of our Advisor's marketing capabilities, management of the investment process, ability to provide efficient services and access to financing sources on acceptable terms. In addition to monitoring the performance of our existing investments, our Advisor may also be called upon to provide managerial assistance to our portfolio companies. These demands on their time may distract them or slow the rate of investment. If we fail to manage our future growth effectively, our business, results of operations and financial condition could be materially adversely affected and the value of your investment in us could decrease.

Our board of directors may change our operating policies and strategies, including our investment objective, without prior notice or stockholder approval, the effects of which may adversely affect our business.

Our board of directors may modify or waive our current operating policies and strategies, including our investment objectives, without prior notice and without stockholder approval (provided that no such modification or waiver may change the nature of our business so as to cease to be, or withdraw our election, as a business development company as provided by the 1940 Act without stockholder approval at a special meeting called upon written notice of not less than ten or more than sixty dates before the date of such meeting). We cannot predict the effect any changes to our current operating policies and strategies would have on our business, results of operations or financial condition or on the value of our stock. However, the effects of any changes might adversely affect our business, any or all of which could negatively impact our ability to pay dividends or cause you to lose all or part of your investment in us.

Our quarterly and annual operating results may fluctuate due to the nature of our business.

We could experience fluctuations in our quarterly and annual operating results due to a number of factors, some of which are beyond our control, including: our ability to make investments in companies that meet our investment criteria, the interest rate payable on our loans, the default rate on these investments, the level of our expenses, variations in, and the timing of, the recognition of realized and unrealized gains or losses, the degree to which we encounter competition in our markets and general economic conditions. For example, we have historically experienced greater investment activity during the second and fourth quarters relative to other periods. As a result of these factors, you should not rely on the results for any prior period as being indicative of our performance in future periods.

Our business plan and growth strategy depends to a significant extent upon our Advisor's referral relationships. If our Advisor is unable to develop new or maintain existing relationships, or if these relationships fail to generate investment opportunities, our business could be materially adversely affected.

We have historically depended on our Advisor's referral relationships to generate investment opportunities. For us to achieve our future business objectives, members of our Advisor will need to maintain these relationships with venture capital and private equity firms and management teams and legal firms, accounting firms, investment banks and other lenders, and we will rely to a significant extent upon these relationships to provide us with investment opportunities. If they fail to maintain their existing relationships or develop new relationships with other firms or sources of investment opportunities, we may not be able to grow our investment portfolio. In addition, persons with whom our Advisor has relationships are not obligated to provide us with investment opportunities, and, therefore, there is no assurance that such relationships will lead to the origination of debt or other investments.

Our Advisor can resign on 60 days' notice, and we may not be able to find a suitable replacement within that time, resulting in a disruption in our operations that could adversely affect our business, results of operations or financial condition.

Under our investment management agreement, our Advisor has the right to resign at any time, including during the first two years following the investment management agreement's effective date, upon not more than 60 days' written notice, whether we have found a replacement or not. If our Advisor resigns, we may not be able to find a new investment adviser or hire internal management with similar expertise and ability to provide the same or equivalent services on acceptable terms within 60 days, or at all. If we are unable to do so, our operations are likely to be disrupted, our business, results of operations and financial condition and our ability to pay distributions may be adversely affected and the market price of our shares may decline. In addition, the coordination of our internal management and investment activities is likely to suffer if we are unable to identify and reach an agreement with a single institution or group of executives having the expertise possessed by our Advisor and its affiliates. Even if we are able to retain comparable management, whether internal or external, the integration of new management and their lack of familiarity with our investment objective may result in additional costs and time delays that may adversely affect our business, results of operations or financial condition.

Our ability to enter into transactions with our affiliates will be restricted.

As a business development company, we will be prohibited under the 1940 Act from participating in certain transactions with our affiliates without the prior approval of our independent directors and, in some cases, the SEC. Any person that owns, directly or indirectly, 5% or more of our outstanding voting securities will be considered our affiliate for purposes of the 1940 Act. We will generally be prohibited from buying or selling any security from or to an affiliate, absent the prior approval of our independent directors. The 1940 Act also prohibits certain "joint" transactions with an affiliate, which could include investments in the same portfolio company (whether at the same or different times), without prior approval of our independent directors. If a person acquires more than 25% of our voting securities, we will be prohibited from buying or selling any security from or to that person or certain of that person's affiliates, or entering into prohibited joint transactions with those persons, absent the prior approval of the SEC. Similar restrictions limit our ability to transact business with our officers or directors or their affiliates.

We will incur significant costs as a result of being a publicly traded company.

As a publicly traded company, we will incur legal, accounting and other expenses, including costs associated with the periodic reporting requirements applicable to a company whose securities are registered under the Securities Exchange Act of 1934, as amended, or the Exchange Act, as well as additional corporate governance requirements, including requirements under the Sarbanes-Oxley Act of 2002, and other rules implemented by the SEC.

Terrorist attacks and other catastrophic events may disrupt the businesses in which we invest and harm our operations and our profitability.

Terrorist attacks and threats, escalation of military activity or acts of war may significantly harm our results of operations and your investment. We cannot assure you that there will not be further terrorist attacks against the United States or United States businesses. Such attacks or armed conflicts in the United States or elsewhere may impact the businesses in which we invest directly or indirectly, by undermining economic conditions in the United States or elsewhere. In addition, because many of our portfolio companies operate and rely on network infrastructure and enterprise applications and internal technology systems for development, marketing, operational, support and other business activities, a disruption or failure of any or all of these systems in the event of a major telecommunications failure, cyber-attack, fire, earthquake, severe weather conditions or other catastrophic event could cause system interruptions, delays in product development and loss of critical data and could otherwise disrupt their business operations. Losses resulting from terrorist attacks are generally uninsurable.

Risks Related to our Investments

We have not yet identified many of the potential investment opportunities for our portfolio that we will invest in with the proceeds of this offering.

We have not yet identified many of the potential investment opportunities for our portfolio that we will acquire with the proceeds of this offering. Our investments will be selected by our Advisor, subject to the approval of its investment committee. Our stockholders will not have input into our Advisor's investment decisions. As a result, you will be unable to evaluate any future portfolio company investments prior to purchasing shares of our common stock in this offering. These factors will increase the uncertainty, and thus the risk, of investing in our shares of common stock.

If our investments do not meet our performance expectations, you may not receive distributions.

We intend to make distributions of income on a quarterly basis to our stockholders. We may not be able to achieve operating results that will allow us to make distributions at a specific level or increase the amount of these distributions from time to time. In addition, due to the asset coverage test applicable to us as a business development company, we may be limited in our ability to make distributions. See "Regulation." Also, restrictions and provisions in any existing or future credit facilities may limit our ability to make distributions. If we do not distribute a certain percentage of our income annually, we will suffer adverse tax consequences, including failure to obtain, or possible loss of, the federal income tax benefits allowable to RICs. See "Material U.S. Federal Income Tax Considerations." We cannot assure you that you will receive distributions at a particular level or at all.

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

Our 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. We cannot predict the circumstances or market conditions under which our 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 our 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 our business and that of our portfolio companies which may have an adverse effect on our business, results of operations and financial condition.

General economic conditions may affect our activities and the operation and value of our portfolio companies. Economic slowdowns or recessions may result in a decrease of institutional equity investment, which would limit our lending opportunities. Furthermore, many of our portfolio companies may be susceptible to economic slowdowns or recessions and may be unable to repay our loans during these periods. Therefore, our non-performing assets are likely to increase and the value of our portfolio is likely to decrease during these periods. Adverse economic conditions also may decrease the value of collateral securing some of our loans and the value of our equity investments. Economic slowdowns or recessions could lead to financial losses in our portfolio and a decrease in revenues, net income and assets. Unfavorable economic conditions also could increase our funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to us.

A portfolio company's failure to satisfy financial or operating covenants imposed by us 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 loans that we hold. We may incur expenses to the extent necessary to recover our investment upon default or to negotiate new terms with a defaulting portfolio company. These events could harm our financial condition and operating results.

Our investment strategy will focus on investments in development-stage companies in our Target Industries, which are subject to many risks, including volatility, intense competition, shortened product life cycles and periodic downturns, and are typically rated below "investment grade".

We intend to invest, under normal circumstances, most of the value of our total assets (including the amount of any borrowings for investment purposes) in development-stage companies, which may have relatively limited operating histories, in our Target Industries. 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 our Target Industries can and often do fluctuate suddenly and dramatically. For these reasons, investments in our 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, our 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 us and may materially adversely affect the return on, or the recovery of, our investments in these businesses.

Because of rapid technological change, the average selling prices of products and some services provided by development-stage companies in our Target Industries have historically decreased over their productive lives. These decreases could adversely affect their 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 our business, financial condition and results of operations.

Any unrealized depreciation we experience on our loan portfolio may be an indication of future realized losses, which could reduce our income available for distribution.

As a business development company, we will be required to carry our investments at fair value which shall be the market value of our investments or, if no market value is ascertainable, at the fair value as determined in good

faith pursuant to procedures approved by our board of directors in accordance with our valuation policy. We are not permitted to maintain a reserve for loan losses. Decreases in the fair values of our investments will be recorded as unrealized depreciation. Any unrealized depreciation in our loan portfolio could be an indication of a portfolio company's inability to meet its repayment obligations to us with respect to the affected loans. This could result in realized losses in the future and ultimately reduces our income available for distribution in future periods.

If the assets securing the loans we make decrease in value, we may not have sufficient collateral to cover losses and may experience losses upon foreclosure.

We believe our portfolio companies generally will be able to repay our loans from their available capital, from future capital-raising transactions or from cash flow from operations. However, to mitigate our credit risks, we typically take a security interest in all or a portion of the assets of our portfolio companies, including the equity interests of their subsidiaries. There is a risk that the collateral securing our 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, our lien 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 loan. Consequently, although such loan is secured we may not receive principal and interest payments according to the loan's terms and the value of the collateral may not be sufficient to recover our investment should we be forced to enforce our remedies.

In addition, because we intend to invest in development-stage companies in our Target Industries, a substantial portion of the assets securing our investment may be in the form of intellectual property, if any, inventory, equipment, cash and accounts receivables. Intellectual property, if any, which secures a loan could lose value if the 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 we 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, we may have additional difficulty recovering our principal in the event of a foreclosure. Similarly, any equipment securing our loan may not provide us with the anticipated security if there are changes in technology or advances in new equipment that render the particular equipment obsolete or of limited value or if the company fails to adequately maintain or repair the equipment. Any one or more of the preceding factors could materially impair our ability to recover principal in a foreclosure.

The lack of liquidity in our investments may adversely affect our business, and if we need to sell any of our investments, we may not be able to do so at a favorable price. As a result, we may suffer losses.

We plan to generally invest in loans with terms of up to four years and hold such investments until maturity, unless earlier prepaid, and we do not expect that our related holdings of equity securities will provide us with liquidity opportunities in the near-term. We expect to primarily invest in companies whose securities are not publicly-traded, and whose securities will be subject to legal and other restrictions on resale or will otherwise be less liquid than publicly traded securities. The illiquidity of these investments may make it difficult for us to sell these investments when desired. We may also face other restrictions on our ability to liquidate an investment in a public portfolio company to the extent that we possess material non-public information regarding the portfolio company. In addition, if we are required to liquidate all or a portion of our portfolio quickly, we may realize significantly less than the value at which we had previously recorded these investments. As a result, we do not expect to dispose of our investments in the near term. However, we may be required to do so in order to maintain our qualification as a business development company and as a RIC if we do not satisfy one or more of the applicable criteria under the respective regulatory frameworks. Because most of our investments are illiquid, we may be unable to dispose of them, in which case we could fail to qualify as a RIC and/or BDC, or we may not be able to dispose of them at favorable prices, and as a result, we may suffer losses.

Our portfolio companies may incur debt that ranks equally with, or senior to, our investments in such companies.

We plan to invest primarily in loans issued by our portfolio companies. Some of our portfolio companies will be permitted to have other debt that ranks equally with, or senior to, our 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 we are entitled to receive payments in respect of our loans. These debt instruments may prohibit the portfolio companies from paying interest on or repaying our 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 our investment in that portfolio company would typically be entitled to receive payment in full before we receive any payment in respect of our investment. After repaying senior creditors, a portfolio company may not have any remaining assets to use for repaying its obligation to us. In the case of debt ranking equally with our loans, we 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 our loans could be subordinated to claims of other creditors or we could be subject to lender liability claims.

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

We plan to invest primarily in privately held companies. Generally, very little public information exists about these companies, and we will be required to rely on the ability of our Advisor to obtain adequate information to evaluate the potential returns from investing in these companies. If we are unable to uncover all material information about these companies, we may not make a fully informed investment decision, and we may lose money on our 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 our investment returns.

In addition, our success depends, in large part, upon the abilities of the key management personnel of our portfolio companies, who are responsible for the day-to-day operations of our portfolio companies. 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. Our portfolio companies may not be able to attract and retain qualified managers and personnel. Any inability to do so may negatively affect our investment returns.

Prepayments of our debt investments by our portfolio companies could adversely impact our results of operations and reduce our return on equity.

We will be subject to the risk that the investments we make in our portfolio companies may be repaid prior to maturity. For example, most of our debt investments have, historically, been repaid prior to maturity by our portfolio companies. At the time of a liquidity event, such as a sale of the business, refinancing or public offering, many of our portfolio companies have availed themselves of the opportunity to repay our loans prior to maturity. Our investments generally allow for repayment at any time subject to certain penalties. When this occurs, we will generally reinvest these proceeds in temporary investments, pending their future investment in new portfolio companies. These temporary investments will typically have substantially lower yields than the debt being prepaid,

and we could experience significant delays in reinvesting these amounts. Any future investment in a new portfolio company may also be at lower yields than the debt that was repaid. As a result, our results of operations could be materially adversely affected if one or more of our portfolio companies elects to prepay amounts owed to us. Additionally, prepayments could negatively impact our return on equity, which could result in a decline in the market price of our common stock.

Our business and growth strategy could be adversely affected if government regulations, priorities and resources impacting the industries in which our portfolio companies operate change.

Some of our 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 our portfolio companies. In addition, changes in government priorities or limitations on government resources could also adversely impact our portfolio companies. We are 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 our portfolio companies and our investment returns.

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

As part of our investment strategy, we plan to invest in companies in the life science industry that 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 our ability to timely collect principal and interest payments owed to us.

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

The value of our investments in our portfolio companies may decline if they are not able to commercialize their technology, products, business concepts or services. Additionally, although some of our 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, our investment returns could be adversely affected and their ability to service their debt obligations to us over the life of the loan could be impaired. Our portfolio companies may be unable to successfully acquire or develop any new technologies and the intellectual property they currently hold may not remain viable. Even if our portfolio companies are able to develop commercially viable products, the market for new products and services is highly competitive and rapidly changing. Neither our portfolio companies nor we will have any control over the pace of technology development. Commercial success is difficult to predict, and the marketing efforts of our portfolio companies may not be successful.

If our portfolio companies are unable to protect their intellectual property rights, our business and prospects could be harmed, and if portfolio companies are required to devote significant resources to protecting their intellectual property rights, the value of our investment could be reduced.

Our future success and competitive position will depend in part upon the ability of our portfolio companies to obtain, maintain and protect proprietary technology used in their products and services. The intellectual property held by our portfolio companies often represents a substantial portion of the collateral securing our investments

and/or constitutes a significant portion of the portfolio companies' value that may be available in a downside scenario to repay our loans. Our 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 our debt investment and the value of any related debt and equity securities that we own, as well as any collateral securing our investment.

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

We do not expect to control any of our portfolio companies, even though our debt agreements may contain certain restrictive covenants that limit the business and operations of our portfolio companies. We also do not intend to maintain a control position to the extent we own equity interests in any portfolio company. As a result, we will be subject to the risk that a portfolio company in which we invest may make business decisions with which we disagree 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 our interests as debt investors. Due to the lack of liquidity of the investments that we typically hold in our portfolio companies, we may not be able to dispose of our investments in the event we disagree with the actions of a portfolio company and we may therefore, suffer a decrease in the value of our investments.

Risks Related to this Offering and our Common Stock

Prior to this offering, there has been no public market for our common stock, and we cannot assure you that the market price of shares of our common stock will not decline following the offering.

Prior to this offering, there was no public trading market for our common stock, and we cannot assure you that one will develop or be sustained after this offering. If an active trading market does not develop, you may have difficulty selling any common stock that you buy and the value of your shares may be impaired. We also cannot predict the prices at which our common stock will trade. The initial public offering price for our common stock will be determined through our negotiations with the underwriters and may not bear any relationship to the market price at which it will trade after this offering or to any other established criteria of our value. Shares of closed-end management investment companies offered in an initial public offering often trade at a discount to the initial offering price due to sales loads, underwriting discounts and related offering expenses. In addition, shares of closed-end management investment companies have in the past frequently traded at discounts to their net asset values and our stock may also be discounted in the market. This characteristic of closed-end management investment companies is separate and distinct from the risk that our net asset value per share may decline. We cannot predict whether shares of our common stock will trade above, at or below our net asset value. The risk of loss associated with this characteristic of closed-end management investment companies may be greater for investors expecting to sell shares of common stock purchased in this offering soon after the offering. In addition, if our common stock trades below its net asset value, we will generally not be able to sell additional shares of our common stock to the public at its market price without first obtaining the approval of our stockholders (including our unaffiliated stockholders) and our independent directors.

Subsequent sales in the public market of substantial amounts of our common stock issued to insiders or others may have an adverse effect on the market price of our common stock.

Upon consummation of this offering, we will have shares of common stock outstanding (or shares of common stock if the over-allotment option is fully exercised). Of these shares, the shares sold in this offering will be freely tradeable and approximately shares of our common stock will have been issued to our officers, directors and existing stockholders. Approximately % of the shares

of our common stock issued to the selling stockholder in the Share Exchange are included in the offering. We and our executive officers and directors and our other stockholders, including the selling stockholder, will be subject to agreements with the underwriters that restrict our and their ability to transfer our stock for a period of 180 days from the date of this prospectus. Approximately one out of every publicly issued shares outstanding upon completion of the offering will be subject to such agreements. In the event that either (a) during the last 17 days of the 180-day restricted period, we issue an earnings release or material news or a material event relating to us occurs or (b) prior to the expiration of the 180-day restricted period, we announce that we will release earnings results during the 16-day period beginning on the last day of the 180-day period, the "lock-up" restrictions will continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event. See "Underwriters." The shares sold by the selling stockholder will not be subject to this lock-up agreement. After the lock-up agreements expire, an aggregate of additional shares of our common stock will be eligible for sale in the public market in accordance with Rule 144 under the Securities Act. Sales of substantial amounts of our common stock or the availability of such shares for sale, including by insiders, could adversely affect the prevailing market prices for our common stock. If this occurs and continues, our ability to raise additional capital through the sale of equity securities could be impaired should we desire to do so.

Our common stock price may be volatile and may decrease substantially.

The trading price of our common stock following this offering may fluctuate substantially. The price of our common stock that will prevail in the market after this offering may be higher or lower than the price you pay and the liquidity of our common stock may be limited, in each case depending on many factors, some of which are beyond our control and may not be directly related to our operating performance. These factors include the following:

- price and volume fluctuations in the overall stock market or in the market for business development companies from time to time;
- investor demand for our shares of common stock;
- significant volatility in the market price and trading volume of securities of registered closed-end management investment companies, business development companies or other financial services companies;
- our inability to raise capital, borrow money or deploy or invest our capital;
- fluctuations in interest rates;
- any shortfall in revenue or net income or any increase in losses from levels expected by investors or securities analysts;
- operating performance of companies comparable to us;
- changes in regulatory policies or tax guidelines with respect to RICs, business development companies or SBICs;
- not electing or losing RIC status;
- actual or anticipated changes in our earnings or fluctuations in our operating results;
- changes in the value of our portfolio of investments;
- general economic conditions, trends and other external factors;
- departures of key personnel; or
- loss of a major source of funding.

In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been brought against that company. Due to the potential volatility of our stock price, we may therefore be the target of securities litigation in the future. Securities litigation could result in substantial costs and divert management's attention and resources from our business.

We may allocate the net proceeds from this offering in ways with which you may not agree.

We will have significant flexibility in investing the net proceeds of this offering and may use the net proceeds from this offering in ways with which you may not agree or for purposes other than those contemplated at the time of the offering. We will also pay operating expenses, and may pay other expenses such as due diligence expenses related to potential new investments, from net proceeds. Our ability to achieve our investment objective may be limited to the extent that net proceeds of this offering, pending full investment, are used to pay operating or other expenses.

We will initially invest a portion of the net proceeds of this offering in high-quality short-term investments, which will generate lower rates of return than those expected from investments made in accordance with our investment objective.

We will initially invest a portion of the net proceeds of this offering in cash, cash equivalents, U.S. government securities and other high-quality short-term investments. These securities may earn yields substantially lower than the income that we anticipate receiving once these proceeds are fully invested in accordance with our investment objective.

Investing in shares of our common stock may involve an above average degree of risk.

The investments we make in accordance with our investment objective may result in a higher amount of risk, volatility or loss of principal than alternative investment options. Our investments in portfolio companies may be highly speculative and aggressive, and therefore, an investment in our common stock may not be suitable for investors with lower risk tolerance.

Investors in this offering will incur immediate dilution upon the closing of this offering.

In connection with the Distribution and Share Exchange, we will issue common stock equal to approximately $ million, which represents the net asset value of Compass Horizon as of March 31, 2010, to the Compass Horizon Owners in exchange for their respective interests, as described in the section entitled “The Exchange Transaction.” The Share Exchange, however, will not take place until immediately prior to our election to be treated as a business development company under the 1940 Act.

Furthermore, after giving effect to the sale of our common stock in this offering at an assumed initial public offering price of $ per share (the mid-point of the range set forth on the cover of this prospectus), and after deducting estimated underwriting discounts and estimated offering and Share Exchange expenses payable by us, our as-adjusted pro forma net asset value as of , 2010 would have been approximately $ million, or $ per share. This represents an immediate increase in our net asset value per share of $ to the Compass Horizon Owners and dilution in net asset value per share of $ to new investors who purchase shares in this offering. See “Dilution” for more information.

Anti-takeover provisions in our charter documents and other agreements and certain provisions of the Delaware General Corporation Law could deter takeover attempts and have an adverse impact on the price of our common stock.

The Delaware General Corporation Law, our certificate of incorporation and our bylaws contain provisions that may have the effect of discouraging a third party from making an acquisition proposal for us. Among other things, our certificate of incorporation and bylaws:

- provide for a classified board of directors, which may delay the ability of our stockholders to change the membership of a majority of our board of directors;
- authorize the issuance of “blank check” preferred stock that could be issued by our board of directors to thwart a takeover attempt;
- do not provide for cumulative voting;

- provide that vacancies on the board of directors, including newly created directorships, may be filled only by a majority vote of directors then in office;
- limit the calling of special meetings of stockholders;
- provide that our directors may be removed only for cause;
- require supermajority voting to effect certain amendments to our certificate of incorporation and our bylaws; and
- require stockholders to provide advance notice of new business proposals and director nominations under specific procedures.

These anti-takeover provisions may inhibit a change in control in circumstances that could give the holders of our common stock the opportunity to realize a premium over the market price of our common stock. See "Description of Capital Stock." Our Credit Facility also contains a covenant that prohibits us from merging or consolidating with any other person or selling all or substantially all of our assets without the prior written consent of WestLB. If we were to engage in such a transaction without such consent, WestLB could accelerate our repayment obligations under, and/or terminate, our Credit Facility. In addition, the SBA prohibits, without prior SBA approval, a "change of control" of an SBIC. A "change of control" is any event which would result in the transfer of power, direct or indirect, to direct the management and policies of an SBIC, including through ownership. To the extent that we form an SBIC subsidiary, this would prohibit a change of control of us without prior SBA approval.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

In addition to factors previously identified elsewhere in this prospectus, including the "Risk Factors" section of this prospectus, the following factors, among others, could cause actual results to differ materially from forward-looking statements or historical performance:

- our future operating results, including the performance of our existing loans and warrants;
- the introduction, withdrawal, success and timing of business initiatives and strategies;
- changes in political, economic or industry conditions, the interest rate environment or financial and capital markets, which could result in changes in the value of our assets;
- the relative and absolute investment performance and operations of our Advisor;
- the impact of increased competition;
- the impact of investments we intend to make and future acquisitions and divestitures;
- the unfavorable resolution of legal proceedings;
- our business prospects and the prospects of our portfolio companies;
- the projected performance of other funds managed by our Advisor;
- the impact, extent and timing of technological changes and the adequacy of intellectual property protection;
- our regulatory structure and tax status;
- the adequacy of our cash resources and working capital;
- the timing of cash flows, if any, from the operations of our portfolio companies;
- the impact of interest rate volatility on our results, particularly if we use leverage as part of our investment strategy;
- the ability of our portfolio companies to achieve their objective;
- our ability to cause a subsidiary to become a licensed SBIC;
- the impact of legislative and regulatory actions and reforms and regulatory, supervisory or enforcement actions of government agencies relating to us or our Advisor;
- our contractual arrangements and relationships with third parties;
- our ability to access capital and any future financings by us;
- the ability of our Advisor to attract and retain highly talented professionals; and
- the impact of changes to tax legislation and, generally, our tax position.

This prospectus, and other statements that we may make, may contain forward-looking statements with respect to future financial or business performance, strategies or expectations. Forward-looking statements are typically identified by words or phrases such as "trend," "opportunity," "pipeline," "believe," "comfortable," "expect," "anticipate," "current," "intention," "estimate," "position," "assume," "plan," "potential," "project," "outlook," "continue," "remain," "maintain," "sustain," "seek," "achieve" and similar expressions, or future or conditional verbs such as "will," "would," "should," "could," "may" or similar expressions.

Forward-looking statements are subject to numerous assumptions, risks and uncertainties, which change over time. Forward-looking statements speak only as of the date they are made, and we assume no duty to and do not undertake to update forward-looking statements. These forward-looking statements do not meet the safe harbor for forward-looking statements pursuant to Section 27A of the Securities Act. Actual results could differ materially from those anticipated in forward-looking statements and future results could differ materially from historical performance.

BUSINESS DEVELOPMENT COMPANY AND REGULATED INVESTMENT COMPANY ELECTIONS

In connection with this offering, we will file an election to be regulated as a business development company under the 1940 Act. In addition, we intend to elect to be treated, and intend to qualify, as a RIC under Subchapter M of the Code, commencing with our taxable year ending on December 31, 2010. Our election to be regulated as a business development company and our election to be treated as a RIC will have a significant impact on our future operations. Some of the most important effects on our future operations of our election to be regulated as a business development company and our election to be treated as a RIC are outlined below.

Investment Reporting

We will report our investments at fair value with changes in value reported through our statement of operations. In accordance with the requirements of Article 6 of Regulation S-X, we will report all of our investments, including debt investments, at fair value. Changes in these values will be reported through our statement of operations under the caption entitled "total net change in unrealized appreciation (depreciation) from investments." See "Determination of Net Asset Value."

Income Tax Expense

We generally will be required to pay income taxes only on the portion of our taxable income we do not distribute to stockholders (actually or constructively). As a RIC, so long as we meet certain minimum distribution, source-of-income and asset diversification requirements, we generally will be required to pay income taxes only on the portion of our taxable income and gains we do not distribute (actually or constructively) and certain built-in gains, if any.

Use of Leverage

Our ability to use leverage as a means of financing our portfolio of investments will be limited. As a business development company, we will be required to meet a coverage ratio of total assets to total senior securities of at least 200%. For this purpose, senior securities include all borrowings and any preferred stock we may issue in the future. Additionally, our ability to continue to utilize leverage as a means of financing our portfolio of investments will be limited by this asset coverage test. In connection with this offering and our intended election to be regulated as a business development company, we expect to file a request with the SEC for exemptive relief to allow us to exclude any indebtedness guaranteed by the SBA and issued by our SBIC subsidiary from the 200% asset coverage requirements applicable to us. While the SEC has granted exemptive relief in substantially similar circumstances in the past, no assurance can be given that an exemptive order will be granted.

Distribution Policy

As a RIC, we intend to distribute to our stockholders substantially all of our income, except possibly for certain net long-term capital gains. We may make deemed distributions to our stockholders of some or all of our retained net long-term capital gains. If this happens, you will be treated as if you had received an actual distribution of the capital gains and reinvested the net after-tax proceeds in us. In general, you also would be eligible to claim a tax credit (or, in certain circumstances, a tax refund) equal to your allocable share of the tax we paid on the deemed distribution. See "Distributions" and "Material U.S. Federal Income Tax Considerations."

THE EXCHANGE TRANSACTION

We were formed in March 2010 to continue and expand the business of Compass Horizon. Compass Horizon is the entity that currently owns all of the portfolio investments that we will own upon the closing of this offering. From commencing operations in March 2008 through the date of this prospectus, all of the outstanding limited liability company interests in Compass Horizon have been owned by the Compass Horizon Owners.

Prior to the completion of the offering, based upon our as adjusted net asset value of $63.5 million as of March 31, 2010, Compass Horizon intends to make a cash distribution to CHP of approximately $16.0 million from net income and as a return of capital, which we call the "Pre-IPO Distribution."

After the Pre-IPO Distribution and immediately prior to the completion of the offering, the Compass Owners will exchange their membership interests in Compass Horizon for approximately shares of our common stock, which we call the "Share Exchange." Upon completion of the Share Exchange and this offering, Compass Horizon will become our wholly owned subsidiary and we will effectively own all of Compass Horizon's assets, including all of its investments and its subsidiary.

Concurrent with this offering, CHP will offer to sell shares of our common stock, which it received in the Share Exchange. After the completion of this offering, assuming the sale of shares of our common stock by the selling stockholder and the issuance of shares of our common stock by us in this offering, CHP will own shares of our common stock, or % of the total outstanding shares of our common stock. Upon completion of the Share Exchange and this offering, HTF-CHF will own shares of our common stock, or % of the total outstanding shares of our common stock.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The following unaudited pro forma condensed consolidated financial information sets forth our unaudited pro forma and historical consolidated statements of operations for the three months ended March 31, 2010 and the year ended December 31, 2009 and the unaudited pro forma and historical consolidated balance sheets at March 31, 2010. Such information is based on the audited and unaudited financial statements of Compass Horizon appearing elsewhere in this prospectus, as adjusted to illustrate the estimated pro forma effects of the pro forma adjustments described below. Compass Horizon is considered to be our predecessor for accounting purposes and its consolidated financial statements are our historical consolidated financial statements.

The unaudited pro forma condensed consolidated balance sheet at March 31, 2010, and the unaudited pro forma condensed consolidated statement of operations for the three months ended March 31, 2010 and the year ended December 31, 2009, give effect to the following:

- our qualification as a BDC and changes in accounting principles as a result of our election to be treated as a BDC immediately following the completion of this offering, which requires all of our investments to be carried at market value, or for investments with no ascertainable market value, fair value as determined in good faith by our board of directors;
- our qualification and election to be treated as a RIC, including the income tax consequences of our election, following the completion of this offering;
- the Pre-IPO Distribution and the Share Exchange;
- the sale of shares of common stock in this offering and the use of proceeds from this offering; and
- the consolidation of our wholly owned special purpose financing subsidiaries, Compass Horizon and Credit I, which will continue to be consolidated with the Company following the completion of this offering.

The unaudited pro forma adjustments are based on available information and certain assumptions that we believe are reasonable. Presentation of the unaudited pro forma financial information is prepared in conformity with Article 11 of Regulation S-X.

The unaudited pro forma condensed consolidated financial information was prepared on a basis consistent with that used in preparing our audited consolidated financial statements and includes all adjustments, consisting of normal and recurring items, that we consider necessary for a fair presentation of the financial position and results of operations for the unaudited periods.

The unaudited pro forma condensed consolidated financial information should be read in conjunction with the sections of this prospectus entitled “The Exchange Transaction,” “Use of Proceeds,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and our historical consolidated financial statements and related notes thereto included elsewhere in this prospectus. The unaudited pro forma condensed consolidated financial information is for informational purposes only and is not intended to represent or be indicative of the consolidated results of operations or financial position that we would have reported had the pro forma adjustments and this offering been completed on the dates indicated and should not be taken as representative of our future consolidated results of operations or financial position.

Unaudited Pro Forma Condensed Consolidated Balance Sheet
As of March 31, 2010

	Compass Horizon Funding Company LLC — Historical	Adjustments for BDC/RIC Elections	As adjusted for RIC/BDC Elections	Adjustments for this Offering and Pre-IPO Distribution and Share Exchange	Horizon Technology Finance Corporation Pro Forma
ASSETS					
Cash and cash equivalents	$ 19,148,952	$ —	$ 19,148,952	$	$
Loans receivable	114,985,933	(335,387)(A)	114,650,546		
Allowance for loan losses	(1,620,810)	1,620,810(B)	—		
Loans receivable, net	113,365,123	1,285,423	114,650,546		
Warrants	2,935,154	—	2,935,154		
Other assets	3,141,135	—	3,141,135		
TOTAL ASSETS	$ 138,590,364	$ 1,285,423	$ 139,875,787	$	$
LIABILITIES					
Borrowings	$ 75,230,251	$ —	$ 75,230,251	$	$
Other liabilities	1,150,116	—	1,150,116		
TOTAL LIABILITIES	76,380,367	—	76,380,367		
MEMBERS' CAPITAL/ STOCKHOLDERS EQUITY					
Members' capital	61,856,990	1,620,810(B)	63,477,800		
Accumulated other comprehensive loss —					
Unrealized loss on interest rate swaps	(668,247)	—	(668,247)		
Unrealized gain on investments	1,021,254	(335,387)(A)	685,867		
Common Stock	—	—	—		
Paid-in capital	—	—	—		
MEMBERS' CAPITAL/ STOCKHOLDERS' EQUITY	62,209,997	1,285,423	63,495,420		
TOTAL LIABILITIES AND MEMBERS' CAPITAL/STOCKHOLDERS' EQUITY	$ 138,590,364	$ 1,285,423	$ 139,875,787	$	$

See notes to unaudited pro forma condensed consolidated financial information

Unaudited Pro Forma Condensed Consolidated Statement of Operations
For the Three Months Ended March 31, 2010

	Compass Horizon Funding Company LLC — Historical	Adjustments for BDC/RIC Elections	As adjusted for RIC/BDC Elections	Adjustments for this Offering and Pre-IPO Distribution and Share Exchange	Horizon Technology Finance Corporation Pro Forma
INCOME					
Interest income on loans	$ 3,744,547	$ —	$ 3,744,547	$	$
Other income	48,189	—	48,189		
Total income	3,792,736	—	3,792,736		
Credit for loan losses	303,224	(303,224)(B)	—		
Income after provision for loan losses	4,095,960	(303,224)	3,792,736		
EXPENSES					
Interest expense	1,003,324	—	1,003,324		
Management fee expense	547,151	—	547,151		
Other expenses	129,552	—	129,552		
Total expenses	1,680,027	—	1,680,027		
Income before net realized and unrealized gains on investments	2,415,933	(303,224)	2,112,7099		
Net realized gain on investments	—	—	—		
Net unrealized gain on investments	201,765	430,565(A)	632,330		
NET INCOME	$ 2,617,698	$ 127,341	$ 2,745,039	$	$

See notes to unaudited pro forma condensed consolidated financial information

Notes to 2010 Unaudited Pro Forma Condensed Consolidated Financial Information

Pro Forma Adjustments:

(A) Represents adjustment of our loans to fair value as required for a business development company. For a discussion of our valuation policy following this offering, please see "Determination of Net Asset Value." For the three months ended March 31, 2010, the net unrealized gains on the loan portfolio was $430,565.

(B) Represents elimination of allowance for loan losses and provision for loan losses. In future periods, following our election to be treated as a business development company, we will no longer record an allowance for loan losses. We will value each individual loan and investment on a quarterly basis at fair value which shall be the market value, or, if no market value is ascertainable, at the fair value as determined in good faith pursuant to procedures approved by our board of directors in accordance with our valuation policy. The following is a summary of the changes in the allowance for loan losses:

	Three Months Ended March 31, 2010
Balance at beginning of period	$ 1,924,034
Credit for loan losses	(303,224)
Charge offs, net of recoveries	—
Balance at end of period	$ 1,620,810

(C) Pre-IPO Distribution, Member Interest Exchange for Common Stock and Offering-Related Adjustments

Pre-IPO distribution to Members:

Common stock

Members Interest exchange for Common Stock:

Member interest

Par value of common stock issued

Paid-in capital

Represents estimated net proceeds from common stock offering:

Common stock

Offering price

Estimated gross proceeds

Estimated fees and expenses

Net proceeds

Less: Par value of common stock issued

Paid-in capital

Unaudited Pro Forma Condensed Consolidated Statement of Operations
For the Year Ended December 31, 2009

	Compass Horizon Funding Company LLC — Historical	Adjustments for BDC/RIC Elections	As adjusted for RIC/BDC Elections	Adjustments for this Offering and Pre-IPO Distribution and Share Exchange	Horizon Technology Finance Corporation Pro Forma
INCOME					
Interest income on loans	$ 14,987,322	$ —	$ 14,987,322	$	$
Other income	338,986	—	338,986		
Total income	15,326,308	—	15,326,308		
Provision for loan losses	(274,381)	274,381(B)	—		
Income after provision for loan losses	15,051,927	274,381	15,326,308		
EXPENSES					
Interest expense	4,244,804	—	4,244,804		
Management fee expense	2,202,268	—	2,202,268		
Other expenses	321,506	—	321,506		
Total expenses	6,768,578	—	6,768,578		
Income before net realized and unrealized gains (loss) on investments	8,283,349	274,381	8,557,730		
Net realized gain on investments	137,696	—	137,696		
Net unrealized gain (loss) on investments	892,130	263,150(A)	1,155,280		
NET INCOME	$ 9,313,175	$ 537,531	$ 9,850,706	$	$

See notes to unaudited pro forma condensed consolidated financial information

Notes to 2009 Unaudited Pro Forma Condensed Consolidated Statement of Operations

Pro Forma Adjustments:

(A) Represents adjustment of our loans to fair value as required for a business development company. For a discussion of our valuation policy following this offering, please see "Determination of Net Asset Value." Since our inception and through December 31, 2009, our net unrealized losses totaled $765,953, which is comprised of net unrealized losses of $1,029,102 in 2008 and unrealized gains of $263,150 in 2009.

(B) Represents elimination of the provision for loan losses. In future periods, following our election to be treated as a business development company, we will no longer record an allowance for loan losses. We will value each individual loan and investment on a quarterly basis at fair value which shall be the market value, or, if no market value is ascertainable, at the fair value as determined in good faith pursuant to procedures approved by our board of directors in accordance with our valuation policy. The following is a summary of the changes in the allowance for loan losses:

	Year Ended December 31, 2009
Balance at beginning of period	$ 1,649,653
Provision for loan losses	274,381
Charge offs, net of recoveries	—
Balance at end of period	$ 1,924,034

USE OF PROCEEDS

We are offering shares of our common stock and the selling stockholder is offering shares (based on the mid-point of the range set forth on the cover of this prospectus) of our common stock through the underwriters. The net proceeds of the offering of shares by us are estimated to be approximately $ (approximately $ if the underwriters exercise their over-allotment option to purchase additional shares in full) assuming an initial public offering price of $ per share (based on the mid-point of the range set forth on the cover of this prospectus) after deducting the underwriting discounts and commissions and estimated offering expenses payable by us. We will not receive any of the proceeds from the shares sold by the selling stockholder.

We plan to use the net proceeds of this offering for new investments in portfolio companies in accordance with our investment objective and strategies described in this prospectus, for general working capital purposes, and for temporary repayment of debt under our credit facility (which amounts are subject to reborrowing). We will also pay operating expenses, including management and administrative fees, and may pay other expenses such as due diligence expenses of potential new investments, from the net proceeds of this offering. We anticipate that substantially all of the net proceeds of this offering will be used for the above purposes within nine months, depending on the availability of appropriate investment opportunities consistent with our investment objective and market conditions. We may also use a portion of the net proceeds to capitalize an SBIC subsidiary to the extent our Advisor's application to license such entity as an SBIC is approved. We cannot assure you we will achieve our targeted investment pace.

Pending such use, we will invest the remaining net proceeds of this offering primarily in cash, cash equivalents, U.S. Government securities and high-quality debt investments that mature in one year or less from the date of investment. These temporary investments may have lower yields than our other investments and, accordingly, may result in lower distributions, if any, during such period. See "Regulation — Temporary Investments" for additional information about temporary investments we may make while waiting to make longer-term investments in pursuit of our investment objective.

DISTRIBUTIONS

To the extent we have income available, we intend to make quarterly distributions to our stockholders beginning with our first full quarter after the completion of this offering. The timing and amount of our quarterly distributions, if any, will be determined by our board of directors. Any distributions to our stockholders will be declared out of assets legally available for distribution.

We intend to elect to be treated, and intend to qualify, as a RIC under Subchapter M of the Code commencing with our taxable year ending on December 31, 2010. To obtain the federal income tax benefits allowable to RICs, we will be required to distribute an amount equal to at least 90% of our net ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any. In order to avoid certain excise taxes imposed on RICs, we currently intend to distribute during each calendar year an amount at least equal to the sum of (1) 98% of our ordinary income (not taking into account any capital gains or losses) for the calendar year, (2) 98% of the amount by which our capital gains exceed our capital losses (adjusted for certain ordinary losses) for the one-year period generally ending on October 31st of the calendar year and (3) certain undistributed amounts from previous years on which we paid no U.S. federal income tax. In addition, although we currently intend to distribute realized net capital gains (i.e., net long-term capital gains in excess of short-term capital losses), if any, at least annually, out of the assets legally available for such distributions, we may in the future decide to retain such capital gains for investment. In such event, the consequences of our retention of net capital gains are as described under “Material U.S. Federal Income Tax Considerations.” We can offer no assurance that we will achieve results that will permit the payment of any cash distributions and, if we issue senior securities, the 1940 Act asset coverage requirements or the terms of the senior securities, may prevent us from making distributions to our stockholders.

We intend to maintain an “opt out” dividend reinvestment plan for our common stockholders. As a result, if we declare a cash distribution, each stockholder’s cash distributions will be automatically reinvested in additional shares of our common stock unless the stockholder specifically “opts out” of our dividend reinvestment plan so as to receive cash distributions. Stockholders who receive distributions in the form of shares of common stock will be subject to the same federal income tax consequences as if they received cash distributions. See “Dividend Reinvestment Plan” and “Material U.S. Federal Income Tax Considerations.”

CAPITALIZATION

The following table sets forth our capitalization as of March 31, 2010:

- for Compass Horizon on an actual basis; and
- for Horizon Technology Finance Corporation on an as adjusted basis to reflect:
  - completion of the Pre-IPO Distribution;
  - completion of the Share Exchange; and
  - the sale of shares of our common stock in this offering by us and the selling stockholder at an assumed initial public offering price of $ per share (the mid-point of the range set forth on the cover of this prospectus), after deducting estimated underwriting discounts and commissions and organizational and offering expenses of approximately $ million payable by us, and the use of proceeds from this offering.

You should read this table together with "Use of Proceeds" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and related notes included in this prospectus.

	As of March 31, 2010	
	Compass Horizon Funding Company LLC Actual	**Horizon Technology Finance Corporation As Adjusted**
Assets:		
Cash and cash equivalents	$ 19,148,952	$
Total assets	138,590,364	
Liabilities:		
Borrowings	$ 75,230,251	$
Other liabilities	1,150,116	
Total liabilities	$ 76,380,367	$
Members' capital / Stockholders' equity:		
Member's capital	$ 61,856,990	$
Accumulated other comprehensive loss	(668,247)	
Unrealized gain on investments	1,021,254	
Common stock, par value $0.001 per share; 100,000,000 shares authorized, shares outstanding, as adjusted	—	
Additional paid-in capital	—	
Total Member's capital / Stockholders' equity	$ 62,209,997	$

DILUTION

If you invest in our common stock, your interest will be diluted to the extent of the difference between the initial public offering price per share of our common stock and the as-adjusted pro forma net asset value per share of our common stock immediately after the completion of this offering.

Our net asset value as of March 31, 2010 was approximately $ million. Our pro forma net asset value as of March 31, 2010, would have been $ per share. We determined our pro forma net asset value per share before this offering by dividing the net asset value (total assets less total liabilities) as of March 31, 2010, by the pro forma number of shares of common stock outstanding as of March 31, 2010, after giving effect to the exchange transaction occurring prior to the completion of this offering. See "The Exchange Transaction."

After giving effect to the sale of shares of our common stock in this offering at an assumed initial public offering price of $ per share (based on the mid-point of the range set forth on the cover of this prospectus) and after deducting the sales load (underwriting discount) and estimated offering expenses payable by us, our pro forma net asset value as of March 31, 2010, would have been approximately $ million, or $ per share, representing an immediate decrease in pro forma net asset value of $ per share to our existing stockholders and an immediate dilution of $ per share to new investors who purchase our common stock in the offering at the initial public offering price. The following table shows this immediate per share dilution:

Assumed initial public offering price per share	$
Pro forma net asset value per share before this offering but after giving effect to the Exchange Transaction	$
Pro forma net asset value per share after this offering	$
Dilution per share to new investors(1)	$

(1) To the extent the underwriters' option to purchase additional shares is exercised, there will be further dilution to new investors.

SELECTED FINANCIAL AND OTHER DATA

Compass Horizon is considered to be our predecessor for accounting purposes and its consolidated financial statements are our historical consolidated financial statements. We have derived the selected historical consolidated balance sheet information as of December 31, 2009 and 2008 and the selected historical consolidated statement of operations information for the year ended December 31, 2009 and for the period from March 4, 2008 (inception) through December 31, 2008 from Compass Horizon's financial statements included elsewhere in this prospectus, which were audited by McGladrey & Pullen LLP, an independent registered public accounting firm. We have derived the selected historical consolidated financial data as of March 31, 2010 and for the three months ended March 31, 2010 from the unaudited consolidated financial statements of Compass Horizon included elsewhere in this prospectus. The unaudited interim consolidated financial statements include all adjustments, consisting of normal and recurring items, that we consider necessary for a fair presentation of the financial position and results of operations for the unaudited periods. The interim results of operations are not necessarily indicative of operations for a full fiscal year.

The financial and other information below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements included elsewhere in this prospectus.

	Three Months Ended March 31, 2010 (unaudited)	Year Ended December 31, 2009	Period from March 4, 2008 (Inception) Through December 31, 2008
Statement of Operations Data:			
Interest and other loan income	$ 3,783,399	$ 15,259,026	$ 6,662,232
Other interest income	9,337	67,282	358,820
(Credit) provision for loan losses	(303,224)	274,381	1,649,653
Total expenses	1,680,027	6,768,578	4,031,815
Net realized gains on warrants	—	137,696	21,571
Net unrealized gain (loss) on warrants	201,765	892,130	(72,641)
Net income	$ 2,617,698	$ 9,313,175	$ 1,288,514
Other Data:			
Dollar-weighted average annualized yield on investment portfolio(1)	13.6%	13.9%	12.7%
Number of portfolio companies at period end	33	32	26

	As of March 31, 2010 (unaudited)	As of December 31, 2009	As of December 31, 2008
Balance Sheet Data:			
Gross loans receivable	$ 116,307,669	$ 112,571,708	$ 94,023,357
Cash and cash equivalents	19,148,952	9,892,048	20,024,408
Total assets	138,590,364	124,868,013	115,214,888
Borrowings	75,230,251	64,166,412	63,673,016
Total liabilities	76,380,367	65,375,344	65,430,080
Total members' capital	62,209,997	59,492,669	49,784,808

(1) Throughout this prospectus, the dollar-weighted average yield on loans is computed as the (a) total interest and other loan income divided by (b) the average gross loans receivable. Income for 2008 was annualized as investing activities commenced in March 2008.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with our consolidated financial statements and related notes and other financial information appearing elsewhere in this report. In addition to historical information, the following discussion and other parts of this report contain forward-looking information that involves risks and uncertainties. Our actual results could differ materially from those anticipated by such forward-looking information due to the factors discussed under "Risk Factors" and "Cautionary Note Regarding Forward-Looking Statements" appearing elsewhere herein.

Overview

We are an externally-managed finance company. Our investment objective is to generate current income from the loans we make and capital appreciation from the warrants we receive when making such loans. We make secured loans to development-stage companies in our Target Industries which are backed by established venture capital and private equity firms. Our secured loans consist of term loans, revolving loans or equipment loans. Our loans are secured by all or a portion of the tangible and intangible assets of the borrower. We are managed by Horizon Technology Finance Management LLC, our Advisor. Our Advisor also provides the administrative services necessary for us to operate.

We believe our existing loan portfolio has performed well since its inception notwithstanding the economic downturn starting in 2008 and continuing through 2009, and we have no realized losses (charge-offs) in our loan portfolio since we commenced operations in March 2008. As of March 31, 2010, our loan portfolio consisted of 33 loans which totaled $116.3 million, and our members' capital was $62.2 million.

Critical Accounting Policies

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. In preparing the consolidated financial statements in accordance with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities, as of the date of the balance sheet and income and expenses for the period. Actual results could differ from those estimates. Following the completion of this offering as a consequence of our adopting investment company accounting pursuant to Article 6 of Regulation S-X, we will be required to change some of the accounting principles used to prepare our historical consolidated financial statements discussed in this section. For a more detailed discussion about these principles and the impact that these principals would have on our financial results, see "Unaudited Pro Forma Condensed Consolidated Financial Information" and "Business Development Company and Regulated Investment Company Elections."

We have identified the following items as critical accounting policies.

Allowance for Loan Losses

The allowance for loan losses represents management's estimate of probable loan losses inherent in the loan portfolio as of the balance sheet date. The estimation of the allowance is based on a variety of factors, including past loan loss experience, the current credit profile of our borrowers, adverse situations that have occurred that may affect individual borrowers' ability to repay, the estimated value of underlying collateral and general economic conditions. The loan portfolio is comprised of large balance loans that are evaluated individually for impairment and are risk-rated based upon a borrower's individual situation, current economic conditions, collateral and industry-specific information that management believes is relevant in determining the potential occurrence of a loss event and in measuring impairment. The allowance for loan losses is sensitive to the risk rating assigned to each of the loans and to corresponding qualitative loss factors that we use to estimate the allowance. The factors are applied to the outstanding loan balances in estimating the allowance for loan losses. If necessary, based on performance factors related to specific loans, a specific allowance for loan losses is established for individual impaired loans. Increases or decreases to the allowance for loan losses are charged or credited to current period earnings through the

provision (credit) for loan losses. Amounts determined to be uncollectible are charged against the allowance for loan losses, while amounts recovered on previously charged-off accounts increase the allowance for loan losses.

A loan is considered impaired when, based on current information and events, it is probable that we will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan by loan basis by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's observable market price, or the fair value of the collateral if the loan is collateral dependent.

Impaired loans also include loans modified in troubled debt restructurings where concessions have been granted to borrowers experiencing financial difficulties. These concessions could include a reduction in the interest rate on the loan, payment extensions, forgiveness of principal, forbearance or other actions intended to maximize collection. There have been no troubled debt restructurings since our inception.

For the three months ended March 31, 2010, the credit for loan losses was $0.3 million, and for the year ended December 31, 2009 and the period ended December 31, 2008 the provision for loan losses was $0.3 million and $1.6 million, respectively. In future periods, following our election to be treated as a business development company, we will no longer record an allowance for loan losses. We will value each individual loan and investment on a quarterly basis at fair value which shall be the market value or, if no market value is ascertainable, at the fair value as determined in good faith by our board of directors in accordance with our valuation policy. Changes in these values will be recorded through our statement of operations. See "Determination of Net Asset Value" and "Unaudited Pro Forma Condensed Consolidated Financial Information."

Warrant Valuation

In connection with substantially all of our lending arrangements, we receive warrants to purchase shares of stock from the borrower. Because the warrant agreements contain net exercise or "cashless" exercise provisions, the warrants qualify as derivative instruments. The warrants are recorded as assets at estimated fair value on the grant date using the Black-Scholes valuation model. The warrants are considered loan fees and are also recorded as unearned loan income on the grant date. The unearned income is recognized as interest income over the contractual life of the related loan in accordance with the Company's income recognition policy. As all the warrants held are deemed to be derivatives, they are measured on a quarterly basis at fair value using the Black-Scholes valuation model. Any adjustment to fair value is recorded through earnings as net unrealized gain or loss. Gains from the disposition of the warrants or stock acquired from the exercise of warrants, are recognized as realized gains.

We value the warrant assets incorporating the following material assumptions:

- Underlying asset value of the issuer is estimated based on information available, including any information regarding the most recent rounds of borrower funding.
- Volatility, or the amount of uncertainty or risk about the size of the changes in the warrant price, is based on guideline publicly traded companies within indices similar in nature to the underlying client companies issuing the warrant. A total of seven such indices were used. The weighted average volatility assumptions used for the warrant valuation at March 31, 2010, December 31, 2009 and March 31, 2009 were 29%, 29% and 25%, respectively.
- The risk-free interest rates are derived from the U.S. Treasury yield curve. The risk-free interest rates are calculated based on a weighted average of the risk-free interest rates that correspond closest to the expected remaining life of the warrant.

- Other adjustments, including a marketability discount, are estimated based on management's judgment about the general industry environment.

Income Recognition

Interest on loans is accrued and included in income based on contractual rates applied to principal amounts outstanding. Interest income on loans is determined using a method that results in a level rate of return on principal amounts outstanding. When a loan becomes 90 days or more past due, or if we otherwise do not expect to receive interest and principal repayments, the loan is placed on non-accrual status and the recognition of interest income is discontinued. Interest payments received on loans that are on non-accrual status are treated as reductions of principal until the principal is repaid. No loans were on non-accrual status as of March 31, 2010 and December 31, 2009.

We receive a variety of fees from borrowers in the ordinary course of conducting our business, including advisory fees, commitment fees, amendment fees, non-utilization fees and prepayment fees (collectively, the "Fees"). In a limited number of cases, we may also receive a non-refundable deposit earned upon the termination of a transaction. Loan origination fees, net of certain direct origination costs, are deferred, and along with unearned income, are amortized as a level yield adjustment over the respective term of the loan. Fees for counterparty loan commitments with multiple loans are allocated to each loan based upon each loan's relative fair value. When a loan is placed on non-accrual status, the amortization of the related Fee and unearned income is discontinued until the loan is returned to accrual status.

Certain loan agreements also require the borrower to make an end-of-term payment that is accrued into income over the life of the loan to the extent such amounts are expected to be collected. We will generally cease accruing the income if there is insufficient value to support the accrual or if we do not expect the borrower to be able to pay all principal and interest due.

Portfolio Composition and Investment Activity

As of March 31, 2010, December 31, 2009 and December 31, 2008, our loan portfolio consisted of 33, 32 and 26 loans, respectively, which had an aggregate book value of approximately $116.3 million, $112.6 million and $94.0 million, respectively, and our warrant portfolio had an aggregate book value of $2.9 million, $2.5 million and $0.7 million, respectively. During the three months ended March 31, 2010, we originated approximately $12 million of new loans in 2 portfolio companies. We originated approximately $50.0 million of new loans in 18 portfolio companies and $112.2 million of new loans in 38 portfolio companies for the year ended December 31, 2009 and the period from March 4, 2008 (inception) to December 31, 2008, respectively. We reduced the level of new loan originations in early 2009 in reaction to the significant disruption in the financial and credit markets. We had total loan principal repayments of $8.3 million for the three months ended March 31, 2010, $31.2 million for the year ended December 31, 2009 including five borrowers that prepaid their loan in an aggregate amount of $14.6 million and total loan principal repayments of $18.2 million for the period ended December 31, 2008 including five borrowers that prepaid their loan in an aggregate amount of $14.1 million. Our borrowers typically prepay our loans at a faster rate than is contractually required which is often due to a borrower's completion of an initial public offering, being acquired or refinancing our loan with another lender.

As of March 31, 2010, December 31, 2009 and December 31, 2008, accrued interest receivable was $1.7 million, $1.5 million and $0.5 million, respectively. The increase in 2009 and the first quarter of 2010 was due to a larger loan portfolio relative to 2008 and represents one month of accrued interest income on each of our loans. No loans were on non-accrual status in any period.

During the period ended December 31, 2008, we paid total debt issuance costs of $3.4 million. As of March 31, 2010, December 31, 2009 and 2008, the amortized balance of debt issuance costs was $1.1 million, $1.4 million and $2.5 million, respectively, and the amortization expense relating to debt issuance costs during the three months ended March 31, 2010, the year ended December 31, 2009 and the period ended December 31, 2008 was $0.3 million, $1.1 million and $1.0 million, respectively. These costs relate to our Credit Facility which closed in March 2008 and are amortized into the consolidated statement of operations as interest expense over the term of our Credit Facility.

The following table shows our portfolio by asset class as of March 31, 2010, December 31, 2009 and December 31, 2008:

	March 31, 2010			December 31, 2009			December 31, 2008		
	# of Investments	Book Value	% of Total Portfolio	# of Investments	Book Value	% of Total Portfolio	# of Investments	Book Value	% of Total Portfolio
					(in thousands)				
Secured term loans	30	$ 110,729	92.9%	29	$ 105,371	91.6%	21	$ 78,497	82.9%
Secured revolving loans	2	2,349	1.9%	2	3,682	3.2%	5	15,526	16.4%
Equipment loans	1	3,231	2.7%	1	3,519	3.1%	—	—	0.0%
Warrants to purchase stock	38	2,935	2.5%	37	2,458	2.1%	29	694	0.7%
Total		$ 119,244	100.0%		$ 115,030	100.0%		$ 94,717	100.0%

The largest loans may vary from year to year as new loans are recorded and repaid. Our five largest loans represented approximately 29%, 28% and 29% of total loans outstanding as of March 31, 2010, December 31, 2009 and December 31, 2008, respectively. No single loan represented more than 10% of our total loans as of March 31, 2010, December 31, 2009 or December 31, 2008.

The following table shows our loan portfolio by industry sector as of March 31, 2010, December 31, 2009 and December 31, 2008:

	March 31, 2010		December 31, 2009		December 31, 2008	
	Loans at Book Value	Percentage of Total Portfolio	Loans at Book Value	Percentage of Total Portfolio	Loans at Book Value	Percentage of Total Portfolio
			(in thousands)			
Life Science						
Biotechnology	$ 25,256	21.7%	$ 22,050	19.6%	$ 21,000	22.3%
Medical Device	14,133	12.2%	16,195	14.4%	18,523	19.7%
Technology						
Consumer-related Technologies	14,511	12.5%	15,371	13.7%	5,750	6.1%
Networking	13,734	11.8%	14,737	13.1%	4,856	5.2%
Software	12,153	10.5%	13,033	11.6%	15,801	16.8%
Data Storage	8,482	7.3%	9,075	8.1%	10,000	10.7%
Internet and Media	2,282	1.9%	2,500	2.2%	2,500	2.7%
Communications	2,115	1.8%	2,451	2.1%	3,093	3.3%
Semiconductors	667	0.6%	867	0.7%	1,000	1.0%
Cleantech						
Energy Efficiency	7,000	6.0%	—	—%	—	— %
Healthcare Information and Services Diagnostics	15,975	13.7%	16,293	14.5%	11,500	12.2%
Total	$ 116,308	100.0%	$ 112,572	100.0%	$ 94,023	100.0%

Portfolio Asset Quality

We use a credit rating system which rates each loan on a scale of 4 to 1, with 4 being the highest credit quality rating and 3 being the rating for a standard level of risk. A rating of 2 or 1 represents a deteriorating credit quality

and increased risk. See “Business” for more detailed descriptions. The following table shows the classification of our loan portfolio by credit rating as of March 31, 2010, December 31, 2009 and December 31, 2008:

	March 31, 2010		December 31, 2009		December 31, 2008	
	Loans at Book Value	Percentage of Loan Portfolio	Loans at Book Value	Percentage of Loan Portfolio	Loans at Book Value	Percentage of Loan Portfolio
	(in thousands)					
Credit Rating						
4	$ 33,648	28.9%	$ 19,303	17.2%	$ 12,500	13.3%
3	57,180	49.2%	64,992	57.7%	58,087	61.8%
2	25,480	21.9%	28,277	25.1%	23,436	24.9%
1	—	—	—	—	—	—
Total	$116,308	100.0%	$112,572	100.0%	$ 94,023	100.0%

As of March 31, 2010, December 31, 2009 and December 31, 2008, our loan portfolio had a weighted average credit rating of 3.1, 2.9 and 2.9, respectively.

Results of Operations for the Three Months Ended March 31, 2010 and March 31, 2009

Interest and Other Loan Income

	For the Three Months Ended March 31,	
	2010	2009
	(in thousands)	
Interest income on loans	$ 3,745	$ 3,213
Other income	39	10
Total interest and other loan income	$ 3,784	$ 3,223
Other interest income	$ 9	$ 33

For the three months ended March 31, 2010, interest income on loans and total interest and other loan income increased over the three months ended March 31, 2009, primarily due to the increased average size of the loan portfolio for the three month periods of $111.4 million in 2010 and $100.4 million for the same period in 2009. Other income was primarily comprised of loan prepayment fees collected from our portfolio companies. Other interest income was primarily income from interest earned on cash and cash equivalents held in interest bearing accounts. During 2010, we held lower average cash balances than 2009, and the interest bearing accounts had lower interest rates on which to earn income on such balances.

For the three months ended March 31, 2010 and 2009, our dollar-weighted average annualized yield on average loans was approximately 13.6% and 12.9%, respectively. We compute the yield on average loans as (i) total interest and other loan income (as described below) divided by (b) average gross loans receivable. We used month end loan balances during the period to compute average loans receivable.

Interest and other loan income, consisting of interest income and fees on loans, can fluctuate significantly upon repayment of large loans. Interest income from the five largest loans accounted for approximately 18.4% and 25.2% of total loan interest and fee income for the three months ended March 31, 2010 and 2009, respectively.

Expenses

	For the Three Months Ended March 31,	
	2010	2009
	(in thousands)	
Management fee expense	$ 547	$ 507
Interest expense	1,003	1,021
Professional fees	73	8
General and administrative	57	46
Total expenses	$ 1,680	$ 1,582

Total expenses for each period consisted principally of management fees and interest expense and, to a lesser degree, professional fees and general and administrative expenses. For the three months ended March 31, 2010, interest expense, which includes the amortization of debt issuance costs, decreased when compared to the three months ended March 31, 2009, primarily due to lower rates charged on the Credit Facility due to the lower level of the Credit Facility's index rate, one-month LIBOR, partially offset by higher average outstanding debt balances on the Credit Facility. Management fees are paid monthly in arrears based on the outstanding loan investments. The increase in management fees paid for the three months ended March 31, 2010 when compared to the three months ended March 31, 2009, is primarily due to an increase in the average size of the loan portfolio for the three month periods of $111.4 million in 2010 and $100.4 million for the same period in 2009.

Net Unrealized Gain on Warrants

The following is a summary of net unrealized gain on warrants for the three months ended March 31, 2010 and 2009:

	For the Three Months Ended March 31,	
	2010	2009
	(in thousands)	
Net unrealized gain on warrants	$ 202	$ 445

For the three months ended March 31, 2010 and 2009, net unrealized gain on warrants is the difference between the net change in warrant fair values from the prior determination date. We had no net realized gains on warrants for the three months ended March 31, 2010 and 2009.

Results of Operations for the year ended December 31, 2009 and the period from March 4, 2008 (inception) to December 31, 2008

Compass Horizon, our predecessor for accounting purposes, was formed as a Delaware limited liability company in January 2008 and had limited operations through March 3, 2008. As a result, there is no period with which to compare our results of operations for the period from January 1, 2009 through March 3, 2009 or for the period from March 4, 2008 through December 31, 2008.

Interest and Other Loan Income

	Year Ended December 31, 2009	March 4 (Inception) to December 31, 2008
	(in thousands)	
Interest income on loans	$ 14,987	$ 6,530
Other income	272	132
Total interest and other loan income	$ 15,259	$ 6,662
Other interest income	$ 67	$ 359

For the year ended December 31, 2009, interest income on loans and total interest and other loan income increased primarily due to (i) the increased average size of the loan portfolio from $63 million to $109 million and (ii) there being a full 12 months of income in 2009 compared to only 10 months in 2008 in light of when we commenced operations. Other income was primarily comprised of loan prepayment fees collected from our portfolio companies. Other interest income was primarily income from interest earned on cash and cash equivalents held in interest bearing accounts. During 2009, we held lower average cash balances than 2008, and the interest bearing accounts had lower interest rates on which to earn income on such balances.

For the year ended December 31, 2009 and the ten month period ended December 31, 2008, our dollar-weighted average annualized yield on average loans was approximately 13.9% and 12.7%, respectively. We compute the yield on average loans as (i) total interest and other loan income (as described below) divided by (b) average gross loans receivable. We used month end loan balances during the period to compute average loans receivable. Since we commenced operations in March 2008, the results for the period ended December 31, 2008 were annualized.

Interest and other loan income, consisting of interest income and fees on loans, can fluctuate significantly upon repayment of large loans. Interest income from the five largest loans accounted for approximately 23% and 21% of total loan interest and fee income for the year ended December 31, 2009 and the period from March 4, 2008 (inception) to December 31, 2008, respectively.

Expenses

	Year Ended December 31, 2009	March 4 (Inception) to December 31, 2008
	(in thousands)	
Management fee expense	$ 2,202	$ 1,073
Interest expense	4,245	2,748
Professional fees	132	61
General and administrative	190	150
Total expenses	$ 6,769	$ 4,032

Total expenses for each period consisted principally of management fees and interest expense and, to a lesser degree, professional fees and general and administrative expenses. Interest expense, which includes the amortization of debt issuance costs, increased in 2009 from 2008 primarily from higher average outstanding debt balances on the Credit Facility, partially offset by lower rates charged on the Credit Facility due to lower level of the Credit Facility's index rate, one-month LIBOR. Management fees are paid monthly in arrears based on the outstanding loan investments. The increase in management fees paid was primarily due to an increase in the average loan

portfolio in 2009 from 2008 of $63 million to $109 million and a full 12 months of expense in 2009 compared to only 10 months in 2008. Professional fees and general and administrative expenses include legal, consulting and accounting fees, insurance premiums, and miscellaneous other expenses, which increased because of the longer period in 2009.

Net Realized Gains and Net Unrealized Gain (Loss) on Warrants

The following is a summary of net realized gains and net unrealized gain (loss) on warrants for the year ended December 31, 2009 and for the period ended December 31, 2008:

	Year Ended December 31, 2009	March 4 (Inception) to December 31, 2008
	(in thousands)	
Net realized gains on warrants	$ 138	$ 22
Net unrealized gain (loss) on warrants	$ 892	$ (73)

For the year ended December 31, 2009 and the period ended December 31, 2008, net realized gains on warrants resulted from the exercise of warrants in each period in connection with portfolio company merger transactions. Net unrealized gain (loss) on warrants is the difference between the net change in warrant fair values from the prior determination date and the reversal of previously recorded unrealized gain or loss when gains or losses are realized.

Liquidity and Capital Resources

To date, our primary sources of capital have been from our Credit Facility with WestLB AG, New York Branch, as more fully described in “Borrowings” below and from the private placement for $50 million of equity capital we completed on March 4, 2008.

At March 31, 2010 and December 31, 2009, we had cash and cash equivalents of approximately $19.1 million and $9.9 million, respectively. As of March 31, 2010 and December 31, 2009, we had available borrowing capacity of approximately $74.8 million and $85.8 million, respectively, under the Credit Facility, subject to existing terms and advance rates. We primarily invest available cash in interest bearing money market accounts.

For the three months ended March 31, 2010 and 2009, net cash provided by operating activities totaled approximately $1.9 million and $1.6 million, respectively. The increase in 2010 was primarily due to higher income from operations in 2010. For the year ended December 31, 2009 and for the period ended December 31, 2008, net cash provided by operating activities totaled approximately $8.0 million and $4.1 million, respectively. The increase in 2009 was primarily due to higher income from operations in 2009.

For the three months ended March 31, 2010 and 2009, net cash used in investing activities totaled approximately $3.7 million and $12.7 million, respectively. The decrease is primarily due to a higher level of scheduled loan repayments compared to 2009. Net cash used in investing activities for the year ended December 31, 2009 and for the period ended December 31, 2008, totaled approximately $18.6 million and $94.0 million, respectively. The reduction in cash used in investing activities in 2009 was largely due to the reduced level of new loans funded in 2009 as well as a higher level of scheduled loan repayments and unscheduled loan prepayments in 2009 as the portfolio continued to grow and mature.

For the three months ended March 31, 2010 and 2009, net cash provided by financing activities totaled $11.1 million and $6.6 million, respectively. This increase was due to a higher level of net new borrowings under the Credit Facility to fund new loan investments and to maximize the full availability under the Credit Facility. Net cash provided by financing activities totaled $.5 million and $109.9 million for the year ended December 31, 2009 and for the period ended December 31, 2008, respectively. Higher cash flows in 2008 were primarily due to the initial equity capital contribution to us as well as net new borrowings under the Credit Facility to fund new loan investments. Lower cash provided by financing activities in 2009 reflects the use of loan repayments from existing

loans to fund new loans rather than drawing additional amounts under the Credit Facility. Because we believe we had sufficient capital in 2009, we did not raise additional capital during the year.

We intend to generate additional cash primarily from additional borrowings under the current Credit Facility as well as from cash flows from operations. Our primary use of available funds will be investments in portfolio companies and cash distributions to holders of our common stock. After we have used our current capital resources, including the net proceeds from this offering, we expect to opportunistically raise additional capital as needed and subject to market conditions to support our future growth through future equity offerings, issuances of senior securities and/or future borrowings, to the extent permitted by the 1940 Act. To the extent we determine to raise additional equity through an offering of our common stock at a price below net asset value, existing investors will experience dilution.

In order to satisfy the Code requirements applicable to a RIC, we intend to distribute to our stockholders all or substantially all of our income except for certain net capital gains. In addition, as a business development company, we generally will be required to meet a coverage ratio of 200%. This requirement will limit the amount that we may borrow. Upon the receipt of the net proceeds from this offering, we will be in compliance with the asset coverage ratio under the 1940 Act.

If we receive approval to license an SBIC, we will have the ability to issue debentures guaranteed by the SBA at favorable interest rates. Under the Small Business Investment Act and the SBA rules applicable to SBICs, an SBIC can have outstanding at any time debentures guaranteed by the SBA generally in an amount up to twice its regulatory capital, which generally is the amount raised from private investors. The maximum statutory limit on the dollar amount of outstanding debentures guaranteed by the SBA issued by a single SBIC or group of SBICs under common control as of December 31, 2009, was $150 million (which amount is subject to increase on an annual basis based on cost of living index increases).

Borrowings

We, through our wholly owned subsidiary, Credit I, entered into a revolving credit facility (the "Credit Facility") with WestLB AG, New York Branch as Lender ("WestLB") effective March 4, 2008. Per this agreement, base rate borrowings bear interest at one-month LIBOR (0.25%, 0.23% and 0.44% as of March 31, 2010, December 31, 2009 and December 31, 2008, respectively) plus 2.50%. On June 25, 2010, we received consent from WestLB to amend and restate our Credit Facility to allow for the change of control that will occur upon the consummation of the Share Exchange. The facility size will be $125 million upon the completion of this offering. In general, all other terms and conditions of the Credit Facility will remain the same upon the completion of the offering.

We may request advances under the Credit Facility (the "Revolving Period") through March 4, 2011, unless the Revolving Period is extended upon Credit I's request and upon mutual agreement of WestLB and Credit I. After the Revolving Period, we may not request new advances and we must repay the outstanding advances under the Credit Facility as of such date at such times and in such amounts as are necessary to maintain compliance with the terms and conditions of the Credit Facility, particularly the condition that the principal balance of the Credit Facility does not exceed seventy-five percent (75%) of the aggregate principal balance of our eligible loans to our portfolio companies. All outstanding advances under the Credit Facility are due and payable on March 4, 2015 ("Maturity Date"), unless such date is extended upon Credit I's request and upon mutual agreement of WestLB and Credit I.

The Credit Facility is collateralized by loans held by Credit I and permits an advance rate of up to 75% of eligible loans. The Credit Facility contains certain customary affirmative and negative covenants, including covenants that restrict certain of our subsidiaries' ability to make loans to, or investments in, third parties (other than technology loans and warrants or other equity participation rights), pay dividends and distributions, incur additional indebtedness and engage in mergers or consolidations. The Credit Facility also restricts certain of our subsidiaries' and our Advisor's ability to create liens on the collateral securing the Credit Facility, permit additional negative pledges on such collateral and change the business currently conducted by them. The Credit Facility contains events of default, including upon the occurrence of a change of control, and contains certain financial covenants that among other things, require Compass Horizon to maintain a minimum net worth, for fiscal year 2010 and after, equal to the minimum net worth amount for 2009 plus 50% of Compass Horizon's cumulative positive net income

for fiscal year 2010 on and after December 31, 2010, and require our Advisor to maintain a minimum net worth, for fiscal year 2010 and after, equal to the greater of (i) $1 million or (ii) the 2009 minimum net worth amount plus 50% of the cumulative positive net income for each fiscal year. The Credit Facility also includes borrower concentration limits which include limitations on the amount of loans to companies in particular industries sectors and also restrict certain terms of the loans. At March 31, 2010, based on qualifying assets of Credit I, we had borrowing capacity of approximately $75.8 million, and had actual borrowings outstanding of $75.2 million on the Credit Facility.

Interest Rate Swaps and Hedging Activities

In 2008, we entered into two interest rate swap agreements, which we collectively refer to as the "Swaps," with WestLB, fixing the rate of $10 million at 3.58% and $15 million at 3.2% on the first advances of a like amount of variable rate Credit Facility borrowings. The interest rate swaps expire in October 2011 and October 2010, respectively. The Swaps are designated as cash flow hedges and are anticipated to be highly effective. These Swaps are derivatives and were designated as hedging instruments at the initiation of the Swaps, and we have applied cash flow hedge accounting.

At March 31, 2010 and December 31, 2009, the Swaps have been reflected at fair value as a liability on the consolidated balance sheet and the corresponding unrealized loss on the Swaps is reflected in "accumulated other comprehensive loss," in members' capital, totaling $.7 million and $0.8 million, respectively. No ineffectiveness on the Swaps was recognized during the three month period ended March 31, 2010 or the year ended December 31, 2009. During the three months ended March 31, 2010 and year ended December 31, 2009, $0.2 million and $0.8 million, respectively, was reclassified from accumulated other comprehensive loss into interest expense, and at March 31, 2010, $0.6 million is expected to be reclassified in the next twelve months.

Off-Balance Sheet Arrangements

In the normal course of business, we are party to financial instruments with off-balance sheet risk. These consist primarily of unfunded commitments to extend credit, in the form of loans, to our portfolio companies. Unfunded commitments to provide funds to portfolio companies are not reflected on our balance sheet. Our unfunded commitments may be significant from time to time. As of March 31, 2010, we had unfunded commitments of approximately $16.7 million. These commitments will be subject to the same underwriting and ongoing portfolio maintenance as are the on balance sheet financial instruments that we hold. Since these commitments may expire without being drawn upon, the total commitment amount does not necessarily represent future cash requirements. We intend to use primarily cash flows from operations and our Credit Facility to fund these commitments. However, there can be no assurance that we will have sufficient capital available to fund these commitments as they come due.

Contractual Obligations

In addition to the Credit Facility, we have certain commitments pursuant to our Investment Management Agreement entered into with Horizon Technology Finance Management LLC, our Advisor. We have agreed to pay a fee for investment advisory and management services consisting of two components — a base management fee and an incentive fee. Payments under the Investment Management Agreement are equal to (1) a base management fee equal to a percentage of the value of our average gross assets and (2) a two-part incentive fee. See "Investment Management and Administration Agreements." We have also entered into a contract with our Advisor to serve as our administrator. Payments under the Administration Agreement are equal to an amount based upon our allocable portion of our Advisor's overhead in performing its obligation under the agreement, including rent, fees, and other expenses inclusive of our allocable portion of the compensation of our chief financial officer and any administrative staff. See "Administration Agreement."

Quantitative and Qualitative Disclosures about Market Risk

We are subject to financial market risks, including changes in interest rates. During the periods covered by our financial statements, the interest rates on the loans within our portfolio were all at fixed rates, or floating rates with a floor, and we expect that our loans in the future will also have primarily fixed interest rates. The initial commitments

to lend to our portfolio companies are usually based on a floating LIBOR index and typically have interest rates that are fixed at the time of the loan funding and remain fixed for the term of the loan.

Our Credit Facility has a floating interest rate provision based on a LIBOR index which resets daily, and we expect that, other than any SBIC debenture program debt, any other credit facilities into which we enter in the future may have floating interest rate provisions. We have used hedging instruments in the past to protect us against interest rate fluctuations and we may use them in the future. Such instruments may include swaps, futures, options and forward contracts. While hedging activities may insulate us against adverse changes in interest rates, they may also limit our ability to participate in the benefits of lower interest rates with respect to the investments in our portfolio with fixed interest rates.

Because we currently fund, and will continue to fund, our investments with borrowings, our net income is dependent upon the difference between the rate at which we borrow funds and the rate at which we invest the funds borrowed. Accordingly, there can be no assurance that a significant change in market interest rates will not have a material adverse effect on our net income. In periods of rising interest rates, our cost of funds would increase, which could reduce our net investment income if there is not a corresponding increase in interest income generated by floating rate assets in our investment portfolio.

Income Taxes

For the periods presented our predecessor was a limited liability company and, as a result, all items of income and expense were passed through to, and were generally reportable on, the tax returns of the respective members of the limited liability company. Therefore, no federal or state income tax provision has been recorded.

Recent Accounting Pronouncements

On July 1, 2009, the Accounting Standards Codification ("ASC") became the Financial Accounting Standards Board's ("FASB") single source of authoritative U.S. accounting and reporting standards applicable to all public and non-public non-governmental entities, superseding existing authoritative principles and related literature. The adoption of the ASC changed the applicable citations and naming conventions used when referencing generally accepted accounting principles in our financial statements.

The FASB issued new guidance on accounting for uncertainty in income taxes. We adopted this new guidance for the year ended December 31, 2009. Management evaluated all tax positions and concluded that there are no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

In March 2008, the FASB issued guidance related to disclosures about derivative instruments and hedging activities. This guidance requires enhanced disclosures of an entity's derivative instruments and hedging activities and their effects on the entity's financial position, financial performance and cash flows. We adopted this guidance in 2009.

In April 2009, the FASB issued guidance which addressed concerns that fair value measurements emphasized the use of an observable market transaction even when that transaction may not have been orderly or the market for that transaction may not have been active. This guidance relates to the following: (a) determining when the volume and level of activity for the asset or liability has significantly decreased; (b) identifying circumstances in which a transaction is not orderly; and (c) understanding the fair value measurement implications of both (a) and (b). We adopted this new guidance in 2009, and the adoption had no impact on our financial statements.

In February 2010, the FASB issued guidance which amends the existing guidance related to fair value measurements and disclosures. The amendments will require the following new fair value disclosures:

- Separate disclosure of the significant transfers in and out of Level 1 and Level 2 fair value measurements, and a description of the reasons for the transfers.
- In the roll forward of activity for Level 3 fair value measurements (significant unobservable inputs), purchases, sales, issuances, and settlements should be presented separately (on a gross basis rather than as one net number).

In addition, the amendments clarify existing disclosure requirements, as follows:

- Fair value measurements and disclosures should be presented for each class of assets and liabilities within a line item in the balance sheet.
- Reporting entities should provide disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements that fall in either Level 2 or Level 3.

The new disclosures and clarifications of existing disclosures are effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures included in the roll forward of activity for Level 3 fair value measurements, for which the effective date is for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. We adopted the applicable provisions of this new guidance for the three months ended March 31, 2010.

In June 2009, the FASB issued guidance which modifies certain guidance relating to transfers and servicing of financial assets. This guidance eliminates the concept of qualifying special purpose entities, provides guidance as to when a portion of a transferred financial asset can be evaluated for sale accounting, provides additional guidance with regard to accounting for transfers of financial assets and requires additional disclosures. This guidance is effective for us as of January 1, 2010, with adoption applied prospectively for transfers that occur on and after the effective date. The adoption of this guidance did not have an impact on our financial statements.

BUSINESS

General

We are an externally-managed, non-diversified closed-end management investment company that intends to file an election to be regulated as a business development company under the 1940 Act. In addition, we intend to elect to be treated, and intend to qualify, as a RIC, under Subchapter M of the Code, commencing with our taxable year ending December 31, 2010. We were formed to continue and expand the business of Compass Horizon which was formed in January 2008 and commenced operations in March 2008 and will become our wholly owned subsidiary in connection with this offering. Our Advisor manages our day-to-day operations and also provides all administrative services necessary for us to operate. We invest in development-stage companies in the technology, life science, healthcare information and services, and cleantech industries, which we refer to as our "Target Industries." Our investment objective is to generate current income from the loans we make and capital appreciation from the warrants we receive when making such loans. We make secured loans, which we refer to as "Technology Loans," to development-stage companies backed by established venture capital and private equity firms in our Target Industries, which we refer to as "Technology Lending." To a limited extent, we also selectively lend to publicly traded companies in our Target Industries.

We lend to private companies following or in connection with their receipt of a round of venture capital and private equity financing, primarily providing secured working capital loans, secured revolving loans and secured equipment loans that are secured by all or a portion of the tangible and intangible assets of the applicable portfolio company. We will seek to invest, under normal circumstances, most of the value of our total assets (including the amount of any borrowings for investment purposes) in our Target Industries.

Our existing loan portfolio will continue to generate revenue for us. We believe our existing investment portfolio has performed well since its inception notwithstanding the economic downturn starting in 2008 and continuing through 2009, and we have no realized losses (charge-offs) in our loan portfolio since we commenced operations in March 2008. Our existing portfolio of investments and loan commitments provide the following benefits:

- Interest income from the portfolio will provide immediate income and cash flow allowing for potential near term dividends to our stockholders;
- Capital gains from warrants to purchase either common stock or preferred stock received from our existing investments are expected to be realized sooner than if we were beginning our initial investment operations without an existing portfolio of earning assets; and
- Warrants to purchase either common stock or preferred stock issued to us through the economic downturn have exercise prices at relatively lower valuations due to the depressed equity and debt markets in 2008 and 2009.

Our Strategy

Our investment objective is to maximize our investment portfolio's total return by generating current income from the loans we make and capital appreciation from the warrants we receive when making such loans. We believe our Advisor has demonstrated that its expertise in debt product development, transaction sourcing, its knowledge of our Target Industries, and its disciplined underwriting process create value for our investors. We believe that this expertise results in returns that exceed those typically available from more traditional commercial finance products (such as equipment leasing or middle market lending) while mitigating the risks typically associated with investments in development-stage technology companies.

To further implement our business strategy, our Advisor will continue to employ the following core strategies:

- *Structured Investments in the Venture Capital and Private Equity Markets.* We make loans to development-stage companies within our Target Industries typically in the form of secured amortizing loans. The secured amortizing debt structure provides a lower risk strategy, as compared to equity investments, to participate in the emerging technology markets, because the debt structures we typically utilize provide collateral against the downside risk of loss, provide return of capital in a much shorter timeframe through current pay interest and amortization of loan principal and have a senior position in the capital structure to

equity in the case of insolvency, wind down or bankruptcy. Unlike venture capital and private equity-backed investments, our investment returns and return of our capital do not require equity investment exits such as mergers and acquisitions or initial public offerings. Instead, we receive returns on our loans primarily through regularly scheduled payments of principal and interest and, if necessary, liquidation of the collateral supporting the loan. Only the potential gains from warrants are dependent upon exits.

- *"Enterprise Value" Lending.* We and our Advisor take an enterprise value approach to the loan structuring and underwriting process. "Enterprise value" is the value that a portfolio company's most recent investors place on the portfolio company or "enterprise." The value is determined by multiplying (x) the number of shares of common stock of the portfolio company outstanding on the date of calculation, on a fully diluted basis (assuming the conversion of all outstanding convertible securities and the exercise of all outstanding options and warrants), by (y) the price per share paid by the most recent purchasers of equity securities of the portfolio company. We secure a senior or subordinated lien position against the enterprise value of a portfolio company and generally our exposure is less than 25% of the enterprise value and we obtain pricing enhancements in the form of warrants and other "success-based" fees that build long-term asset appreciation in our portfolio. These methods reduce the downside risk of Technology Lending. In instances when we do not obtain a lien on a portfolio company's intellectual property, we obtain a covenant that such portfolio company will not grant a lien on such intellectual property to anyone else, thus ensuring that we have the right to share in the value of the portfolio company's intellectual property and enterprise value in a downside scenario. "Enterprise value" lending requires an in-depth understanding of the companies and markets served. We believe that this in-depth understanding of how venture capital and private equity-backed companies in our Target Industries grow in value, finance that growth over time, and various business cycles can be carefully analyzed by Technology Lenders who have substantial experience, relationships and knowledge within the markets they serve. We believe the experience that our Advisor possesses gives us enhanced capabilities in making these qualitative "enterprise value" evaluations, which we believe can produce a high quality Technology Loan portfolio with enhanced returns for our stockholders.
- *Creative Products with Attractive Risk-Adjusted Pricing.* Each of our existing and prospective portfolio companies has its own unique funding needs for the capital provided from the proceeds of our Technology Loans. These funding needs include, but are not limited to, 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. Our loans include current pay interest, commitment fees, pre-payment fees and non-utilization fees. We believe we have developed pricing tools, structuring techniques and valuation metrics that satisfy our portfolio companies' requirements while mitigating risk and maximizing returns on our investments.
- *Opportunity for Enhanced Returns.* To enhance our loan portfolio returns, in addition to interest and fees, we obtain warrants to purchase the equity of our portfolio companies, as additional consideration for making loans. The warrants we obtain generally include a "cashless exercise" provision to allow us to exercise these rights without requiring us to make any additional cash investment. Obtaining warrants in our portfolio companies has allowed us to participate in the equity appreciation of our portfolio companies which we expect will enable us to generate higher returns for our investors.
- *Direct Origination.* We originate transactions directly with technology, life science, healthcare information and services, and cleantech companies. Since it commenced operations in 2004, our Advisor has directly originated more than 110 transactions resulting in over $650 million of Technology Loans. These transactions were referred to our Advisor 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 and other lenders that represent companies within our Target Industries. Our Advisor has been the sole or lead originator in substantially all transactions in which the funds it managed have invested.
- *Disciplined and Balanced Underwriting and Portfolio Management.* We use a disciplined underwriting process that includes obtaining information validation from multiple sources, extensive knowledge of our Target Industries, comparable industry valuation metrics, and sophisticated financial analysis related to

development-stage companies. Our Advisor'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. We seek to balance our investment portfolio to reduce the risk of down market cycles associated with any particular industry or sector, development-stage or geographic area. Our Advisor 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.

- *Use of Leverage; SBA Debenture Program.* We believe our existing credit facility provides us with a substantial amount of capital for deployment into new investment opportunities. Since its inception, Compass Horizon has employed leverage to increase its return on equity through the Credit Facility. The Credit Facility, pursuant to which we expect to be able to borrow up to $125 million upon completion of this offering, matures on March 4, 2015. The Credit Facility will begin to amortize on March 4, 2011. In addition, on July 14, 2009, our Advisor received a letter, which we refer to as the "Move Forward Letter," from the Investment Division of the SBA that invited our Advisor to continue moving forward with the licensing of a small business investment company, or "SBIC." Although our application to license this entity as a small business investment company with the SBA is subject to SBA approval, we remain cautiously optimistic that our Advisor will complete the licensing process. To the extent that our Advisor receives an SBIC license, we expect to form an SBIC subsidiary which will issue SBA-guaranteed debentures at long-term fixed rates, subject to the required capitalization of the SBIC subsidiary. Under the regulations applicable to SBICs, an SBIC generally may have outstanding debentures guaranteed by the SBA in an aggregate amount of up to twice its regulatory capital. Regulatory capital generally equates to the amount of an SBIC's equity capital. The SBIC regulations currently limit the amount that the SBIC subsidiary would be permitted to borrow to a maximum of $150 million. This means that the SBIC subsidiary could access the full $150 million maximum available if it were to have $75 million in regulatory capital. However, we would not be required to capitalize our SBIC subsidiary with $75 million and may determine to capitalize it with a lesser amount. In addition, if we are able to obtain financing under the SBIC program, the SBIC subsidiary will be subject to regulation and oversight by the SBA, including requirements with respect to maintaining certain minimum financial ratios and other covenants. In connection with the filing of the SBA license application, we will be applying for exemptive relief from the SEC to permit us to exclude the debt of the SBIC subsidiary guaranteed by the SBA from the consolidated asset coverage ratio, and, if obtained, will enable us to fund more investments with debt capital. However, there can be no assurance that we will be granted an SBIC license or that if granted it will be granted in a timely manner or that we will receive the exemptive relief from the SEC. Based upon an analysis of our Advisor's loan originations since inception, as further evidenced by the Move Forward Letter, Technology Lending is an appropriate use of the SBA debenture program.
- *Customized Loan Documentation Process.* Our Advisor employs an internally managed documentation process that assures that each loan transaction is documented using our "enterprise value" loan documents specifically tailored to each transaction. Our Advisor uses experienced in-house senior legal counsel to oversee the documentation and negotiation of each of our transactions.
- *Active Portfolio Management.* Because many of our portfolio companies are privately held, development-stage companies in our Target Industries, our Advisor employs a "hands on" approach to its portfolio management processes and procedures. Our Advisor requires the private portfolio companies to provide monthly financial information, and our Advisor participates in quarterly discussions with the management and investors of our portfolio companies. Our Advisor prepares monthly management reporting and internally rates each portfolio company.
- *Portfolio Composition.* Monitoring the composition of the portfolio is an important component of the overall growth and portfolio management strategy. Our Advisor monitors the portfolio regularly to avoid undue focus in any sub-industry, stage of development or geographic area. By regularly monitoring the portfolio for these factors we attempt to reduce the risk of down market cycles associated with any particular industry, development-stage or geographic area.

Market Opportunity

Our Target Industries. We intend to focus our investments primarily in four key industries of the emerging technology market: technology, life science, healthcare information and services, and cleantech. The technology industry sectors we intend to focus on include communications, networking, wireless communications, data storage, software, cloud computing, semiconductor, internet and media, and consumer-related technologies. Life science sectors we intend to focus on include biotechnology, drug delivery, bioinformatics, and medical devices. Healthcare information and services sectors we intend to focus on include diagnostics, medical record services and software, and other healthcare related services and technologies that improve efficiency and quality of administered healthcare. Cleantech sectors we intend to focus on include alternative energy, water purification, energy efficiency, green building materials, and waste recycling.

Technology Lending. We believe that Technology Lending has the potential to achieve enhanced returns that are attractive notwithstanding the increased level of risk associated with lending to development-stage companies. Potential benefits include:

- *Higher Interest Rates.* Technology Loans typically bear interest at rates that exceed the rates that would be available to portfolio companies if they could borrow in traditional commercial financing transactions. We believe these rates provide a risk-adjusted return to lenders compared with other types of debt investing and provide a significantly less expensive alternative to equity financing for development-stage companies.
- *Loan Support Provided by Cash Proceeds from Equity Capital Provided by Venture Capital and Private Equity Firms.* In many cases, a Technology Lender makes a Technology Loan to a portfolio company in conjunction with, or immediately after, a substantial venture capital or private equity investment in the portfolio company. This equity capital investment supports the loan by initially providing a source of cash to fund the portfolio company's debt service obligations. In addition, because the loan ranks senior in priority of payment to the equity capital investment, the portfolio company must repay that debt before the equity capital investors realize a return on their investment. If the portfolio company subsequently becomes distressed, its venture capital and private equity investors will likely have an incentive to assist it in avoiding a payment default, which could lead to foreclosure on the secured assets. We believe that the support of venture capital and private equity investors increases the likelihood that a Technology Loan will be repaid.
- *Relatively Rapid Amortization of Loans.* Technology Loans typically require that interest payments begin within one month of closing, and principal payments begin within twelve months of closing, thereby returning capital to the lender and reducing the capital at risk with respect to the investment. Because Technology Loans are typically made at the time of, or soon after, a portfolio company completes a significant venture capital or private equity financing, the portfolio company usually has sufficient funds to begin making scheduled principal and interest payments even if it is not then generating revenue and/or positive cash flow. If a portfolio company is able to increase its "enterprise value" during the term of the loan (which is typically between 24 and 48 months), the lender may also benefit from a reduced loan-to-value ratio, which reduces the risk of the loan.
- *Senior Ranking to Equity and Collateralization.* A Technology Loan is typically secured by some or all of the portfolio company's assets, thus making the loan senior in priority to the equity invested in the portfolio company. In many cases, if a portfolio company defaults on its loan, the value of this collateral will provide the lender with an opportunity to recover all or a portion of its investment. Because holders of equity interests in a portfolio company will generally lose their investments before the Technology Lender experiences losses, we believe that the likelihood of losing all of our invested capital in a Technology Loan is lower than would be the case with an equity investment.
- *Potential Equity Appreciation Through Warrants.* Technology Lenders are typically granted warrants in portfolio companies as additional consideration for making Technology Loans. The warrants permit the Technology Lender to purchase equity securities of the portfolio companies at the same price paid by the portfolio company's investors for such preferred stock in the most recent or next equity round of the portfolio company's financing. Historically, warrants granted to Technology Lenders have generally had a term of ten years and been in dollar amounts equal to between 5% and 20% of the principal loan amount. Warrants

provide Technology Lenders with an opportunity to participate in the potential growth in value of the portfolio company, thereby increasing the potential return on investment.

We believe that Technology Lending also provides an attractive financing source for portfolio companies, their management teams and their equity capital investors, because of the following:

- *Technology Loans are Typically Less Dilutive than Venture Capital and Private Equity Financing.* Technology Loans allow a company to access the cash necessary to implement its business plan without diluting the existing investors in the company. Typically, the warrants or other equity securities issued as part of a Technology Lending transaction result in only minimal dilution to existing investors as compared to the potential dilution of a new equity round of financing.
- *Technology Loans Extend the Time Period During Which a Portfolio Company Can Operate Before Seeking Additional Equity Financing.* By using a Technology Loan, development-stage companies can postpone the need for their next round of equity financing, thereby extending their cash available to fund operations. This delay can provide portfolio companies with additional time to improve technology, achieve development milestones and, potentially, increase the company's valuation before seeking more equity investments.
- *Technology Loans Allow Portfolio Companies to Better Match Cash Sources with Uses.* Debt is often used to fund infrastructure costs, including office space and laboratory equipment. The use of debt to fund infrastructure costs allows a portfolio company to spread these costs over time, thereby conserving cash at a stage when its revenues may not be sufficient to cover expenses. Similarly, working capital financing may be used to fund selling and administrative expenses ahead of anticipated corresponding revenue. In both instances, equity capital is preserved for research and development expenses or future expansion.

Market Size. Our Advisor estimates, based upon our 16 years of experience making Technology Loans to companies in our Target Industries, that during such period the ratio of the aggregate principal amount of debt investments made to the aggregate capital invested by venture capital investors has been approximately 10% to 20%. According to Dow Jones VentureSource, $21.4 billion of venture capital equity was invested in companies in our Target Industries during 2009. Accordingly, based on our Advisor's past experience, we would estimate that the size of the Technology Loan market for 2009 was in the range of approximately $2.1 billion to $4.2 billion. We believe that the market for Technology Loans should grow over the next several years based upon several factors. We believe the level of venture capital investment for 2009 is at a cyclical low, as shown by the $32.2 billion and $31.0 billion of venture capital investment for 2007 and 2008, respectively, as reported by DowJones VentureSource. We believe that the comparable period of 2009 in the venture capital investment cycle is 2003, because 2003 represented the last period of decline in the amount of venture capital investment following the burst of the technology bubble in 2000. Venture capital investment steadily increased from $22.9 billion in 2004 to $32.2 billion in 2007 as, reported by Dow Jones VentureSource, representing a compounded annual growth rate of 8.9% for that period. Our belief that 2009 was a low point in the venture capital investment cycle is further supported by the fact that the amount of venture capital investment in the last three quarters of 2009 increased from a 13 year low of $4.2 billion in the first quarter of 2009 to $5.6 billion in the second quarter of 2009, $5.4 billion in the third quarter of 2009, and $6.2 billion in the fourth quarter of 2009. The potential for future growth in the market for Technology Loans is also supported by the fact that, according to Dow Jones VentureSource, there was $17 billion of liquidity events related to M&A and IPO activity for companies in our Target Industries in 2009, of which $7.3 billion was generated in the fourth quarter, representing 44% of the total activity for the year. This not only returns capital to investors which can be reinvested in venture capital investments, but also makes venture capital a more attractive investment class to investors, thus attracting additional capital. In addition, nearer term exits for venture capital investors, reinforces Technology Loans as a cheaper financing alternative than venture capital for companies in our Target Industries and their investors, thus driving up demand for Technology Loans.

Portfolio Company Valuations. According to Dow Jones VentureSource, from 2007 through 2009 valuations of existing companies in our Target Industries significantly decreased, as they did for most asset classes. We believe this decrease was due to general macroeconomic conditions, including lower demand for products and services, lack of availability of capital and investors' decreased risk tolerance. We believe the decrease in valuations in our Target Industries caused by macroeconomic factors may present a cyclical opportunity to participate in warrant

gains in excess of those which are typically experienced by Technology Lenders. Our future portfolio companies may not only increase in value due to their successful technology development and/or revenue growth, but as macroeconomic conditions improve, valuations may also increase due to the general increase in demand for goods and services, the greater availability of capital and an increase in investor risk tolerance. An example of the positive and negative macroeconomic impact on valuations last occurred in the years between 2001 and 2005. Following the macroeconomic impact of the technology downturn of 2001 and the events of "9/11", according to Dow Jones VentureSource, median valuations for venture capital backed technology-related financing fell from $25 million at December 2000 to $10 million at January 2003, but by December 2005, median valuations for venture capital backed technology related financings had risen to $15 million.

Competitive Strengths

We believe that we, together with our Advisor, possess significant competitive strengths, including:

Consistently execute commitments and close transactions. Our Advisor and its senior management and investment professionals have an extensive track record of originating, underwriting and closing Technology Loans. Our Advisor has directly originated, underwritten, and managed more than 110 Technology Loans with an aggregate original principal amount of $650 million since it commenced operations in 2004 to the present. In our experience, prospective portfolio companies prefer lenders that have demonstrated their ability to deliver on their commitments. Our Advisor's ability to deliver on its commitments has resulted in satisfied portfolio companies, management teams and venture capital and private equity investors and created an extensive base of transaction sources and references for our Advisor.

Robust direct origination capabilities. Our Advisor's managing directors each have significant experience originating Technology Loans in our Target Industries. This experience has given each managing director a deep knowledge of our Target Industries and, assisted by their long standing working relationships with our Advisor's senior management and our Advisor's brand name recognition in our market, has resulted in a steady flow of high quality investment opportunities that are consistent with the strategic vision and expectations of our Advisor's senior management. The combination of the managing directors' experience and their close working relationship with our Advisor's senior management, together with the extensive base of transaction sources and references generated by our Advisor's active participation in the Technology Lending market, has created an efficient marketing and sales organization.

Access to capital. Since it commenced operations in 2004, our Advisor has always had access to capital which allowed it to consistently offer Technology Loans to companies in our Target Industries, including offering loans through Compass Horizon during the difficult economic markets of 2008 and 2009. Our Advisor's demonstrated access to capital, including through the Credit Facility, has created awareness among companies in our Target Industries of our Advisor's consistent ability to make Technology Loans without interruption in all market conditions, thus making our Advisor a trusted source for Technology Loans to companies, their management teams and their venture capital and private equity investors.

Highly experienced and cohesive management team. Our Advisor has had the same senior management team of experienced professionals since its inception, thereby creating awareness among companies in our Target Industries, their management and their investors that prospective portfolio companies of Horizon will receive consistent and predictable service, in terms of available loan products and economic terms, underwriting requirements, loan closing process and portfolio management. This consistency allows companies, their management teams and their investors to predict likely outcomes when expending resources in seeking and obtaining Technology Loans from us. Companies may not have the same level of predictability when dealing with other lenders in the Technology Lending market. Our Advisor is led by five senior managers, including its two co-founders, Robert D. Pomeroy, Jr., our Chief Executive Officer, and Gerald A. Michaud, our President, each of whom has more than 23 years of experience in Technology Lending. Christopher M. Mathieu, our SVP and Chief Financial Officer, has more than 16 years of Technology Lending experience, and each of John C. Bombara, our SVP and General Counsel, and Daniel S. Devorsetz, our SVP and Chief Credit Officer, has more than nine years experience in Technology Lending. Our Advisor has an additional eight experienced professionals with marketing, legal, accounting, and portfolio management experience in Technology Lending. The co-founders and some of the

team have worked together for over 16 years during which they started, built and managed Technology Lending businesses for GATX Ventures, Inc., Transamerica Technology Finance and Financing for Science International. In addition to originating and managing loans and investments on behalf of Compass Horizon, our Advisor has originated and managed loans and investments on behalf of several other externally managed private funds. Since our Advisor commenced operations in 2004 through December 31, 2009, our Advisor has originated over $650 million of investments to 110 companies in our Target Industries. As of the date of this prospectus, only the Compass Horizon fund is actively making new investments.

Relationships with venture capital and private equity investors. Our Advisor's senior management team and managing directors have developed a comprehensive knowledge of the venture capital and private equity firms and their partners that participate in our Target Industries. Because of our Advisor's senior management and managing directors' demonstrated history of delivering loan commitments and value to many of these firms' portfolio companies, our Advisor has developed strong relationships with many of these firms and their partners. The strength and breadth of our Advisor's venture capital and private equity relationships would take considerable time and expense to develop. We will rely on these relationships to implement our business plan.

Well-known brand name. Our Advisor has originated over $650 million in Technology Loans to more than 110 companies in our Target Industries under the "Horizon Technology Finance" brand. Each of these companies is backed by one or more venture capital or private equity firms, thus creating a network of Target Industry companies and equity sponsors who know of, and have worked with, "Horizon Technology Finance." In addition, our Advisor has attended, participated in, or moderated venture lending or alternative financing panel sessions at venture capital, technology, life sciences and other industry related events over the past six years. This pro-active participation in the lending market for our Target Industries has created strong and positive brand name recognition for our Advisor. We believe that the "Horizon Technology Finance" brand is a competent, knowledgeable and active participant in the Technology Lending marketplace and will continue to result in a significant number of referrals and prospective investment opportunities in our Target Industries.

Demonstrated track record with strong returns. Our Advisor's senior managers collectively have also originated, underwritten, and managed more than 440 Technology Loans with an aggregate commitment of more than $1.0 billion from 1993 to 2003 at other organizations including, GATX Ventures, Inc., Transamerica Technology Finance and Financing for Science International. The success of our Advisor's track record in both up and down business cycles, as described more fully elsewhere in this prospectus, is a result of our Advisor's knowledge base and its processes developed from its Technology Lending experience. Our Advisor's developed knowledge base and processes include its unique investment criteria, its creation of an efficient and successful origination process, its establishment of back office operations, its knowledge of staffing needs, its legal, regulatory and institutional compliance knowledge and processes, its designation of specific roles for its investment team members, and its processes for the underwriting, documenting and monitoring of a portfolio of Technology Loans.

Flexibility of capital. With our Advisor's experience in structuring and managing Technology Loans, our Advisor has provided, and we expect to provide, loan terms to portfolio companies in our Target Industries that provide more value to a portfolio company than loan terms that would otherwise be available from other commercial lenders or other Technology Loan providers. We may be able to offer flexible terms on interest rates, warrant coverage, repayment schedules, advances based upon development milestones, interest only periods, and deferred principal payments that provide valuable flexibility during times of our portfolio companies' critical cash needs without significantly increasing capital risk. To the extent that additional risk is taken, we may adjust our returns for such risk by obtaining additional commitment, success and non use fees and additional warrants. We expect that allowing our portfolio companies more flexible loan terms will allow our portfolio companies to be successful, while allowing us to achieve more favorable economic returns than are available in traditional commercial financing transactions.

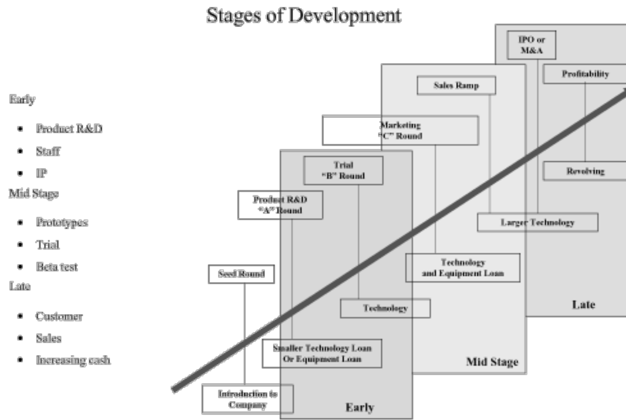
Disciplined underwriting and monitoring process with focus on preservation of capital. Our Advisor's investment process focuses first on capital preservation. The investment process for each proposed transaction involves conducting in depth due diligence, including meeting with the prospective portfolio company's senior management team, gaining detailed understanding of the prospective portfolio company's management team experience, its investors and its investors' support for the prospective portfolio company, business plans,

technology, markets, financial projections, fund raising history and future plans and the potential for warrant gains. The due diligence typically includes the use of independent verification with prospective portfolio company's customers, investors, strategic partners and market research. The results of our Advisor's due diligence for each proposed transaction are clearly documented in a comprehensive investment memorandum, which is then submitted to our Advisor's investment committee. As a result of our focus on capital preservation, the principal amount of our loans is generally less than 25% of the enterprise value of the portfolio company.

Diverse investment portfolio. Portfolio diversity is an important component to achieving successful returns for Technology Loans. Our Advisor intends to monitor our loan portfolio regularly to avoid undue focus in any industry, sector, stage of development or geographic area. By regularly monitoring the portfolio for these factors we will attempt to reduce the risk of down market cycles associated with any particular industry, sector, development-stage or geographic area.

Stages of Development of Venture Capital and Private Equity-backed Companies

Below is a typical development curve for a company in our Target Industries and the various milestones along the development curve where we believe a Technology Loan may be a preferred financing solution:



Investment Criteria

We have identified several criteria that we believe have proven, and will prove, important in achieving our investment objective with respect to prospective portfolio companies. These criteria provide general guidelines for our investment decisions. However, we caution you that not all of these criteria are met by each portfolio company in which we choose to invest.

Portfolio Composition. We invest in venture capital and private equity-backed development-stage companies in our Target Industries. We have made, and plan 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 our portfolio companies.

Continuing Support from One or More Venture Capital and Private Equity Investors. We typically invest 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. We believe that established venture capital

and private equity investors can serve as a committed partner and will assist their portfolio companies and their management teams in creating value.

Company Stage of Development. While we invest in companies at various stages of development, we require 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. We expect 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 we ascribe to any warrants that we may acquire in connection with making debt investments.

Operating Plan. We generally require 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. We expect 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 our loans is an important factor in our credit analysis. We emphasize 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 we 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 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. We generally receive warrants having terms consistent with the most recent or next round of venture capital and private equity capital financing. We do not view the upside appreciation potential of warrants as a means to mitigate risk, but rather to ensure that the compensation we receive is appropriate for the level of risk being undertaken. We 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 our portfolio companies. These opportunities to invest are at our option and we are not obligated to make such investments. Other than one investment for $100,000, we have not elected to exercise any equity participation rights.

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

Exit Strategy. We analyze the potential for that company to increase the liquidity of its equity through a future event that would enable us to realize appreciation in the value of our warrants or other equity interests. Liquidity events typically include an IPO or a sale of the company.

Investment Process

We believe that our Advisor's team members are leaders in the Technology Lending industry and that the depth and breadth of experience of our Advisor's investment professionals exceeds that of many of our competitors. Our Advisor has created an integrated approach to the loan origination, underwriting, approval and documentation process that effectively combines all of the skills of our Advisor's professionals. This process allows our Advisor to achieve an efficient and timely closing of an investment from the initial contact with a prospective portfolio company through the close of documentation and funding of the investment, while ensuring that our Advisor's rigorous underwriting standards are consistently maintained. During the investment process, several of our Advisor's investment professionals are involved in the analysis, decision-making and documentation of prospective investments. After closing, our Advisor typically employs a "hands on" portfolio management process, regularly contacting our portfolio companies. Our Advisor also utilizes a proprietary credit rating system designed to effectively and efficiently assist our Advisor's portfolio managers' and senior management's analysis of the credit quality of investments on an individual basis and a portfolio basis and our ability to allocate internal resources accordingly.

We believe that the high level of involvement by our Advisor's staff in the various phases of the investment process allows us to minimize the credit risk while delivering superior service to our portfolio companies.

Origination. Our Advisor's loan origination process begins with its industry-focused regional managing directors who are responsible for identifying, contacting and screening prospects. The managing directors meet with key decision makers and deal referral sources such as venture capital and private equity firms and management teams and legal firms, accounting firms, investment banks and other lenders to source prospective portfolio companies. We believe our brand name and management team are well known within the Technology Lending community, as well as by many repeat entrepreneurs and board members of prospective portfolio companies. These broad relationships, which reach across the Technology Lending industry, give rise to a significant portion of our Advisor's deal origination.

The responsible managing director of our Advisor obtains review materials from the prospective portfolio company and from those materials, as well as other available information, determines whether it is appropriate for our Advisor to issue a non-binding term sheet. The managing director bases this decision to proceed on his or her experience, the competitive environment and the prospective portfolio company's needs and also seeks the counsel of our Advisor's senior management and investment team.

Term Sheet. If the managing director determines, after review and consultation with senior management, that the potential transaction meets our Advisor's initial credit standards, our Advisor will issue a non-binding term sheet to the prospective portfolio company.

The terms of the transaction are tailored to a prospective portfolio company's specific funding needs while taking into consideration market dynamics, the quality of the management team, the venture capital and private equity investors involved and applicable credit criteria, which may include the prospective portfolio company's existing cash resources, the development of its technology and the anticipated timing for the next round of equity financing.

Underwriting. Once the term sheet has been negotiated and executed and the prospective portfolio company has remitted a good faith deposit, the managing director will request additional due diligence materials from the prospective portfolio company and arrange for a due diligence visit.

Our Advisor typically requests the following information as part of the underwriting process:

- annual and interim financial information;
- capitalization tables showing details of equity capital raised and ownership;
- recent presentations to investors or board members covering the portfolio company's current status and market opportunity;
- detailed business plan, including an executive summary and discussion of market opportunity;
- detailed background on all members of management;
- articles and papers written about the prospective portfolio company and its market;
- detailed forecast for the current and subsequent fiscal year including monthly cash forecast;
- information on competitors and the prospective portfolio company's competitive advantage;
- marketing information on the prospective portfolio company's products, if any;
- information on the prospective portfolio company's intellectual property; and
- introduction to the prospective portfolio company's scientific advisory board and industry thought leaders.

Due Diligence. The due diligence process includes a formal visit to the prospective portfolio company's location and interviews with the prospective portfolio company's senior management team including its Chief Executive Officer, Chief Financial Officer, Chief Scientific or Technology Officer, principal marketing or sales professional and other key managers. The process includes contact with key analysts that affect the prospective portfolio company's business, including analysts that follow the technology market, thought leaders in our Target

Industries and important customers or partners, if any. Outside sources of information are reviewed, including industry publications, scientific and market articles, Internet publications, publicly available information on competitors or competing technologies and information known to our Advisor's investment team from their experience in the technology markets.

A key element of the due diligence process is interviewing key existing investors in the prospective portfolio company, who are often also members of the prospective portfolio company's board of directors. While these board members and/or investors are not independent sources of information, their support for management and willingness to support the prospective portfolio company's further development are critical elements of our decision making process.

Investment Memorandum. Upon completion of the due diligence process and review and analysis of all of the information provided by the prospective portfolio company and obtained externally, our Advisor's assigned credit officer prepares an investment memorandum for review and approval.

The investment memorandum generally includes:

- an investment thesis;
- an overview of the prospective portfolio company and transaction;
- a discussion of how much of the investment is at risk;
- an analysis of why the investment is worth the risk;
- a discussion of risks and mitigants;
- a loan description;
- an overview of the prospective portfolio company's market, competition, products, technology, sales pipeline, management, intellectual property, etc.;
- a discussion of venture capital and private equity sponsorship;
- summary financial results;
- projections and cash forecasts, including company forecasts and potential downside scenario projections; and
- an exit valuation.

The investment memorandum is reviewed by our Advisor's senior credit officer and submitted to our Advisor's investment committee for approval.

Investment Committee. Our board of directors delegates authority for all investment decisions to our Advisor's investment committee. Our Advisor's investment committee has made investment decisions for Compass Horizon as well as other affiliated funds. The investment committee currently consists of Robert D. Pomeroy, Jr., Gerald A. Michaud, Daniel S. Devorsetz and Kevin T. Walsh.

Our Advisor's investment committee will be responsible for overall credit policy, portfolio management, approval of all investments, portfolio monitoring and reporting and managing of problem accounts. The committee will interact with the entire staff of our Advisor to review potential transactions and deal flow. This interaction of cross-functional members of our Advisor's staff assures efficient transaction sourcing, negotiating and underwriting throughout the transaction process. Portfolio performance and current market conditions will be reviewed and discussed by the investment committee on a regular basis to assure that transaction structures and terms are consistent and current.

The portfolio manager responsible for the account will present any proposed transaction to the investment committee at its committee meeting. Other deal team members from our Advisor are encouraged to participate in the committee meeting, bringing market, transaction and competitive information to the decision making process. The investment decision must be approved by a majority of the committee and by both Mr. Pomeroy and Mr. Michaud.

Loan Closing and Funding. Approved investments are documented and closed by our Advisor's in-house legal and loan administration staff. Loan documentation is based upon standard templates created by our Advisor and is customized for each transaction to reflect the specific deal terms. The transaction documents typically include a loan and security agreement, warrant agreement and applicable perfection documents, including Uniform Commercial Code financing statements, and, as applicable, may also include a landlord agreement, patent and trademark security grants, a subordination agreement and other standard agreements for commercial loans in the Technology Lending industry. Funding requires final approval by our Advisor's General Counsel, Chief Executive Officer or President, Chief Financial Officer and Chief Credit Officer.

Portfolio Management and Reporting. Our Advisor maintains a "hands on" approach to maintain communication with our portfolio companies. At least quarterly, our Advisor contacts our portfolio companies for operational and financial updates by phone and performs onsite reviews on an annual basis. Our Advisor may contact portfolio companies deemed to have greater credit risk on a monthly basis. Our Advisor requires all private companies to provide financial statements on a monthly basis. For public companies, our Advisor typically relies on publicly reported quarterly financials. Our Advisor also typically receives copies of bank and security statements, as well as any other information required to verify reported financial information. Among other things, this allows our Advisor to identify any unexpected developments in the financial performance or condition of the company.

Our Advisor has developed a proprietary credit rating system to analyze the quality of our loans. Using this system, our Advisor 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. These investment ratings are generated internally by our Advisor, and we cannot guarantee that others would assign the same ratings to our portfolio investments or similar portfolio investments.

Our Advisor closely monitors portfolio companies rated a 1 or 2 for adverse developments. In addition, our Advisor has regular contact with the management, board of directors and major equity holders of these portfolio companies in order to discuss strategic initiatives to correct the deterioration of the portfolio company (e.g., cost reductions, new equity issuance or strategic sale of the business).

The table below describes each rating level:

Rating	
4	The portfolio company has performed in excess of our expectations at underwriting as demonstrated by exceeding revenue milestones, clinical milestones, or other operating metrics or as a result of raising capital well in excess of our underwriting assumptions. Generally the portfolio company displays one or more of the following: its enterprise value greatly exceeds our loan balance; it has achieved cash flow positive operations or has sufficient cash resources to cover the remaining balance of the loan; there is strong potential for warrant gains from our warrants; and there is a high likelihood that the borrower will receive favorable future financing to support operations. Loans rated 4 are the lowest risk profile in our portfolio and there is no expected risk of principal loss.
3	The portfolio company has performed to our expectations at underwriting as demonstrated by hitting revenue milestones, clinical milestones, or other operating metrics. It has raised, or is expected to raise, capital consistent with our underwriting assumptions. Generally the portfolio company displays one or more of the following: its enterprise value comfortably exceeds our loan balance; it has sufficient cash resources to operate per its plan; it is expected to raise additional capital as needed; and there continues to be potential for warrant gains from our warrants. All new loans are rated 3 when approved and thereafter 3 rated loans represent a standard risk profile, with no loss currently expected.
2	The portfolio company has performed below our expectations at underwriting as demonstrated by missing revenue milestones, delayed clinical progress, or otherwise failing to meet projected operating metrics. It may have raised capital in support of the poorer performance but generally on less favorable terms than originally contemplated at the time of underwriting. Generally the portfolio company displays one or more of the following: its enterprise value exceeds our loan balance but at a lower multiple than originally expected; it has sufficient cash to operate per its plan but liquidity may be tight; and it is planning to raise additional capital but there is uncertainty and the potential for warrant gains from our warrants are possible, but unlikely. Loans rated 2 represent an increased level of risk. While no loss is currently anticipated for a 2 rated loan, there is potential for future loss of principal.
1	The portfolio company has performed well below plan as demonstrated by materially missing revenue milestones, delayed or failed clinical progress, or otherwise failing to meet operating metrics. The portfolio company has not raised sufficient capital to operate effectively or retire its debt obligation to us. Generally the portfolio company displays one or more of the following: its enterprise value may not exceed our loan balance; it has insufficient cash to operate per its plan and liquidity may be tight; and there are uncertain plans to raise additional capital or the portfolio company is being sold under distressed conditions. There is no potential for warrant gains from our warrants. Loans rated 1 are generally put on non-accrual and represent a high degree of risk of loss. The fair value of 1 rated loans is reduced to the amount that is expected to be recovered from liquidation of the collateral.

For a discussion of the ratings of our existing portfolio, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Portfolio Composition and Investment Activity.”

Managerial Assistance

As a business development company, we will offer, through our Advisor, and must provide upon request, managerial assistance to certain of our portfolio companies. This assistance may involve, among other things, monitoring the operations of the portfolio companies, participating in board of directors and management meetings, consulting with and advising officers of portfolio companies and providing other organizational and financial guidance.

We may receive fees for these services, though we may reimburse our Advisor for its expenses related to providing such services on our behalf.

Competition

We compete for investments with other business development companies and investment funds, as well as traditional financial services companies such as commercial banks and other financing sources. Some of our competitors are larger and have greater financial, technical, marketing and other resources than we have. For example, some competitors may have a lower cost of funds and access to funding sources that are not available to us. Furthermore, many of our competitors are not subject to the regulatory restrictions that the 1940 Act will impose on us as a business development company or that the Code will impose on us as a RIC. We believe we compete effectively with these entities primarily on the basis of the experience, industry knowledge and contacts of our Advisor's investment professionals, its responsiveness and efficient investment analysis and decision-making processes, its creative financing products and highly customized investment terms. We do not intend to compete primarily on the interest rates we offer and believe that some competitors make loans with rates that are comparable or lower than our rates. For additional information concerning the competitive risks see "Risk Factors — Risks Related to Our Business and Structure — We operate in a highly competitive market for investment opportunities, and if we are not able to compete effectively, our business, results of operations and financial condition may be adversely affected and the value of your investment in us could decline."

Portfolio Turnover

We do not have a formal portfolio turnover policy and do not intend to adopt one.

Employees

We do not have any employees. Each of our executive officers described under "Management" below is an employee of our Advisor. The day-to-day investment operations will be managed by our Advisor. As of March 31, 2010, our Advisor had 13 employees, including investment and portfolio management professionals, operations and accounting professionals, legal counsel and administrative staff. In addition, we reimburse our Advisor for our allocable portion of expenses incurred by it in performing its obligations under the administration agreement, including our allocable portion of the cost of our Chief Financial Officer and Chief Compliance Officer and their respective staffs.

Properties

We do not own any real estate or other physical properties materially important to our operation. Our headquarters and our Advisor's headquarters are currently located at 76 Batterson Park Road, Farmington, Connecticut 06032.

Legal Proceedings

Neither we nor our Advisor are currently subject to any material legal proceedings.

PORTFOLIO COMPANIES

All of the investments listed below are currently direct or indirect assets of Compass Horizon and will become assets of the Company following the Share Exchange. Additionally, all of the loans listed below are currently performing and are unimpaired. Other than these investments, our only formal relationships with our portfolio companies are the managerial assistance that we may provide upon request and the board observer or participation rights we may receive in connection with our investment. We do not "control" and are not an "affiliate" of any of our portfolio companies, each as defined in the 1940 Act. In general, under the 1940 Act, we would "control" a portfolio company if we owned more than 25% of its voting securities and would be an "affiliate" of a portfolio company if we owned 5% or more of its voting securities.

The following table sets forth certain information for each portfolio company in which we had an investment as of March 31, 2010.

Name and Address of Portfolio Company(1)	Target Industry — Sector	Type of Investment(2)	Interest(3)	Maturity of Loans	Cost of Investment	Fair Value
Advanced BioHealing, Inc. 10933 N. Torrey Pines Rd., Suite 200 La Jolla, CA 92037	Life Science — Biotechnology	Preferred Stock Warrants			$ 8,887	$ 124,724
Ambit Biosciences, Inc. 4215 Sorrento Valley Blvd. San Diego, CA 92121	Life Science — Biotechnology	Term Loan Preferred Stock Warrants	12.25%	10/1/13	6,000,000 142,943	6,000,000 180,074
Anesiva, Inc.(4) 650 Gateway Boulevard South San Francisco, CA 94080	Life Science — Biotechnology	Common Stock Warrants			18,233	—
Arcot Systems, Inc. 455 West Maude Avenue Sunnyvale, CA 94085	Technology — Software	Preferred Stock Warrants			5,001	56,996
BioScale, Inc. 75 Sidney Street Cambridge, MA 02139	Healthcare Information and Services — Diagnostics	Term Loan Preferred Stock Warrants	12.00%	8/1/12	3,475,057 12,786	3,475,057 41,847
Calypso Medical Technologies, Inc. 2101 Fourth Avenue, Suite 500 Seattle, WA 98121	Life Science — Medical Device	Preferred Stock Warrants			17,047	74,475
Clarabridge, Inc. 11400 Commerce Park Drive, Suite 500 Reston, VA 20191	Technology — Software	Term Loan Term Loan Preferred Stock Warrants	12.50% 12.50%	1/1/13 6/1/13	1,500,000 750,000 27,700	1,500,000 750,000 31,385
Concentric Medical, Inc. 301 East Evelyn Avenue Mountain View, CA 94041	Life Science — Medical Device	Revolving Loan Preferred Stock Warrants	10.00% (Prime + 3.25)%	7/1/10	2,333,334 9,402	2,333,334 3,830
Courion Corporation 1881 Worcester Road Framingham, MA 01701	Technology — Software	Term Loan Preferred Stock Warrants	11.45%	12/1/11	1,823,261 6,715	1,823,261 23,958
DriveCam, Inc. 8911 Balboa Ave. San Diego, CA 92123	Technology — Software	Preferred Stock Warrants			19,670	15,162
Enphase Energy, Inc. 201 1st Street, Suite 300 Petaluma, CA 94952	Technology — Energy Efficiency	Term Loan Preferred Stock Warrants	12.60%	10/1/13	7,000,000 122,053	7,000,000 122,053
EnteroMedics, Inc.(4) 2800 Patton Road Saint Paul, MN 55113	Life Science — Medical Device	Common Stock Warrants			346,795	13,362
Everyday Health, Inc. f/k/a Waterfront Media, Inc. 45 Main Street Brooklyn, NY 11201	Technology — Consumer-related technologies	Term Loan Preferred Stock Warrants	13.00%	5/1/13	5,000,000 68,658	5,000,000 68,451
F & S Health Care Services, Inc. 23625 Commerce Park, Suite 204 Beachwood, OH 44122	Healthcare Information and Services — Diagnostics	Term Loan Preferred Stock Warrants	11.80%	12/1/12	7,500,000 32,148	7,500,000 104,667

Name and Address of Portfolio Company(1)	Target Industry — Sector	Type of Investment(2)	Interest(3)	Maturity of Loans	Cost of Investment	Fair Value
Genesis Networks, Inc. One Penn Plaza, Suite 2010 New York, NY 10119	Technology — Networking	Term Loan Preferred Stock Warrants	11.80%	8/1/12	4,000,000 81,670	3,739,565 28,107
Grab Networks, Inc. 21000 Atlantic Boulevard Dulles, VA 20166	Technology — Networking	Term Loan Preferred Stock Warrants	13.00%	4/1/12	3,419,800 73,866	3,419,800 83,693
Hatteras Networks, Inc. 523 Davis Drive, Suite 500 Durham, NC 27713	Technology — Communications	Term Loan Preferred Stock Warrants	12.40%	2/1/11	2,114,700 660	2,114,700 34,905
Impinj, Inc. 701 N. 34th Street, Suite 300 Seattle, WA 98103	Technology — Semiconductor	Term Loan Preferred Stock Warrants	11.50% (Prime + 4.25)%	1/1/11	666,667 7,348	666,667 0
IntelePeer, Inc. 2855 Campus Drive, Suite 200 San Mateo, CA 94403	Technology — Networking	Term Loan Term Loan Term Loan Preferred Stock Warrants	12.43% 12.33% 12.33%	4/1/12 6/1/12 10/1/12	777,856 862,105 1,590,656 39,384	777,856 862,105 1,590,656 52,308
iSkoot, Inc. 501 2nd Street, Suite 216 San Francisco, CA 94107	Technology — Software	Term Loan Preferred Stock Warrants	12.75%	5/1/13	4,000,000 59,329	4,000,000 59,138
Mall Networks, Inc. One Cranberry Hill, Suite 403 Lexington, MA 02421	Technology — Internet and media	Term Loan Preferred Stock Warrants	11.75%	6/1/12	2,281,586 16,155	2,281,586 34,872
Motion Computing, Inc. 8601 RR 2222, Building II Austin, TX 78730	Technology — Networking	Term Loan Term Loan Preferred Stock Warrants	12.25% 12.25%	4/1/11 1/1/12	1,177,313 1,905,942 8,808	1,177,313 1,905,942 464,748
Netuitive, Inc. 12700 Sunrise Valley Drive Reston, VA 20191	Technology — Software	Term Loan Preferred Stock Warrants	12.90%	4/1/11	472,915 27,287	472,915 42,611
NewRiver, Inc. 200 Brickstone Square, 5th Floor Andover, MA 01810	Technology — Software	Term Loan	11.60%	1/1/12	3,043,530	3,043,530
Novalar Pharmaceuticals, Inc. 12555 High Bluff Drive Suite 300 San Diego, CA 92130	Life Science — Biotechnology	Term Loan Preferred Stock Warrants	12.00%	6/1/12	4,564,452 69,249	4,564,452 61,606
Pharmasset, Inc.(4) 303-A College Road East Princeton, NJ 08540	Life Science — Biotechnology	Term Loan Term Loan Term Loan Common Stock Warrants	12.00% 12.00% 12.50%	8/1/11 1/1/12 10/1/12	1,900,966 2,435,576 3,333,333 251,247	1,900,966 2,435,576 3,333,333 699,292
PixelOptics, Inc. 5241 Valleypark Drive Roanoke, VA 24019	Life Science — Medical Device	Term Loan Preferred Stock Warrants	13.00%	1/1/13	5,000,000 61,131	5,000,000 61,026
Plateau Systems, Ltd. 4401 Wilson Boulevard Suite 400 Arlington, VA 22203	Technology — Software	Term Loan Preferred Stock Warrants	12.40%	9/1/10	563,502 7,348	563,502 34,225
Precision Therapeutics, Inc. 2516 Jane Street Pittsburgh, PA 15203	Healthcare Information and Services — Diagnostics	Term Loan Preferred Stock Warrants	13.00%	3/1/12	5,000,000 52,075	5,000,000 61,026
Revance Therapeutics, Inc. 2400 Bayshore Parkway, Suite 100 Mountain View, CA 94043	Life Science — Biotechnology	Term Loan Preferred Stock Warrants	10.50%	12/1/11	2,464,361 155,399	2,464,361 62,770
SnagAJob.com, Inc. 4880 Cox Road Suite 200 Glen Allen, VA 23060	Technology — Consumer-related technologies	Term Loan Preferred Stock Warrants	11.50%	6/1/12	3,193,322 22,618	3,193,322 38,333
Starcite, Inc. 1650 Arch Street Philadelphia, PA 19103	Technology — Consumer-related technologies	Term Loan Preferred Stock Warrants	12.05%	9/1/12	3,688,378 23,579	3,688,378 27,380

Name and Address of Portfolio Company(1)	Target Industry — Sector	Type of Investment(2)	Interest(3)	Maturity of Loans	Cost of Investment	Fair Value
Tagged, Inc.	Technology — Consumer-related	Term Loan	12.78%	5/1/12	1,922,851	1,922,851
840 Battery Street, 2nd Floor	technologies	Term Loan	11.46%	8/1/12	706,377	706,377
San Francisco, CA 94111		Preferred Stock Warrants			16,586	26,696
Tengion, Inc.	Life Science — Medical Device	Term Loan	12.26%	9/1/11	5,246,723	5,246,723
2900 Potshop Lane, Suite 100		Preferred Stock Warrants			15,276	380
East Norriton, PA 19403						
Transave, Inc.	Life Science — Biotechnology	Term Loan	11.75%	2/29/12	2,468,031	2,468,031
11 Deer Park Drive, Suite 117		Term Loan	11.75%	7/1/12	1,884,081	1,884,081
Monmouth Junction, NJ 08852		Convertible Note	10.00%	6/30/10	104,407	104,407
		Convertible Note	10.00%	6/30/10	100,990	100,990
		Preferred Stock Warrants			11,974	47,892
Vette Corp.	Technology — Data Storage	Term Loan	11.85%	3/1/12	4,114,314	4,114,314
14 Manchester Square, Suite 210		Preferred Stock Warrants			26,638	130
Portsmouth, NH 03801						
ViOptix, Inc.	Life Science — Medical Device	Term Loan	13.55%	11/1/11	1,538,204	1,463,252
47224 Mission Falls Ct.		Preferred Stock Warrants			12,924	21,904
Fremont, CA 94539						
XIOtech, Inc.	Technology — Data Storage	Term Loan	12.50%	8/1/11	4,367,880	4,367,880
6455 Flying Cloud Drive		Preferred Stock Warrants			22,045	80,368
Eden Prairie, MN 55344						
Xoft, Inc.	Life Science — Medical Device	Revolving Loan	11.25%	11/15/10	15,201	15,201
345 Potrero Avenue			(Prime + 4.25)%			
Sunnyvale, CA 94085		Preferred Stock Warrants			13,265	50,760
Total Investments					$ 118,221,568	$ 118,907,435

(1) Debt and warrant investments have been pledged as collateral under the Credit Facility.

(2) All investments are less than 5% ownership of the class and ownership of the portfolio company.

(3) All interest is payable in cash due monthly in arrears, unless otherwise indicated and applies only to our debt investments. Amount is the annual interest rate on the debt investment and does not include any additional fees related to the investment such as commitment fees or prepayment fees. The majority of the debt investments are at fixed rates for the term of the loan. For each debt investment we have provided the current interest rate in effect as of December 31, 2009. For variable rate debt investments we have also provided the reference index plus the applicable spread which resets monthly.

(4) Portfolio company is a public company.

The following table sets forth certain information for each portfolio company in which we had an investment as of December 31, 2009.

Name and Address of Portfolio Company(1)	Target Industry — Sector	Type of Investment(2)	Interest(3)	Maturity of Loans	Cost of Investment	Fair Value
Advanced BioHealing, Inc. 10933 N. Torrey Pines Rd., Suite 200 La Jolla, CA 92037	Life Science — Biotechnology	Preferred Stock Warrants			$ 8,887	$ 41,836
Ambit Biosciences, Inc. 4215 Sorrento Valley Blvd. San Diego, CA 92121	Life Science — Biotechnology	Term Loan Preferred Stock Warrants	12.15%	6/1/11	1,271,672 17,403	1,271,672 54,612
Anesiva, Inc.(4) 650 Gateway Boulevard South San Francisco, CA 94080	Life Science — Biotechnology	Common Stock Warrants			18,233	—
Arcot Systems, Inc. 455 West Maude Avenue Sunnyvale, CA 94085	Technology — Software	Preferred Stock Warrants			5,001	57,074
BioScale, Inc. 75 Sidney Street Cambridge, MA 02139	Healthcare Information and Services — Diagnostics	Term Loan Preferred Stock Warrants	12.00%	8/1/12	3,793,151 12,786	3,527,630 32,956
Calypso Medical Technologies, Inc. 2101 Fourth Avenue, Suite 500 Seattle, WA 98121	Life Science — Medical Device	Preferred Stock Warrants			17,047	74,699
Clarabridge, Inc. 11400 Commerce Park Drive, Suite 500 Reston, VA 20191	Technology — Software	Term Loan Term Loan Preferred Stock Warrants	12.50% 12.50%	1/1/13 6/1/13	1,500,000 750,000 27,700	1,500,000 750,000 31,439
Concentric Medical, Inc. 301 East Evelyn Avenue Mountain View, CA 94041	Life Science — Medical Device	Revolving Loan Preferred Stock Warrants	10.00% (Prime + 3.25)%	7/1/10	3,333,334 9,402	3,333,334 10,856
Courion Corporation 1881 Worcester Road Framingham, MA 01701	Technology — Software	Term Loan Preferred Stock Warrants	11.45%	12/1/11	2,055,297 6,715	2,055,297 16,395
DriveCam, Inc. 8911 Balboa Ave. San Diego, CA 92123	Technology — Software	Preferred Stock Warrants			19,670	15,208
EnteroMedics, Inc.(4) 2800 Patton Road Saint Paul, MN 55113	Life Science — Medical Device	Common Stock Warrants			346,795	10,370
F & S Health Care Services, Inc. 23625 Commerce Park, Suite 204 Beachwood, OH 44122	Healthcare Information and Services — Diagnostics	Term Loan Preferred Stock Warrants	11.80%	12/1/12	7,500,000 32,148	7,500,000 104,848
Genesis Networks, Inc. One Penn Plaza, Suite 2010 New York, NY 10119	Technology — Networking	Term Loan Preferred Stock Warrants	11.80%	8/1/12	4,000,000 53,563	3,600,000 20
Grab Networks, Inc. 21000 Atlantic Boulevard Dulles, VA 20166	Technology — Networking	Term Loan Preferred Stock Warrants	13.00%	4/1/12	3,655,638 73,866	3,655,638 83,838
Hatteras Networks, Inc. 523 Davis Drive, Suite 500 Durham, NC 27713	Technology — Communications	Term Loan Preferred Stock Warrants	12.40%	2/1/11	2,451,010 660	2,451,010 35,009
Impinj, Inc. 701 N. 34th Street, Suite 300 Seattle, WA 98103	Technology — Semiconductor	Term Loan Preferred Stock Warrants	11.50% (Prime + 4.25)%	1/1/11	866,667 7,348	866,667 34,329
IntelePeer, Inc. 2855 Campus Drive, Suite 200 San Mateo, CA 94403	Technology — Networking	Term Loan Term Loan Term Loan Preferred Stock Warrants	12.43% 12.33% 12.33%	4/1/12 6/1/12 10/1/12	857,704 943,224 1,718,073 39,384	857,704 943,224 1,718,073 52,399

Name and Address of Portfolio Company(1)	Target Industry — Sector	Type of Investment(2)	Interest(3)	Maturity of Loans	Cost of Investment	Fair Value
iSkoot, Inc.	Technology — Software	Term Loan	12.75%	5/1/13	4,000,000	4,000,000
501 2nd Street, Suite 216		Preferred Stock Warrants			59,329	59,329
San Francisco, CA 94107						
Mall Networks, Inc.	Technology — Internet and	Term Loan	11.75%	6/1/12	2,500,000	2,500,000
One Cranberry Hill, Suite 403	media	Preferred Stock Warrants			16,155	34,932
Lexington, MA 02421						
Motion Computing, Inc.	Technology — Networking	Term Loan	12.25%	4/1/11	1,427,626	1,427,626
8601 RR 2222, Building II		Term Loan	12.25%	1/1/12	2,134,388	2,134,388
Austin, TX 78730		Preferred Stock Warrants			8,808	464,748
Netuitive, Inc.	Technology — Software	Term Loan	12.90%	4/1/11	573,026	573,026
12700 Sunrise Valley Drive		Preferred Stock Warrants			27,287	42,675
Reston, VA 20191						
NewRiver, Inc.	Technology — Software	Term Loan	11.60%	1/1/12	3,410,859	3,410,859
200 Brickstone Square, 5th Floor						
Andover, MA 01810						
Novalar Pharmaceuticals, Inc.	Life Science — Biotechnology	Term Loan	12.00%	6/1/12	4,856,259	4,856,259
12555 High Bluff Drive		Preferred Stock Warrants			69,249	78,598
Suite 300						
San Diego, CA 92130						
Pharmasset, Inc.(4)	Life Science — Biotechnology	Term Loan	12.00%	8/1/11	2,224,917	2,224,917
303-A College Road East		Term Loan	12.00%	1/1/12	2,743,804	2,743,804
Princeton, NJ 08540		Term Loan	12.50%	10/1/12	3,333,333	3,333,333
		Common Stock Warrants			251,247	437,046
PixelOptics, Inc.	Life Science — Medical Device	Term Loan	13.00%	1/1/13	5,000,000	5,000,000
5241 Valleypark Drive		Preferred Stock Warrants			61,131	61,131
Roanoke, VA 24019						
Plateau Systems, Ltd.	Technology — Software	Term Loan	12.40%	9/1/10	743,743	743,743
4401 Wilson Boulevard		Preferred Stock Warrants			7,348	34,328
Suite 400						
Arlington, VA 22203						
Precision Therapeutics, Inc.	Healthcare Information and	Term Loan	13.00%	3/1/12	5,000,000	5,000,000
2516 Jane Street	Services — Diagnostics	Preferred Stock Warrants			52,075	61,132
Pittsburgh, PA 15203						
Revance Therapeutics, Inc.	Life Science — Biotechnology	Term Loan	10.50%	12/1/11	2,780,564	2,780,564
2400 Bayshore Parkway,		Preferred Stock Warrants			155,399	49,433
Suite 100						
Mountain View, CA 94043						
SnagAJob.com, Inc.	Technology — Consumer-related	Term Loan	11.50%	6/1/12	3,500,000	3,500,000
4880 Cox Road	technologies	Preferred Stock Warrants			22,618	38,448
Suite 200						
Glen Allen, VA 23060						
Starcite, Inc.	Technology — Consumer-related	Term Loan	12.05%	9/1/12	4,000,000	4,000,000
1650 Arch Street	technologies	Preferred Stock Warrants			23,579	27,463
Philadelphia, PA 19103						
Tagged, Inc.	Technology — Consumer-related	Term Loan	12.78%	5/1/12	2,121,216	2,121,216
840 Battery Street, 2nd Floor	technologies	Term Loan	11.46%	8/1/12	750,000	750,000
San Francisco, CA 94111		Preferred Stock Warrants			16,586	26,776
Tengion, Inc.	Life Science — Medical Device	Term Loan	12.26%	9/1/11	5,772,622	5,772,622
2900 Potshop Lane, Suite 100		Preferred Stock Warrants			15,276	50,413
East Norriton, PA 19403						
Transave, Inc.	Life Science — Biotechnology	Term Loan	11.75%	2/29/12	2,737,903	2,737,903
11 Deer Park Drive, Suite 117		Term Loan	11.75%	7/1/12	2,000,000	2,000,000
Monmouth Junction, NJ 08852		Convertible Note	10.00%	6/30/10	101,907	101,907
		Preferred Stock Warrants			11,964	44,604
Vette Corp.	Technology — Data Storage	Term Loan	11.85%	3/1/12	4,563,684	4,563,684
14 Manchester Square, Suite 210		Preferred Stock Warrants			26,638	68,658
Portsmouth, NH 03801						
ViOptix, Inc.	Life Science — Medical Device	Term Loan	13.55%	11/1/11	1,740,569	1,640,137
47224 Mission Falls Ct.		Preferred Stock Warrants			12,924	21,970
Fremont, CA 94539						

Name and Address of Portfolio Company(1)	Target Industry — Sector	Type of Investment(2)	Interest(3)	Maturity of Loans	Cost of Investment	Fair Value
Everyday Health, Inc.	Technology — Consumer-related	Term Loan	13.00%	5/1/13	5,000,000	5,000,000
f/k/a Waterfront Media, Inc.	technologies	Preferred Stock Warrants			68,658	68,658
45 Main Street						
Brooklyn, NY 11201						
XIOtech, Inc.	Technology — Data Storage	Term Loan	12.50%	8/1/11	4,510,984	4,510,984
6455 Flying Cloud Drive		Preferred Stock Warrants			22,045	80,544
Eden Prairie, MN 55344						
Xoft, Inc.	Life Science — Medical Device	Revolving Loan	11.25%	11/15/10	348,535	348,535
345 Potrero Avenue			(Prime + 4.25)%			
Sunnyvale, CA 94085		Preferred Stock Warrants			13,265	50,906
Total Investments					$ 114,209,898	$ 114,263,436

(1) Debt and warrant investments have been pledged as collateral under the Credit Facility.

(2) All investments are less than 5% ownership of the class and ownership of the portfolio company.

(3) All interest is payable in cash due monthly in arrears, unless otherwise indicated and applies only to our debt investments. Amount is the annual interest rate on the debt investment and does not include any additional fees related to the investment such as commitment fees or prepayment fees. The majority of the debt investments are at fixed rates for the term of the loan. For each debt investment we have provided the current interest rate in effect as of December 31, 2009. For variable rate debt investments we have also provided the reference index plus the applicable spread which resets monthly.

(4) Portfolio company is a public company.

SENIOR SECURITIES

Information about our senior securities is shown in the following table for the years ended December 31, 2009 and 2008 and for the quarter ended March 31, 2010. The information contained in the table for the years ended December 31, 2009 and 2008 has been derived from our financial statements which have been audited by McGladrey & Pullen, LLP and the information contained in the table in respect of March 31, 2010 has been derived from unaudited financial data. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Borrowings" for more detailed information regarding the senior securities.

Class and Year	Total Amount Outstanding Exclusive of Treasury Securities(1)	Average Market Value per Unit(2)
	(dollar amounts in millions)	
Revolving Credit Facility with WestLB AG		
2010 (as of March 31, 2010)	$ 75.2	N/A
2009	$ 64.2	N/A
2008	$ 63.7	N/A

(1) Total amount of senior securities outstanding at the end of the period presented.
(2) Not applicable because senior securities are not registered for public trading.

MANAGEMENT

Our business and affairs will be managed under the direction of our board of directors. Our board of directors currently consists of three members. Prior to the completion of this offering, and as of the date we elect to be regulated as a business development company, we intend to elect additional directors, and following this offering our board of directors will consist of seven members, four of whom are not "interested persons" of our Company or of our Advisor as defined in Section 2(a)(19) of the 1940 Act and are "independent" as determined by our board of directors, consistent with the rules of the NASDAQ Global Market. We refer to these individuals as our "independent directors." Our board of directors elects our officers, who serve at the discretion of the board of directors.

Board of Directors and Executive Officers

Under our certificate of incorporation, to be effective prior to the completion of this offering, our directors will be divided into three classes. Each class of directors will hold office for a three-year term. However, the initial members of the three classes will have initial terms of one, two and three years, respectively. At each annual meeting of our stockholders, the successors to the class of directors whose terms expire at such meeting will be elected to hold office for a term expiring at the annual meeting of stockholders held in the third year following the year of their election. This classification of our board of directors may have the effect of delaying or preventing a change in control of our management. Each director will hold office for the term to which he or she is elected and until his or her successor is duly elected and qualifies. Our certificate of incorporation, to be effective prior to the completion of this offering, will permit the board of directors to elect directors to fill vacancies that are created either through an increase in the number of directors or due to the resignation, removal or death of any director.

Directors

Information regarding our board of directors is set forth below. We have divided the directors into two groups — independent directors and interested directors. Interested directors are "interested persons" of the company as defined in Section 2(a)(19) of the 1940 Act.

Interested Directors	Age	Position	Director Since	Expiration of Term
Robert D. Pomeroy, Jr.(1)	59	Chief Executive Officer and Chairman of the Board of Directors	2010	2013
Gerald A. Michaud(1)	57	President and Director	2010	2012
David P. Swanson(2)	36	Director	2010	2011

(1) Interested person of the Company due to his position as an officer of the Company.
(2) Mr. Swanson is an interested person of the Company due to his position as Partner of Compass Group Management LLC, which we refer to as "The Compass Group."

Independent Directors	Age	Position	Director Since	Expiration of Term
James J. Bottiglieri	54	Director	2010	2011
Edmund V. Mahoney	60	Director	2010	2012
Brett N. Silvers	54	Director	2010	2012
Christopher B. Woodward	61	Director	2010	2013

The address for each of Mr. Pomeroy and Mr. Michaud and each of the independent directors is Horizon Technology Finance Management LLC, 76 Batterson Park Road, Farmington, Connecticut 06032. The address for Mr. Swanson is Compass Group Management LLC, 61 Wilton Road, 2nd Floor, Westport, Connecticut 06880.

Executive Officers Who Are Not Directors

Information regarding our executive officers who are not directors is as follows:

Name	Age	Positions
Christopher M. Mathieu	45	Senior Vice President, Chief Financial Officer and Treasurer
John C. Bombara	46	Senior Vice President, General Counsel, Chief Compliance Officer and Secretary
Daniel S. Devorsetz	39	Senior Vice President and Chief Credit Officer

The address for each executive officer is Horizon Technology Finance Management LLC, 76 Batterson Park Road, Farmington, Connecticut 06032.

Biographical Information

Interested Directors

Robert D. Pomeroy, Jr., Chief Executive Officer and Chairman of the Board of Directors. Mr. Pomeroy co-founded our Advisor in May 2003 and has been a managing member of our Advisor and its Chief Executive Officer since its inception. Mr. Pomeroy was President of GATX Ventures, Inc. (a subsidiary of GATX Corporation engaged in the venture lending business) from July 2000 to April 2003, with full profit and loss responsibility including managing a staff of 39 and chairing the investment committee with credit authority. GATX Ventures, Inc. had total assets of over $270 million. Before joining GATX Ventures in July 2000, Mr. Pomeroy was Executive Vice President of Transamerica Business Credit (a subsidiary of Transamerica Corporation engaged in the venture lending business) and a co-founder of its Transamerica Technology Finance division. Mr. Pomeroy was the general manager of Transamerica Technology Finance from September 1996 to July 2000, with full profit and loss responsibility, credit authority and responsibility for a staff of 50 and over $480 million in assets. Prior to co-founding Transamerica Technology Finance in September 1996, Mr. Pomeroy served from January 1989 to August 1996 as Senior Vice President and chaired the investment committee of Financing for Science International, Inc., a publicly traded venture financing and healthcare leasing company that was acquired by Finova Capital Corporation in August 1996. Mr. Pomeroy started his career with Crocker Bank in 1974 and has over 35 years of diversified lending and leasing experience. Mr. Pomeroy earned both a Master of Business Administration and a Bachelor of Science degree from the University of California at Berkeley.

Gerald A. Michaud, President and Director. Mr. Michaud co-founded our Advisor in May 2003 and has been a managing member of our Advisor and its President since its inception. From July 2000 to May 2003, Mr. Michaud was Senior Vice President of GATX Ventures, Inc. and its senior business development executive. From September 1996 to July 2000, Mr. Michaud was Senior Vice President of Transamerica Business Credit and a co-founder of its Transamerica Technology Finance division. Mr. Michaud was the senior business development executive for Transamerica Technology Finance with oversight of more than $700 million in loans funded. From May 1993 to September 1996, Mr. Michaud served as a Vice President of Financing for Science International, Inc. Prior to 1993, Mr. Michaud founded and served as President of Venture Leasing and Capital. Mr. Michaud attended Northeastern University, Rutgers University and the University of Phoenix, completed a commercial credit training program with Shawmut Bank and has taken executive courses at Harvard Business School.

David P. Swanson, Director. Mr. Swanson has been a partner in The Compass Group since December 2005 and has been with The Compass Group and its affiliates since August 2001, serving as a Vice President from August 2001 to December 2003 and a Principal from December 2003 to December 2005. He is a member of the board of directors of AFM Holding Corporation and was previously a member of the board of directors of Crosman Acquisition Corporation and WorldBusiness Capital, Inc. From August 1996 to July 1998, Mr. Swanson was with Goldman Sachs in the Financial Institutions and Distressed Debt practices. Mr. Swanson is a graduate of the Harvard Business School MBA program and also holds a B.A. in Economics from the University of Chicago, where he was elected Phi Beta Kappa.

Independent Directors

James J. Bottiglieri, Director. Mr. Bottiglieri has served as a director of Compass Diversified Holdings, Inc. ("CODI") since December 2005, as well as its chief financial officer since its inception in November 2005.

Mr. Bottiglieri has also been an executive vice president of CODI's external manager since 2005. Previously, Mr. Bottiglieri was the senior vice president/controller of WebMD Corporation. Prior to that, Mr. Bottiglieri was with Star Gas Corporation and a predecessor firm to KPMG LLP. Mr. Bottiglieri is a graduate of Pace University. Mr. Bottiglieri serves as a director for a majority of CODI's subsidiary companies.

Edmund V. Mahoney, Director. Mr. Mahoney is Vice President, Investments (Chief Investment Officer) of Vantis Life Insurance Company and is responsible for all of its investment and portfolio management activities. Prior to joining Vantis Life in 2009, Mr. Mahoney was Senior Vice President, Compliance of Hartford Investment Management Company, an investment adviser registered with the U.S. Securities and Exchange Commission with nearly $150 billion of assets under management from 1994 through 2009. From 1986 through 1994, Mr. Mahoney was Assistant Vice President and Assistant Treasurer of Aetna Life and Casualty Company, responsible for international finance, foreign exchange risk management and leasing activities. From 1984 through 1986, Mr. Mahoney was the Director, Cash Management Consulting for AETNA Life and Casualty Company, and from 1979 through 1984, Mr. Mahoney was assistant treasurer of a subsidiary of AETNA Life and Casualty Company, Urban Investment and Development Company, a real estate development and management company located in Chicago, Illinois, responsible for the company's risk management, commercial paper and construction loan programs. Mr. Mahoney earned a Bachelor of Arts degree from Colby College, a Master of Business Administration (with distinction) from Babson College and took real estate finance related post graduate courses at The Wharton School of the University of Pennsylvania.

Brett N. Silvers, Director. Mr. Silvers has been the President and Chief Executive Officer of WorldBusiness Capital, Inc. since he founded it in 2003. He was previously the Chairman and Chief Executive Officer of First International Bancorp, Inc. (NASDAQ: FNCE) for 13 years, during which time he led the bank's expansion, successful IPO, and sale to a Fortune 100 Company. Mr. Silvers currently serves on the Industry Trade Advisory Committee on Small and Minority Business of the U.S. Department of Commerce/Office of the U.S. Trade Representative. He has also served on the Board of Regents of University of Hartford, the Board of Directors of the Private Export Funding Corporation, the New England Advisory Council of the Federal Reserve Bank of Boston, and the Advisory Committee of the Export-Import Bank of the United States. Mr. Silvers received his Bachelor of Arts in Political Science from Yale University and Master of Arts in Law and Diplomacy from The Fletcher School, Tufts University.

Christopher B. Woodward, Director. Mr. Woodward is a private investor and corporate finance-business advisor. He has previously held several domestic and global management positions as a Director, Deputy Chief Executive Officer and acting Chief Financial Officer with Canterbury of New Zealand from 2000 through 2009, as Vice President-Corporate Finance with Montgomery Securities and its predecessors from 1983 through 1987 and as a senior finance and management executive with various other large and small public and private enterprises. Mr. Woodward began his career with Coopers & Lybrand (a predecessor firm to PricewaterhouseCoopers) where he was a Certified Public Accountant engaged in providing audit, tax and financial advisory services to various sized public and private companies across a number of industries from 1973 through 1980. During such time he was involved in that firm's early Silicon Valley practice as it assisted emerging, venture-backed growth companies. Mr. Woodward earned both Bachelor of Science and Master in Business Administration degrees from the Haas School at the University of California, Berkeley.

Executive Officers who are not Directors

Christopher M. Mathieu, Senior Vice President, Chief Financial Officer and Treasurer. Mr. Mathieu is an original member of the team that founded our Advisor in May 2003 and its Chief Financial Officer since inception. Mr. Mathieu has been involved in the accounting, finance and venture debt industries for more than 22 years. From July 2000 to May 2003, Mr. Mathieu was Vice President — Life Sciences of GATX Ventures, Inc. and the primary business development officer for the life science sector. From September 1996 to July 2000, Mr. Mathieu was Vice President — Life Sciences of Transamerica Business Credit's Technology Finance division where, in addition to co-developing and implementing the business plan used to form the division, he was the primary business development officer responsible for the life science sector and was directly responsible for more than $200 million in loan originations. From March 1993 to September 1996, Mr. Mathieu was a Vice President, Finance at Financing for Science International, Inc. Mr. Mathieu was most recently a manager with the financial services group of KPMG

working with both public and private banks and commercial finance companies. Mr. Mathieu graduated with honors from Western New England College with a Bachelor of Science in Business Administration degree in accounting and is a Certified Public Accountant, chartered in the State of Connecticut.

John C. Bombara, Senior Vice President, General Counsel, Chief Compliance Officer and Secretary. Mr. Bombara is an original member of the team that founded our Advisor in May 2003 and has been its Senior Vice President, General Counsel and Chief Compliance Officer since our Advisor's inception. Mr. Bombara handles all legal functions for our Advisor, including negotiating and documenting most of its investments. Mr. Bombara has more than 19 years of experience providing legal services to financial institutions and other entities and individuals. Prior to joining our company, Mr. Bombara served as in-house counsel for GATX Ventures, Inc. from December 2000 to May 2003 where he directed the legal operations of the GATX Ventures' east coast office in closing and managing its portfolio of debt and equity investments in technology and life science companies throughout the United States. Mr. Bombara also represented GATX Corporation's other venture lending units in Canada and Europe. In addition, Mr. Bombara was responsible for assisting and advising senior management, credit analysts and marketing directors with respect to appropriate deal structures, market trends, risk management, and compliance with corporate policies and worked with co-participant's business personnel and counsel in facilitating and coordinating joint investments. Prior to joining GATX, Mr. Bombara was a partner at the business law firm of Pepe & Hazard, LLP. Mr. Bombara received his Bachelor of Arts degree from Colgate University and his Juris Doctor degree from Cornell Law School.

Daniel S. Devorsetz, Senior Vice President and Chief Credit Officer. Mr. Devorsetz joined our Advisor in October 2004 and has been its Senior Vice President and the Chief Credit Officer since such time. He is responsible for underwriting and portfolio management. Mr. Devorsetz has more than 10 years of financial services and lending experience, including spending the past nine years in the venture lending industry. Prior to joining the team, from May 2003 to October 2004, Mr. Devorsetz was a Vice President in General Electric Capital Corporation's Life Science Finance Group, where he was primarily responsible for the underwriting and portfolio management of debt and equity investments to venture capital-backed life science companies. Prior to that, from December 2000 to May 2003, Mr. Devorsetz was a Credit Manager at GATX Ventures, Inc. concentrating on the high tech and software industries. He was also a member of GATX's international credit committee. From July 1999 to December 2000, Mr. Devorsetz was a Vice President and Director of Analysis for Student Loans with Citigroup. Mr. Devorsetz's previous experience includes tenures in private placement investment banking and securitizations at Advest, Inc. and Ironwood Capital. Mr. Devorsetz received his Bachelor of Science degree from Cornell University.

Committees of the Board of Directors

Prior to the completion of this offering, our board of directors will have the following board committees:

Audit Committee. The initial members of the audit committee will be James J. Bottiglieri, Brett N. Silvers and Christopher B. Woodward, each of whom will be independent for purposes of the 1940 Act and The NASDAQ Global Market corporate governance listing standards. James J. Bottiglieri will serve as the chairman of the audit committee and will be an "audit committee financial expert" as defined under the SEC rules. The audit committee will operate pursuant to a written charter approved by our board of directors that sets forth the responsibilities of the audit committee. The audit committee will be responsible for selecting our independent accountants, reviewing the plans, scope and results of the audit engagement with our independent accountants, approving professional services provided by our independent accountants, reviewing the independence of our independent accountants and reviewing the adequacy of our internal accounting controls.

Nominating and Corporate Governance Committee. The initial members of the nominating and corporate governance committee will be James J. Bottiglieri, Brett N. Silvers and Edmund V. Mahoney, each of whom will be independent for purposes of the 1940 Act and The NASDAQ Global Market corporate governance listing standards. Edmund V. Mahoney will serve as the chairman of the nominating and corporate governance committee. The nominating and corporate governance committee will operate pursuant to a written charter approved by our board of directors. The nominating and corporate governance committee will be responsible for identifying, researching and nominating directors for election by our stockholders, selecting nominees to fill vacancies on our board of directors or a committee of the board, developing and recommending to the board of directors a set of corporate governance

principles and overseeing the evaluation of the board of directors and our management. Our procedures for stockholder nominees for director are described under "Description of Capital Stock — Anti-takeover Effects of Provisions of Our Certificate of Incorporation, Bylaws, Delaware Law and Other Arrangements."

Compensation Committee. We do not have a compensation committee because our executive officers do not receive any direct compensation from us. Decisions regarding executive compensation, to the extent they arise, will be made by the independent directors on our board.

Compensation of Directors

As compensation for serving on our board of directors, each of our independent directors will receive an annual fee of $35,000. Each member of the audit committee will be paid an annual fee of $7,500 and each member of each other committee will be paid an annual fee of $5,000. In addition, the chairman of the audit committee receives an additional annual fee of $10,000 and each chairman of any other committee receives an additional annual fee of $7,500 for their additional services, if any, in this capacities. We will reimburse all our directors for their reasonable out-of-pocket expenses incurred in attending board and committee meetings. No compensation is expected to be paid to directors, who are "interested persons" of the Company, as such term is defined in the 1940 Act.

Leadership Structure of the Board of Directors and its Role in Risk Oversight

Our Chief Executive Officer, Robert D. Pomeroy, Jr., is chairman of our board of directors and an "interested person" under Section 2(a)(19) of the 1940 Act. We will have a lead independent director. Under our bylaws, our board will not be required to have an independent chairman. Many significant corporate governance duties of our board of directors will be executed by committees of independent directors, each of which has an independent chairman. We believe that it is in the best interests of our stockholders for Mr. Pomeroy to lead the board because of his broad experience. See "— Biographical Information — Interested Directors" for a description of Mr. Pomeroy's experience. As a co-founder of our Advisor, Mr. Pomeroy has demonstrated a track record of achievement on strategic and operating aspects of our business. While we expect that our board of directors will regularly evaluate alternative structures, we believe that, as a business development company, it is appropriate for one of our co-founders, Chief Executive Officer and a member of our Advisor's investment committee to perform the functions of chairman of the board, including leading discussions of strategic issues we expect to face. We believe the current structure of our board of directors will provide appropriate guidance and oversight while also enabling ample opportunity for direct communication and interaction between management and the board of directors.

There are a number of significant risks facing us which are described under the heading "Risk Factors" included in this prospectus. We expect that our board of directors will use its judgment to create and maintain policies and practices designed to limit or manage the risks we face, including: (1) the establishment of board-approved policies and procedures designed serve our interests, (2) the application of these policies uniformly to directors, management and third-party service providers, (3) the establishment of independent board committees with clearly defined risk oversight functions and (4) review and analysis by the board of reports by management and certain third-party service providers. Accordingly, our board of directors has approved a Code of Ethics to promote ethical conduct and prohibit certain transactions that could pose significant risks to us. Our board of directors has established a related party transaction review policy, under which it monitors the risks related to certain transactions that present a conflict of interest on a quarterly basis. Our board of directors has also established and approved an investment valuation process to manage risks relating to the valuations of our investments and to ensure that our financial statements appropriately reflect the performance of our portfolio of assets. Additionally, through the delegated authority of our board of directors, the audit committee has primary oversight over risks relating to our internal controls over financial reporting and audit-related risks, while the nominating and corporate governance committee has primary oversight over risks relating to corporate governance and oversees the evaluation of our board of directors and our management. Under this oversight structure, our management team manages the risks facing us in our day-to-day operations. We caution you, however, that although our board of directors believes it has established an effective system of oversight, no risk management system can eliminate risks or ensure that particular events do not adversely affect our business.

Directors Qualifications and Review of Director Nominees

Our nominating and corporate governance committee of our board of directors will make recommendations to our board of directors regarding the size and composition of our board of directors. The nominating and corporate governance committee will annually review with our board of directors the composition of our board of directors, as a whole, and recommend, if necessary, measures to be taken so that our board of directors reflects the appropriate balance of knowledge, experience, skills, expertise and diversity required for our board of directors, as a whole, and contains at least the minimum number of independent directors required by applicable laws and regulations. The nominating and corporate governance committee will be responsible for ensuring that the composition of the members of our board of directors accurately reflects the needs of our business and, in furtherance of this goal, proposing the addition of members and the necessary resignation of members for purposes of obtaining the appropriate members and skills. Our directors should possess such attributes and experience as are necessary to provide a broad range of personal characteristics including diversity, management skills, financial skills and technological and business experience. Our directors should also be able to commit the requisite time for preparation and attendance at regularly scheduled board of directors and committee meetings, as well as be able to participate in other matters necessary to ensure good corporate governance is practiced.

In evaluating a director candidate, the nominating and corporate governance committee will consider factors that are in our best interests and our stockholders' best interests, including the knowledge, experience, integrity and judgment of each candidate; the potential contribution of each candidate to the diversity of backgrounds, experience and competencies which our board of directors desires to have represented; each candidate's ability to devote sufficient time and effort to his or her duties as a director; independence and willingness to consider all strategic proposals; any other criteria established by our board of directors and any core competencies or technical expertise necessary to staff our board of directors' committees. In addition, the nominating and corporate governance committee will assess whether a candidate possesses the integrity, judgment, knowledge, experience, skills and expertise that are likely to enhance our board of directors' ability to manage and direct our affairs and business, including, when applicable, to enhance the ability of committees of our board of directors to fulfill their duties.

In connection with director nominations, the nominating and corporate governance committee may also consider the nominees' roles in (i) overseeing our efforts in complying with its SEC disclosure requirements, (ii) assisting in improving our internal controls and disclosure controls, (iii) assisting with our strategic plan, (iv) overseeing efforts to ensure our financial products meet all applicable laws and regulations, (v) overseeing the development of new products to meet the needs of a changing business environment, and (vi) implementing our strategic plan. In addition, the nominating and corporate governance committee may consider self-and peer-evaluations provided by each current director, to determine, among other things, that the directors work well together and operate together effectively.

In addition to fulfilling the above criteria, four of the seven directors named above are considered independent under NASDAQ rules (Mr. Pomeroy, Mr. Michaud and Mr. Swanson being the exception as Mr. Pomeroy and Mr. Michaud are employees of the Company and Mr. Swanson is a partner of an affiliate of the selling shareholder in this offering and such affiliate will remain a significant shareholder after the completion of the Exchange Transaction), and the nominating and corporate governance committee believes that all seven nominees are independent of the influence of any particular stockholder or group of stockholders whose interests may diverge from the interests of our stockholders as a whole.

Each director brings a strong and unique background and set of skills to our board of directors, giving our board of directors, as a whole, competence and experience in a wide variety of areas, including corporate governance and board service, executive management, finance, private equity, workout and turnaround situations, manufacturing and marketing. Set forth below are our conclusions with regard to our directors.

Mr. Pomeroy has more than 35 years of experience in diversified lending and leasing, including positions in sales, marketing, and senior management. He has held the positions as chief executive officer or general manager of each organization which he has led since 1996. His responsibilities have included: accountability for the overall profit and loss of the organization, credit authority and credit committee oversight, strategic planning, human resource oversight including hiring, termination and compensation, reporting compliance for his business unit, investor relations, fund raising and all aspect of corporate governance. Mr. Pomeroy founded and has operated our

Advisor, a Technology Lending management company. Prior to founding our Advisor, Mr. Pomeroy was the Senior Vice President of Financing for Science International, Inc., Executive Vice President of Transamerica Business Credit and the General Manager of its Technology Finance Division and President of GATX Ventures, Inc.. This experience has provided him with the extensive judgment, experience, skills and knowledge to make a significant contribution as our Chairman of our board of directors' and supporting its ability to govern our affairs and business.

Mr. Michaud has been President of our Advisor since its formation. He has extensive knowledge and expertise in venture lending and has developed, implemented and executed on marketing strategies and products targeted at the venture backed technology and life science markets for a period of over 20 years. In addition he has extensive knowledge in the formation of compensation plans for key employees involved in the marketing of venture loans. He is a member of our Advisor's Credit Committee responsible for approving all investments made by the company and oversight of our portfolio. He has held senior management positions with several Technology Lending organizations within public companies, including Transamerica Business Credit and GATX Ventures, Inc. As senior vice president and senior business development officer at Transamerica, he was responsible for more than $700 million in loan transactions. This experience, particularly with respect to marketing and business development, has provided Mr. Michaud with the judgment, knowledge, experience, skills and expertise that are likely to enhance our board of directors' ability to manage and direct our affairs.

Mr. Swanson is a partner in The Compass Group and currently serves on the board of directors of a privately held company. With additional experience and knowledge gained from other board positions on various committees on private portfolio companies, he has a broad base of experience and skills to bring to our board. Mr. Swanson has gained extensive experience as a partner with The Compass Group in evaluating and structuring transactions, completing due diligence, executing and closing on acquisitions and financings of operating companies as well as taking privately held companies public. Prior to The Compass Group, he gained experience in investment banking, including capital raising and business strategy and execution. Mr. Swanson will provide our board of directors with expertise in business and corporate governance matters and will assist the board in its ability to manage and direct our affairs.

Mr. Bottiglieri brings to our board of directors substantial experience in identifying, managing and resolving accounting, tax and other financial issues often encountered by public companies through his positions as the chief financial officer and a director of CODI, as well as a director for several of CODI's subsidiary companies, and as the senior vice president/controller of WebMD. In addition, as the chief financial officer and director of a public company, CODI, Mr. Bottiglieri has developed an extensive understanding of the various periodic reporting requirements and corporate governance compliance matters that will assist the board in managing and directing our affairs. This experience, particularly with respect to the areas of accounting and corporate governance, will provide our board of directors with expertise that will assist the board in its ability to manage and direct our affairs.

Mr. Mahoney brings to our board of directors pertinent experience in portfolio management, as well as in-depth knowledge of investment advisor compliance, funds management, and performance measurement and pricing of investments. In addition, through his past experiences he has unique knowledge of international finance, as well as risk management strategies for foreign exchange and property and casualty operations. This vast experience, particularly in the areas of business, risk management and compliance matters that affect investment companies, will enhance our board's ability to manage and direct our affairs.

Mr. Silvers is a former chief executive officer and director of a public company and FDIC-insured bank. He brings to our board of directors extensive knowledge of domestic lending to small and midsize businesses. From his experience as the current chief executive officer of a commercial finance company, Mr. Silvers will provide the Board with specialized expertise in U.S. government guaranteed lending. His government and regulatory experience, garnered through his roles as a member of important advisory committees, councils and boards of directors relevant to our business, complements the board's oversight of our company and will enhance its ability to manage and direct our affairs.

Mr. Woodward brings to our board of directors a deep understanding of corporate finance, including experience with private placements, public offerings, venture capital investing, international management and financial advising, and restructuring. Additionally, as a practicing CPA with a leading firm, Mr. Woodward gained extensive accounting and audit experience. Mr. Woodward has the financial and accounting expertise necessary to enhance the Board's oversight of our company and its ability to manage and direct our affairs.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Our Advisor may in the future manage investment funds with investment objectives similar to ours. Accordingly, we may not be given the opportunity to participate in certain investments made by such investment funds. However, our Advisor in these situations intends to allocate investment opportunities in a fair and equitable manner consistent with our investment objectives and strategies so that we are not disadvantaged in relation to any other investment fund.

HTFM, our Advisor and Administrator, is privately owned by Horizon Technology Finance, LLC, which we refer to as "HTF," and Horizon Anchor Holdings, LLC, which we refer to as "HAH." HTF owns 60% of the outstanding equity interests of our Advisor and HAH owns 40%. HTF was formed in 2003 and is owned equally by Robert D. Pomeroy, Jr., CEO of our Advisor, and Gerald A. Michaud, President of our Advisor. HTF is the predecessor to our Advisor. In addition to originating and managing loans for Compass Horizon, our Advisor has originated and managed loans for three other funds, Horizon Technology Funding Company II LLC, Horizon Technology Funding Company III LLC and Horizon Technology Funding Company V LLC, originating loans in an aggregate original principal amount of $258 million, $177 million and $65 million, respectively, and achieving fund returns since inception after fees and expenses and before taxes as of March 31, 2010 of 12.3%, 11.4%, and 12.3%, respectively. In March 2008, in connection with the formation and capitalization of Compass Horizon, HTF and HAH formed our Advisor. HTF's contracts, service agreements, employees and other assets were transferred to our Advisor to continue to externally manage all prior fund investments and to externally manage the new Compass Horizon organization.

David P. Swanson, a partner in The Compass Group, and one of the interested directors on our board of directors, is an owner in HAH. The remaining ownership of HAH is held by individuals who are affiliated with and employees of The Compass Group.

In connection with the formation of Compass Horizon, HAH became a minority equity owner of our Advisor. As owners, the principals of HAH, who are primarily employees of The Compass Group, play a beneficial supporting role to our Advisor. We expect to continue to benefit from our Advisor's relationship with The Compass Group. Since its establishment, The Compass Group, together with its affiliates, has deployed approximately $1 billion in debt and equity investments, completing acquisitions of more than 20 businesses and numerous add-on transactions. In addition to its other activities, The Compass Group currently manages Compass Diversified Holdings (NASDAQ: CODI), which was formed to acquire and manage a diversified group of small and middle-market businesses headquartered in North America.

Prior to the completion of the offering, Compass Horizon intends to make the Pre-IPO Distribution to CHP and after the pre-IPO Distribution and immediately prior to the completion of this offering, the Compass Owners will effect the Share Exchange. Concurrent with this offering, CHP will offer a portion of the shares of our common stock that it receives in the Share Exchange. See "The Exchange Transaction" for a more detailed description of the Pre-IPO Distribution, the Share Exchange and CHP's concurrent offering of shares of our common stock.

OUR ADVISOR

HTFM will serve as our investment advisor pursuant to an Investment Advisory and Management Agreement. Our Advisor is registered as an investment adviser under the Investment Advisers Act of 1940. Subject to the overall supervision of our board of directors, our Advisor will manage the day-to-day operations of, and provide investment advisory and management services to us.

Portfolio Management

The management of our investment portfolio will be the responsibility of our Advisor's executive officers and its investment committee. The Investment Committee currently consists of Robert D. Pomeroy, Jr., CEO of our Advisor, Gerald A. Michaud, President of our Advisor, Daniel S. Devorsetz, SVP and Chief Credit Officer of our Advisor, and Kevin T. Walsh, Vice President and Senior Credit Officer of our Advisor. For more information regarding the business experiences of Messrs. Pomeroy, Michaud and Devorsetz, see "Management — Biographical Information — Interested Directors and — Executive Officers Who Are Not Directors."

Below is the biography for the portfolio manager whose biography has not been included elsewhere in this prospectus.

Kevin T. Walsh, Vice President, Senior Credit Officer of Our Advisor. Mr. Walsh has been the Senior Credit Officer of our Advisor since joining our Advisor in March 2006. Mr. Walsh is responsible for the underwriting of initial investments and the ongoing review of the portfolio accounts. Mr. Walsh has over 15 years of experience working with early stage, venture backed technology and life science companies. Prior to joining our Advisor in March 2006, Mr. Walsh was a Senior Vice President and Market Manager for Bridge Bank's Technology Banking and Capital Finance Divisions from September 2004 to March 2006 where he was responsible for new business generation as well as risk management activities within the Bank's asset-based lending sector. Prior to Bridge Bank, Mr. Walsh was a Vice President and Relationship Manager for Silicon Valley Bank in the Communication & Electronics Practice from September 1994 to June 2004. Mr. Walsh is a graduate of the California State University at Hayward, where he earned a Bachelor of Science degree in Business Administration.

The compensation of the members of the senior management committee of our Advisor are paid by our Advisor and includes an annual base salary, in certain cases an annual bonus based on an assessment of short-term and long-term performance and a portion of the incentive fee, if any, paid to our Advisor. In addition, Mr. Pomeroy and Mr. Michaud have equity interests in our Advisor and may receive distributions of profits in respect of those interests.

Historical Performance of Our Advisor

In addition to originating and managing loan and warrant investments on behalf of Compass Horizon, our Advisor has originated and managed similar investments on behalf of other externally managed private funds for affiliates of two New York-based alternative asset managers. In particular, in March 2004, HTF and an affiliate of one such manager formed and invested in Horizon Technology Funding Company II LLC, which we refer to as "HTF II," and HTF and affiliates of the other manager formed and invested in Horizon Technology Funding Company III LLC, which we refer to as "HTF III." HTF II and HTF III co-invested in investments originated by our Advisor in March 2004 until December 2006, after which HTF II was the sole investor until July 2007. In July 2007, Horizon Technology Funding Company V LLC, which we refer to as "HTF V," was formed by the investor in HTF II and was managed by our Advisor. As of the date of this prospectus, only the Compass Horizon fund is actively making new investments.

Including HTF II, HTF III, HTF V and Compass Horizon, our Advisor has made more than 110 loans totaling approximately $650 million in the aggregate since it commenced operations in 2004 while only incurring losses on eight transactions totaling approximately $11 million in the aggregate or a cumulative loss of approximately 1.6% on the original amount loaned. Compass Horizon has not realized any losses (charge-offs) in its loan portfolio on any individual investments since its inception in 2008.

The following table is a condensed summary of our Advisor's historical performance since its inception for all of the funds it has managed other than Compass Horizon. HTF II, HTF III and HTF V were capital call funds that did

not use leverage and each fund is closed to new investments. Each of these funds had an investment mandate similar to ours as there are no material differences in the objectives, policies and investment strategies between each of these funds and ours. This information is not a guarantee of future performance and is subject to risks, uncertainties and other factors some of which are beyond our Advisor's control, including market conditions.

Average Annual Total Returns

Fund Return (after deduction of all fees and expenses[1]) Before Taxes

Fund Name[2]	Inception Date	Number of investments[3]	Capital Invested	1-Year (3/31/09 - 3/31/10)	5-Year (3/31/05 - 3/31/10)	Annualized Since Inception (through 3/31/10)
HTF II	4/21/2004	75	$ 258 million	15.3%	13.4%	12.3%
HTF III	4/21/2004	60	$ 177 million	13.5%	12.8%	11.4%
HTF V	7/12/2007	20	$ 65 million	13.6%	NA	12.3%

Footnotes:

(1) The fees and expenses for these funds differ from the fees and expenses to be paid by us to our Advisor. See "Fees and Expenses."

(2) Horizon Technology Funding Company I and Horizon Technology Funding Company IV were names reserved for investment funds that were never funded and no investments were made by these entities.

(3) HTF II and HTF III co-invested in transactions during the period March 2004 to December 2006. HTF V and Compass Horizon co-invested in transactions from March 2008 to December 31, 2008.

INVESTMENT MANAGEMENT AND ADMINISTRATION AGREEMENTS

Horizon Technology Finance Management LLC serves as our investment advisor and is registered as such under the Advisers Act. Our Advisor manages our day-to-day operations and also provides all administrative services necessary for us to operate.

Investment Management Agreement

Under the terms of our Investment Management Agreement, which we refer to as the investment management agreement, our Advisor will:

- determine the composition of our portfolio, the nature and timing of the changes to our portfolio and the manner of implementing such changes;
- identify, evaluate and negotiate the structure of the investments we make (including performing due diligence on our prospective portfolio companies); and
- close, monitor and administer the investments we make, including the exercise of any voting or consent rights.

Our Advisor's services under the investment management agreement are not exclusive, and it is free to furnish similar services to other entities so long as its services to us are not impaired.

Management Fee

Pursuant to our investment management agreement, we will pay our Advisor a fee for investment advisory and management services consisting of a base management fee and an incentive fee.

Base Management Fee. The base management fee will be calculated at an annual rate of 2.00% of our gross assets, payable monthly in arrears. For purposes of calculating the base management fee, the term "gross assets" includes any assets acquired with the proceeds of leverage.

Incentive Fee. The incentive fee will have two parts, as follows:

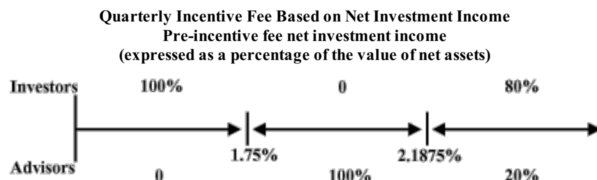
The first part will be calculated and payable quarterly in arrears based on our pre-incentive fee net investment income for the immediately preceding calendar quarter. For this purpose, pre-incentive fee net investment income means interest income, dividend income and any other income (including any other fees (other than fees for providing managerial assistance), such as commitment, origination, structuring, diligence and consulting fees and fees for providing significant managerial assistance or other fees that we receive from portfolio companies) accrued during the calendar quarter, minus our operating expenses for the quarter (including the base management fee, expenses payable under the administration agreement (as defined below), and any interest expense and any dividends paid on any issued and outstanding preferred stock, but excluding the incentive fee). Pre-incentive fee net investment income includes, in the case of investments with a deferred interest feature (such as original issue discount, debt instruments with payment-in-kind interest and zero coupon securities), accrued income that we have not yet received in cash. The incentive fee with respect to our pre-incentive fee net income will be 20.00% of the amount, if any, by which our pre-incentive fee net investment income for the immediately preceding calendar quarter exceeds a 1.75% (which is 7.00% annualized) hurdle rate and a "catch-up" provision measured as of the end of each calendar quarter. Under this provision, in any calendar quarter, our Advisor receives no incentive fee until our net investment income equals the hurdle rate of 1.75%, but then receives, as a "catch-up," 100.00% of our pre-incentive fee net investment income with respect to that portion of such pre-incentive fee net investment income, if any, that exceeds the hurdle rate but is less than 2.1875%. The effect of this provision is that, if pre-incentive fee net investment income exceeds 2.1875% in any calendar quarter, our Advisor will receive 20.00% of our pre-incentive fee net investment income as if a hurdle rate did not apply

Pre-incentive fee net investment income does not include any realized capital gains, realized capital losses or unrealized capital appreciation or depreciation. Because of the structure of the incentive fee, it is possible that we may pay an incentive fee in a quarter where we incur a loss. For example, if we receive pre-incentive fee net investment income in excess of the quarterly minimum hurdle rate, we will pay the applicable incentive fee even if

we have incurred a loss in that quarter due to realized and unrealized capital losses. Our net investment income used to calculate this part of the incentive fee is also included in the amount of our gross assets used to calculate the 2.00% base management fee. These calculations will be appropriately pro rated for any period of less than three months and adjusted for any share issuances or repurchases during the current quarter.

The following is a graphical representation of the calculation of the income-related portion of the incentive fee:

Quarterly Incentive Fee Based on Net Investment Income
Pre-incentive fee net investment income
(expressed as a percentage of the value of net assets)



Percentage of pre-incentive fee net investment income allocated to first part of incentive fee

The second part of the incentive fee will be determined and payable in arrears as of the end of each calendar year (or upon termination of the investment management agreement, as of the terminate date), commencing on December 31, 2010, and will equal 20% of our realized capital gains, if any, on a cumulative basis from the date of our election to be a business development company through the end of each calendar year, computed net of all realized capital losses and unrealized capital depreciation on a cumulative basis, less all previous amounts paid in respect of the capital gain incentive fee provided that the incentive fee determined as of December 31, 2010 will be calculated for a period of shorter than twelve calendar months to take into account any realized capital gains computed net of all realized capital losses and unrealized capital depreciation for the period beginning on the date of our election to be a business development company and ending December 31, 2010.

Examples of Incentive Fee Calculation

Example 1: Income Related Portion of Incentive Fee for Each Fiscal Quarter

Alternative 1

Assumptions:
Investment income (including interest, dividends, fees, etc.) = 1.25%
Hurdle rate(1) = 1.75%
Management fee(2) = 0.50%
Other expenses (legal, accounting, custodian, transfer agent, etc.)(3) = 0.20%
Pre-Incentive Fee Net Investment Income
(investment income − (management fee + other expenses) = 0.55%

Pre-Incentive Fee Net Investment Income does not exceed hurdle rate; therefore, there is no income-related incentive fee.

Alternative 2

Assumptions:
Investment income (including interest, dividends, fees, etc.) = 2.80%
Hurdle rate(1) = 1.75%
Management fee(2) = 0.50%
Other expenses (legal, accounting, custodian, transfer agent, etc.)(3) = 0.20%
Pre-Incentive Fee Net Investment Income
(investment income − (management fee + other expenses) = 2.10%
Incentive fee = 100.00% × Pre-Incentive Fee Net Investment Income (subject to "catch-up")(4)
= 100.00% × (2.10% − 1.75%)
= 0.35%

Pre-Incentive Fee Net Investment Income exceeds the hurdle rate, but does not fully satisfy the "catch-up" provision; therefore, the income related portion of the incentive fee is 0.35%.

Alternative 3

Assumptions:
Investment income (including interest, dividends, fees, etc.) = 3.00%
Hurdle rate(1) = 1.75%
Management fee(2) = 0.50%
Other expenses (legal, accounting, custodian, transfer agent, etc.)(3) = 0.20%
Pre-Incentive Fee Net Investment Income
(investment income − (management fee + other expenses) = 2.30%

Incentive fee = 100.00% × Pre-Incentive Fee Net Investment Income (subject to "catch-up")(4)

Incentive fee = 100.00% × "catch-up" + (20.00% × (Pre-Incentive Fee Net Investment Income − 2.1875%))

Catch up = 2.1875% − 1.75%
= 0.4375%

Incentive fee = (100.00% × 0.4375%) + (20.00% × (2.30% − 2.1875%))
= 0.4375% + (20.00% × 0.1125%)
= 0.4375% + 0.0225%
= 0.46%

Pre-Incentive Fee Net Investment Income exceeds the hurdle rate, and fully satisfies the "catch-up" provision; therefore, the income related portion of the incentive fee is 0.46%.

(1) Represents 7.00% annualized hurdle rate.
(2) Represents 2.00% annualized base management fee.
(3) Excludes organizational and offering expenses.
(4) The "catch-up" provision is intended to provide our Advisor with an incentive fee of 20.00% on all Pre-Incentive Fee Net Investment Income as if a hurdle rate did not apply when our net investment income exceeds 2.1875% in any fiscal quarter.

Example 2: Capital Gains Portion of Incentive Fee

Alternative 1

Assumptions:
Year 1: $20 million investment made in Company A (“Investment A”), and $30 million investment made in Company B (“Investment B”)

Year 2: Investment A sold for $50 million and fair market value (“FMV”) of Investment B determined to be $32 million

Year 3: FMV of Investment B determined to be $25 million

Year 4: Investment B sold for $31 million

The capital gains portion of the incentive fee, if any, would be:

Year 1: None (No sales transaction)

Year 2: Capital gains incentive fee of $6 million ($30 million realized capital gains on sale of Investment A multiplied by 20%)

Year 3: None; $5 million (20% multiplied by ($30 million cumulative capital gains less $5 million cumulative capital depreciation)) less $6 million (previous capital gains fee paid in Year 2)

Year 4: Capital gains incentive fee of $200,000; $6.2 million ($31 million cumulative realized capital gains multiplied by 20%) less $6 million (capital gains incentive fee taken in Year 2)

Alternative 2

Assumptions:
Year 1: $20 million investment made in Company A (“Investment A”), $30 million investment made in Company B (“Investment B”) and $25 million investment made in Company C (“Investment C”)

Year 2: Investment A sold for $50 million, FMV of Investment B determined to be $25 million and FMV of Investment C determined to be $25 million

Year 3: FMV of Investment B determined to be $27 million and Investment C sold for $30 million

Year 4: FMV of Investment B determined to be $35 million

Year 5: Investment B sold for $20 million

The capital gains incentive fee, if any, would be:

Year 1: None (no sales transaction)

Year 2: $5 million capital gains incentive fee (20% multiplied by $25 million ($30 million realized capital gains on Investment A less unrealized capital depreciation on Investment B))

Year 3: $1.4 million capital gains incentive fee[1] ($6.4 million (20% multiplied by $32 million ($35 million cumulative realized capital gains less $3 million unrealized capital depreciation)) less $5 million capital gains incentive fee received in Year 2

Year 4: None (no sales transaction)

Year 5: None ($5 million (20% multiplied by $25 million (cumulative realized capital gains of $35 million less realized capital losses of $10 million)) less $6.4 million cumulative capital gains incentive fee paid in Year 2 and Year 3[2]

The hypothetical amounts of returns shown are based on a percentage of our total net assets and assume no leverage. There is no guarantee that positive returns will be realized and actual returns may vary from those shown in this example.

(1) As illustrated in Year 3 of Alternative 1 above, if we were to be wound up on a date other than its fiscal year end of any year, we may have paid aggregate capital gains incentive fees that are more than the amount of such fees that would be payable if we had been wound up on its fiscal year end of such year.
(2) As noted above, it is possible that the cumulative aggregate capital gains fee received by the Investment Manager ($6.4 million) is effectively greater than $5 million (20.00% of cumulative aggregate realized capital gains less net realized capital losses or net unrealized depreciation ($25 million)).

Payment of our expenses

All investment professionals and staff of our Advisor, when and to the extent engaged in providing investment advisory and management services, and the compensation and routine overhead expenses of its personnel allocable to such services, will be provided and paid for by our Advisor. We will bear all other costs and expenses of our operations and transactions, including, without limitation, those relating to:

- our organization;
- calculating our net asset value (including the cost and expenses of any independent valuation firms);
- expenses, including travel expense, incurred by our Advisor or payable to third parties performing due diligence on prospective portfolio companies, monitoring our investments and, if necessary, enforcing our rights;
- interest payable on debt, if any, incurred to finance our investments;
- the costs of this and all future offerings of our common stock and other securities, if any;
- the base management fee and any incentive management fee;
- distributions on our shares;
- administration fees payable under our administration agreement;
- the allocated costs incurred by Advisor as our Administrator in providing managerial assistance to those portfolio companies that request it;
- amounts payable to third parties relating to, or associated with, making investments;
- transfer agent and custodial fees;
- registration fees;
- listing fees;

- fees and expenses associated with marketing efforts;
- taxes;
- independent director fees and expenses;
- brokerage commissions;
- costs of preparing and filing reports or other documents with the SEC;
- the costs of any reports, proxy statements or other notices to our stockholders, including printing costs;
- our allocable portion of the fidelity bond;
- directors and officers/errors and omissions liability insurance, and any other insurance premiums;
- indemnification payments;
- direct costs and expenses of administration, including audit and legal costs; and
- all other expenses incurred by us or the Administrator in connection with administering our business, such as the allocable portion of overhead under our administration agreement, including rent, the fees and expenses associated with performing compliance functions, and our allocable portion of the costs of compensation and related expenses of our chief compliance officer and our chief financial officer and their respective staffs.

We will reimburse our Advisor for costs and expenses incurred by our Advisor for office space rental, office equipment and utilities allocable to the performance by our Advisor of its duties under the investment management agreement, as well as any costs and expenses incurred by our Advisor relating to any non-investment advisory, administrative or operating services provided by our Advisor to us or in the form of managerial assistance to portfolio companies that request it.

From time to time, our Advisor may pay amounts owed by us to third party providers of goods or services. We will subsequently reimburse our Advisor for such amounts paid on our behalf.

Generally, our expenses will be expensed as incurred in accordance with GAAP. To the extent we incur costs that should be capitalized and amortized into expense we will also do so in accordance with GAAP, which may include amortizing such amount on a straight line basis over the life of the asset or the life of the services or product being performed or provided.

Limitation of liability and indemnification

The investment management agreement provides that our Advisor and its officers, managers, partners, agents, employees, controlling persons and any other person or entity affiliated with our Advisor will not be liable to us for any act or omission by it in the supervision or management of our investment activities or for any loss sustained by us except for acts or omissions constituting willful misfeasance, bad faith, gross negligence or reckless disregard of its obligations under the investment management agreement. The investment management agreement also provides for indemnification by us of our Advisor and its officers, managers, partners, agents, employees, controlling persons and any other person or entity affiliated with our Advisor for liabilities incurred by them in connection with their services to us (including any liabilities associated with an action or suit by or in the right of us or our stockholders), but excluding liabilities for acts or omissions constituting willful misfeasance, bad faith or gross negligence or reckless disregard of their duties under the investment management agreement to certain conditions.

Board approval of the investment management agreement

Our board of directors held an in-person meeting on , 2010, in order to consider and approve our investment management agreement. In its consideration of the investment management agreement, the board of directors focused on information it had received relating to, among other things: (a) the nature, quality and extent of the advisory and other services to be provided to us by our Advisor; (b) comparative data with respect to advisory fees or similar expenses paid by other business development companies with similar investment objectives; (c) our

projected operating expenses and expense ratio compared to business development companies with similar investment objectives; (d) any existing and potential sources of indirect income to our Advisor or the Administrator from their relationships with us and the profitability of those relationships; (e) information about the services to be performed and the personnel performing such services under the investment management agreement; (f) the organizational capability and financial condition of our Advisor and its affiliates; (g) our Advisor's practices regarding the selection and compensation of brokers that may execute our portfolio transactions and the brokers' provision of brokerage and research services to our Advisor; and (h) the possibility of obtaining similar services from other third party service providers or through an internally managed structure.

Based on the information reviewed and the discussions, the board of directors, including a majority of the non-interested directors, concluded that the investment management fee rates are reasonable in relation to the services to be provided.

Duration and termination

The investment management agreement was approved by our board of directors on , 2010. Unless terminated earlier as described below, it will continue in effect for a period of 2 years from its effective date. It will remain in effect from year to year thereafter if approved annually by our board of directors or by the affirmative vote of the holders of a majority of our outstanding voting securities, including, in either case, approval by a majority of our directors who are not interested persons. The investment management agreement will automatically terminate in the event of its assignment. The investment management agreement may be terminated by either party without penalty by delivering upon not more than 60 days' written notice to the other. See "Risk Factors — Risks Related to our Business and Structure — Our Advisor can resign on 60 days' notice, and we may not be able to find a suitable replacement within that time, resulting in a disruption in our operations that could adversely affect our business, results or operations or financial condition." We are dependent upon senior management personnel of our Advisor for our future success, and if our Advisor is unable to hire and retain qualified personnel or if our Advisor loses any member of its senior management team, our ability to achieve our investment objective could be significantly harmed.

Administration Agreement

We have entered into an administration agreement with HTFM, our Administrator, to provide administrative services to us. For providing these services, facilities and personnel, we will reimburse our Administrator for our allocable portion of overhead and other expenses incurred by our Administrator in performing its obligations under the administration agreement, including rent, the fees and expenses associated with performing compliance functions, and our allocable portion of the costs of compensation and related expenses of our chief compliance officer and our chief financial officer and their respective staffs.

From time to time, our Administrator may pay amounts owed by us to third-party providers of goods or services. We will subsequently reimburse our Administrator for such amounts paid on our behalf.

License Agreement

We have entered into a license agreement with our Advisor pursuant to which our Advisor has agreed to grant us a non-exclusive, royalty-free right and license to use the service mark "Horizon Technology Finance." Under this agreement, we have a right to use the "Horizon Technology Finance" service mark for so long as the investment management agreement with our Advisor is in effect. Other than with respect to this limited license, we will have no legal right to the "Horizon Technology Finance" service mark.

CONTROL PERSONS, PRINCIPAL STOCKHOLDERS AND THE SELLING STOCKHOLDER

Following the Share Exchange and immediately prior to the completion of this offering, we will have shares of common stock outstanding, all of which will be owned beneficially and of record by the stockholders listed in the table below. The following table sets forth certain information with respect to the beneficial and record ownership of our common stock immediately prior to the completion of this offering (after giving effect to the share exchange) and as adjusted to reflect the sale of shares of common stock offered by this prospectus by:

- each person known to us to own beneficially and of record more than 5% of the outstanding shares of our common stock;
- each of our directors and each of our executive officers;
- all of our directors and executive officers as a group; and
- the selling stockholder.

Name of Beneficial Owner	Shares Owned Beneficially and of Record Immediately Prior to This Offering		Number of Shares Being Offered	Shares Owned Beneficially and of Record Immediately After This Offering	
	Number	Percent		Number	Percent[1]
Principal Stockholders					
Compass Horizon Partners, LP[2]		96.1%			%
HTF-CHF Holdings LLC[3]		3.9%	—		%
Directors and Executive Officers					
Robert D. Pomeroy, Jr.[3]	—	—	—		
Gerald A. Michaud[3]	—	—	—		
David P. Swanson	—	—	—		
James J. Bottiglieri	—	—	—		
Edmund V. Mahoney	—	—	—		
Brett N. Silvers	—	—	—		
Christopher B. Woodward	—	—	—		
Christopher M. Mathieu[3]	—	—	—		
John C. Bombara[3]	—	—	—		
Daniel S. Devorsetz[3]	—	—	—		
All officers and directors as a group (10 persons)					

(1) Assumes the sale of shares of our common stock by the selling stockholder and the issuance of shares of our common stock in this offering.

(2) Concorde Horizon Holdings LP. is the limited partner of Compass Horizon Partners, LP and Navco Management Ltd. is the general partner. Concorde Horizon Holdings LP. and Navco Management Ltd. are controlled by Kattegat Trust, a Bermudian charitable trust, the trustee of which is Kattegat Private Trustees (Bermuda) Limited, a Bermudian trust company with its principal offices at 2 Reid Street, Hamilton HM 11, Bermuda.

(3) Messrs. Pomeroy, Michaud, Mathieu, Bombara and Devorsetz each own 33%, 33%, 15.5%, 9.3% and 6.2% of HTF-CHF Holdings LLC, respectively. The address for HTF-CHF Holdings LLC is 76 Batterson Park Road, Farmington, Connecticut 06032.

The following table sets forth the dollar range of our securities owned by our directors and employees primarily responsible for the day-to-day management of our investment portfolio.

Name	Dollar Range of Equity Securities in the Company(1)	Aggregate Dollar Range of Equity Securities in all Registered Investment Companies Overseen by Director in Family of Investment Companies
Independent Directors		
Interested Directors		
Robert D. Pomeroy, Jr.		
Gerald A. Michaud		
David P. Swanson		
James J. Bottiglieri		
Edmund V. Mahoney		
Brett N. Silvers		
Christopher B. Woodward		
Portfolio Management Employees		
Christopher M. Mathieu		
John C. Bombara		
Daniel S. Devorsetz		

(1) The dollar range of equity securities beneficially owned in us is based on the assumed initial offering price of our common stock of $ per share (the mid-point of the range set forth on the cover of this prospectus).

DETERMINATION OF NET ASSET VALUE

The net asset value per share of our outstanding shares of common stock will be determined quarterly by dividing the value of total assets minus liabilities by the total number of shares of common stock outstanding at the date as of which the determination is made. We will conduct the valuation of our assets, pursuant to which our net asset value will be determined, at all times consistent with GAAP and the 1940 Act.

In calculating the fair value of our total assets, investments for which market quotations are readily available will be valued at such market quotations, which will generally be obtained from an independent pricing service or one or more broker-dealers or market makers. However, debt investments with remaining maturities within 60 days that are not credit impaired will be valued at cost plus accreted discount, or minus amortized premium, which approximates fair value.

We value our investments at fair value which shall be the market value of our investments. We expect that there will not be a readily available market value for many of our portfolio investments, and we will value those debt and equity securities that are not publicly traded or whose market value is not ascertainable, at fair value as determined in good faith by the board of directors in accordance with our valuation policy. Our board of directors will employ an independent third party valuation firms to assist in determining fair value.

The types of factors that the board of directors may take into account in determining fair value include: comparisons of financial ratios of the portfolio companies that issued such private equity securities to peer companies that are public, the nature and realizable value of any collateral, the portfolio company's ability to make payments and its earnings and discounted cash flow, the markets in which the portfolio company does business, and other relevant factors. When an external event such as a purchase transaction, public offering or subsequent equity sale occurs, the company will consider the pricing indicated by the external event to corroborate the private equity valuation.

With respect to investments for which market quotations are not readily available or for which no indicative prices from pricing services or brokers or dealers have been received, our board of directors will undertake a multi-step valuation process each quarter, as described below:

- the quarterly valuation process will begin with each portfolio company or investment being initially valued by our Advisor's investment professionals responsible for monitoring the investment;
- preliminary valuation conclusions will then be documented and discussed with our Advisor's senior management;
- a third-party valuation firm will be engaged by, or on behalf of, our board of directors to conduct independent appraisals of all investments at least once annually after reviewing our Advisor's preliminary valuations; and
- our board of directors will then discuss the valuations and determine in good faith the fair value of each investment in the portfolio based on the analysis and recommendations of our Advisor and, when determined by our board of directors, an independent valuation firm.

Due to the inherent uncertainty in determining the fair value of investments that do not have a readily observable fair value, and the subjective judgments and estimates involved in those determinations, the fair value determinations by our board of directors, even though determined in good faith, may differ significantly from the values that would have been used had a readily available market value existed for such investments, and the differences could be material.

Determinations in connection with offerings

In connection with certain offerings of shares of our common stock, our board of directors or one of its committees will be required to make the determination that we are not selling shares of our common stock at a price below the then current net asset value of our common stock at the time at which the sale is made. Our board of

directors or an applicable committee of our board of directors will consider the following factors, among others, in making such determination:

- the net asset value of our common stock most recently disclosed by us in the most recent periodic report that we filed with the SEC;
- our management's assessment of whether any material change in the net asset value of our common stock has occurred (including through the realization of gains on the sale of our portfolio securities) during the period beginning on the date of the most recently disclosed net asset value of our common stock and ending two days prior to the date of the sale of our common stock; and
- the magnitude of the difference between (i) the net asset value of our common stock most recently disclosed by us and our management's assessment of any material change in the net asset value of our common stock since that determination, and (ii) the offering price of the shares of our common stock in the proposed offering.

This determination will not require that we calculate the net asset value of our common stock in connection with each offering of shares of our common stock, but instead it will involve the determination by our board of directors or a committee thereof that we are not selling shares of our common stock at a price below the then current net asset value of our common stock at the time at which the sale is made or otherwise in violation of the 1940 Act.

Moreover, to the extent that there is even a remote possibility that we may (i) issue shares of our common stock at a price below the then current net asset value of our common stock at the time at which the sale is made or (ii) trigger the undertaking (which we provide in certain registration statements we file with the SEC) to suspend the offering of shares of our common stock pursuant to this prospectus if the net asset value of our common stock fluctuates by certain amounts in certain circumstances until the prospectus is amended, our board of directors will elect, in the case of clause (i) above, either to postpone the offering until such time that there is no longer the possibility of the occurrence of such event or to undertake to determine the net asset value of our common stock within two days prior to any such sale to ensure that such sale will not be below our then current net asset value, and, in the case of clause (ii) above, to comply with such undertaking or to undertake to determine the net asset value of our common stock to ensure that such undertaking has not been triggered.

DIVIDEND REINVESTMENT PLAN

We have adopted a dividend reinvestment plan that provides for reinvestment of our cash distributions and other distributions on behalf of our stockholders, unless a stockholder elects to receive cash as provided below. As a result, if our board of directors authorizes, and we declare, a cash distribution, then our stockholders who have not "opted out" of our dividend reinvestment plan will have their cash distribution automatically reinvested in additional shares of our common stock, rather than receiving the cash distribution.

No action is required on the part of a registered stockholder to have their cash distribution reinvested in shares of our common stock. A registered stockholder may elect to receive an entire distribution in cash by notifying , the plan administrator and our transfer agent and registrar, in writing so that such notice is received by the plan administrator no later than 10 days prior to the record date for distributions to stockholders. The plan administrator will set up an account for shares acquired through the plan for each stockholder who has not elected to receive dividends or other distributions in cash and hold such shares in non-certificated form. Upon request by a stockholder participating in the plan, received in writing not less than 10 days prior to the record date, the plan administrator will, instead of crediting shares to the participant's account, issue a certificate registered in the participant's name for the number of whole shares of our common stock and a check for any fractional share.

Those stockholders whose shares are held by a broker or other financial intermediary may receive distributions in cash by notifying their broker or other financial intermediary of their election.

We intend to use primarily newly issued shares to implement the plan, whether our shares are trading at a premium or at a discount to net asset value. However, we reserve the right to purchase shares in the open market in connection with our implementation of the plan. The number of shares to be issued to a stockholder is determined by dividing the total dollar amount of the dividend payable to such stockholder by the market price per share of our common stock at the close of regular trading on The NASDAQ Global Market on the valuation date, which date shall be as close as practicable to the dividend payment date for such dividend. Market price per share on that date will be the closing price for such shares on The NASDAQ Global Market or, if no sale is reported for such day, at the average of their reported bid and asked prices. The number of shares of our common stock to be outstanding after giving effect to payment of the dividend cannot be established until the value per share at which additional shares will be issued has been determined and elections of our stockholders have been tabulated. Stockholders who do not elect to receive distributions in shares of common stock may experience accretion to the net asset value of their shares if our shares are trading at a premium at the time we issue new shares under the plan and dilution if our shares are trading at a discount. The level of accretion or discount would depend on various factors, including the proportion of our stockholders who participate in the plan, the level of premium or discount at which our shares are trading and the amount of the dividend payable to a stockholder.

There will be no brokerage charges or other charges to stockholders who participate in the plan. The plan administrator's fees under the plan will be paid by us. If a participant elects by written notice to the plan administrator to have the plan administrator sell part or all of the shares held by the plan administrator in the participant's account and remit the proceeds to the participant, the plan administrator is authorized to deduct a $15.00 transaction fee plus a 10¢ per share trading fee from the proceeds.

Stockholders who receive distributions in the form of stock are subject to the same federal income tax consequences as are stockholders who elect to receive their dividends in cash. A stockholder's basis for determining gain or loss upon the sale of stock received in a dividend from us will be equal to the total dollar amount of the dividend payable to the stockholder. Any stock received in a dividend will have a new holding period for tax purposes commencing on the day following the day on which the shares are credited to the U.S. stockholder's account. See "Material U.S. Federal Income Tax Considerations."

Participants may terminate their accounts under the plan by notifying the plan agent via its website at , by filling out the transaction request form located at bottom of their statement and sending it to the plan agent at or by calling the plan administrator at .

The plan may be terminated by us upon notice in writing mailed to each participant. All correspondence concerning the plan should be directed to the plan administrator by mail at .

If you withdraw or the plan is terminated, the plan administrator will continue to hold your shares in book-entry form unless you request that such shares be sold or issued. Upon receipt of your instructions, a certificate for each whole share in your account under the plan will be issued and you will receive a cash payment for any fraction of a share in your account.

If you hold your common stock with a brokerage firm that does not participate in the plan, you will not be able to participate in the plan and any dividend reinvestment may be effected on different terms than those described above. Consult your financial advisor for more information.

DESCRIPTION OF CAPITAL STOCK

General

The following description does not purport to be complete and is subject to the provisions of our certificate of incorporation and bylaws, forms of which will be filed as exhibits to this registration statement. The descriptions are qualified in their entirety by reference to our certificate of incorporation and bylaws and to applicable law.

Under the terms of our certificate of incorporation, our authorized capital stock will consist solely of 100,000,000 shares of common stock, par value $0.001 per share, of which shares were outstanding as of , 2010 (after giving effect to the Share Exchange and assuming the mid-point of the range set forth on the cover of this prospectus), and 1,000,000 shares of preferred stock, par value $0.001 per share, of which no shares were outstanding as of , 2010. There are no outstanding options or warrants to purchase our stock. No stock has been authorized for issuance under any equity compensation plans. Our board of directors is authorized to classify and reclassify any unissued shares of stock into other classes or series of stock without obtaining stockholder approval. As permitted by Delaware law, the board of directors may, without any action by our stockholders, amend our certificate of incorporation from time to time to increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class or series that we have authority to issue. Under Delaware law, our stockholders generally are not personally liable for our debts or obligations.

Common stock

Under the terms of our certificate of incorporation, all shares of our common stock have equal rights as to earnings, assets, dividends and voting. When they are issued, shares of our common stock will be duly authorized, validly issued, fully paid and non-assessable. Distributions may be paid to the holders of our common stock if, as and when declared by our board of directors out of assets legally available therefor, subject to any preferential dividend rights of outstanding preferred stock. Holders of common stock are entitled to one vote for each share held on all matters submitted to a vote of stockholders, including the election of directors, and do not have cumulative voting rights. Accordingly, holders of a majority of the shares of common stock entitled to vote in any election of directors may elect all of the directors standing for election. Upon our liquidation, dissolution or winding up, the holders of common stock are entitled to receive ratably our net assets available after the payment of all debts and other liabilities and subject to the prior rights of any outstanding preferred stock. Holders of common stock have no preemptive, subscription, redemption or conversion rights. The rights, preferences and privileges of holders of common stock are subject to the rights of the holders of any series of preferred stock which we may designate and issue in the future. In addition, holders of our common stock may participate in our dividend reinvestment plan.

We have applied to have our common stock listed on The NASDAQ Global Market under the ticker symbol "HRZN."

Preferred stock

Under the terms of our certificate of incorporation, our board of directors is authorized to issue shares of preferred stock in one or more series without stockholder approval. The board has discretion to determine the rights, preferences, privileges and restrictions, including voting rights, dividend rights, conversion rights, redemption privileges and liquidation preferences of each series of preferred stock. Every issuance of preferred stock will be required to comply with the requirements of the 1940 Act. The 1940 Act limits our flexibility as to certain rights and preferences of the preferred stock that our certificate of incorporation may provide and requires, among other things, that (1) immediately after issuance and before any distribution is made with respect to our common stock, and before any purchase of common stock is made, such preferred stock together with all other senior securities must not exceed an amount equal to 50% of our total assets after deducting the amount of such dividend, distribution or purchase price, as the case may be, and (2) the holders of shares of preferred stock, if any are issued, must be entitled as a class to elect two directors at all times and to elect a majority of the directors if and for so long as dividends on the preferred stock are in arrears by two years or more. Certain matters under the 1940 Act require the separate vote of the holders of any issued and outstanding preferred stock. For example, holders of preferred stock would vote separately from the holders of common stock on a proposal to cease operations as a business

development company. The features of the preferred stock will be further limited by the requirements applicable to regulated investment companies under the Code. The purpose of authorizing our board to issue preferred stock and determine its rights and preferences is to eliminate delays associated with a stockholder vote on specific issuances. The issuance of preferred stock, while providing desirable flexibility in connection with providing leverage for our investment program, possible acquisitions and other corporate purposes, could make it more difficult for a third party to acquire, or could discourage a third party from acquiring, a majority of our outstanding voting stock.

Anti-takeover Effects of Provisions of Our Certificate of Incorporation, Bylaws, Delaware Law and Other Arrangements

Certain provisions of our certificate of incorporation and bylaws, as summarized below, and applicable provisions of the Delaware General Corporation Law and certain other agreements to which we are a party may make it more difficult for or prevent an unsolicited third party from acquiring control of us or changing our board of directors and management. These provisions may have the effect of deterring hostile takeovers or delaying changes in our control or in our management. These provisions are intended to enhance the likelihood of continued stability in the composition of our board of directors and in the policies furnished by them and to discourage certain types of transactions that may involve an actual or threatened change in our control. The provisions also are intended to discourage certain tactics that may be used in proxy fights. These provisions, however, could have the effect of discouraging others from making tender offers for our shares and, as a consequence, they also may inhibit fluctuations in the market price of our shares that could result from actual or rumored takeover attempts.

Classified Board; Vacancies; Removal. The classification of our board of directors and the limitations on removal of directors and filling of vacancies could have the effect of making it more difficult for a third party to acquire us, or of discouraging a third party from acquiring us. Our board of directors will be divided into three classes, with the term of one class expiring at each annual meeting of stockholders. At each annual meeting, one class of directors is elected to a three-year term. This provision could delay for up to two years the replacement of a majority of the board of directors.

Our certificate of incorporation provides that, subject to the rights of any holders of preferred stock, any vacancy on the board of directors, however the vacancy occurs, including a vacancy due to an enlargement of the board, may only be filled by vote a majority of the directors then in office.

A director may be removed at any time at a meeting called for that purpose, but only for cause and only by the affirmative vote of the holders of at least 75% of the shares then entitled to vote for the election of the respective director.

Advance Notice Requirements for Stockholder Proposals and Director Nominations. Our bylaws provide that with respect to an annual meeting of stockholders, nominations of person for election to the board of directors and the proposal of business to be considered by stockholders may be made only (1) by or at the direction of the board of directors, (2) pursuant to our notice of meeting or (3) by a stockholder who is entitled to vote at the meeting and who has complied with the advance notice procedures of the bylaws. Nominations of persons for election to the board of directors at a special meeting may be made only (1) by or at the director of the board of directors, or (2) provided that the board of directors has determined that directors will be elected at the meeting, by a stockholder who is entitled to vote at the meeting and who has complied with the advance notice provisions of the bylaws. The purpose of requiring stockholders to give us advance notice of nominations and other business is to afford our board of directors a meaningful opportunity to consider the qualifications of the proposed nominees and the advisability of any other proposed business and, to the extent deemed necessary or desirable by our board of directors, to inform our stockholders and make recommendations about such qualifications or business, as well as to prove a more orderly procedure for conducting meetings of stockholders. Although our bylaws do not give our board of directors any power to disapprove stockholder nominations for the election of directors or proposals recommending certain action, they may have the effect of precluding a contest for the election of directors or the consideration of stockholder proposals if proper procedures are not followed and of discouraging or deterring a third party from conducting a solicitation of proxies to elect its own slate of directors or to approve its own proposal without regard to whether consideration of such nominees or proposals might be harmful or beneficial to us and our stockholders.

Amendments to Certificate of Incorporation and Bylaws. Delaware's corporation law provides generally that the affirmative vote of a majority of the shares entitled to vote on any matter is required to amend a corporation's certificate of incorporation or bylaws, unless a corporation's certificate of incorporation or bylaws requires a greater percentage. Our certificate of incorporation permits our board of directors to amend or repeal our bylaws. Our bylaws generally can be amended by approval of at least 66 2/3% of the total number of authorized directors subject to certain exceptions, including provisions relating to the size of our board, and certain actions requiring board approval, which provisions will require the vote of 75% of our board of directors to be amended. The affirmative vote of the holders of at least 66 2/3% of the shares of our capital stock entitled to vote is required to amend or repeal any of the provisions of our bylaws.

Calling of Special Meetings by Stockholders. Our certificate of incorporation and bylaws also provide that special meetings of the stockholders may only be called by our board of directors, Chairman, Chief Executive Officer or President.

Section 203 of the Delaware General Corporation Law. We will be subject to the provisions of Section 203 of the Delaware General Corporation Law once we are a public company. In general, the statute prohibits a publicly held Delaware corporation from engaging in a "business combination" with "interested stockholders" for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner. A "business combination" includes certain mergers, asset sales and other transactions resulting in a financial benefit to the interested stockholder. Subject to certain exceptions, an "interested stockholder" is a person who, together with his affiliates and associates, owns, or within three years did own, 15% or more of the corporation's voting stock.

Approval of Certain Transactions.

To convert us to an open-end investment company, to merge or consolidate us with any entity or sell all or substantially all of our assets to any entity in a transaction as a result of which the governing documents of the surviving entity do not contain substantially the same anti-takeover provisions as are provided in our certificate of incorporation, to liquidate and dissolve us other than in connection with a qualifying merger, consolidation or sale of assets or to amend any of the provisions discussed herein, our certificate of incorporation requires the favorable vote of a majority of our continuing directors followed by the favorable vote of the holders of at least 75% of our outstanding shares of each affected class or series of our shares, voting separately as a class or series, unless such amendment has been approved by at the holders of least 80% of the then outstanding shares of our capital stock, voting together as a single class. If approved in the foregoing manner, our conversion to an open-end investment company could not occur until 90 days after the stockholders meeting at which such conversion was approved and would also require at least 30 days prior notice to all stockholders. As part of any such conversion to an open-end investment company, substantially all of our investment policies and strategies and portfolio would have to be modified to assure the degree of portfolio liquidity required for open-end investment companies. In the event of conversion, the common shares would cease to be listed on any national securities exchange or market system. Stockholders of an open-end investment company may require the company to redeem their shares at any time, except in certain circumstances as authorized by or under the 1940 Act, at their net asset value, less such redemption charge, if any, as might be in effect at the time of a redemption. You should assume that it is not likely that our board of directors would vote to convert us to an open-end fund.

The 1940 Act defines "a majority of the outstanding voting securities" as the lesser of a majority of the outstanding shares and 67% of a quorum of a majority of the outstanding shares. For the purposes of calculating "a majority of the outstanding voting securities" under our certificate of incorporation, each class and series of our shares will vote together as a single class, except to the extent required by the 1940 Act or our certificate of incorporation, with respect to any class or series of shares. If a separate class vote is required, the applicable proportion of shares of the class or series, voting as a separate class or series, also will be required.

Our board of directors has determined that provisions with respect to the board of directors and the stockholder voting requirements described above, which voting requirements are greater than the minimum requirements under Delaware law or the 1940 Act, are in the best interest of stockholders generally.

Our Credit Facility also contains a covenant that prohibits us from merging or consolidating with any other person or selling all or substantially all of our assets without the prior written consent of WestLB. If we were to engage in such a transaction without such consent, WestLB could accelerate our repayment obligations under, and/or terminate, our Credit Facility. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Borrowings."

In addition, the SBA prohibits, without prior SBA approval, a "change of control" of an SBIC. A "change of control" is any event which would result in the transfer of power, direct or indirect, to direct the management and policies of an SBIC, including through ownership. To the extent that we form an SBIC subsidiary, this would prohibit a change of control of us without prior SBA approval.

Limitations of liability and indemnification

The Delaware General Corporation Law authorizes corporations to limit or eliminate the personal liability of directors to corporations and their stockholders for monetary damages for breaches of directors' fiduciary duties. Our certificate of incorporation will include a provision that eliminates the personal liability of for monetary damages for actions taken as a director, except for liability:

- for breach of duty of loyalty;
- for acts or omissions not in good faith or involving intentional misconduct or knowing violation of law;
- under Section 174 of the DGCL (unlawful dividends); or
- for transactions from which the director derived improper personal benefit.

Under our certificate of incorporation, we will fully indemnify any person who was or is involved in any actual or threatened action, suit or proceeding by reason of the fact that such person is or was one of our directors or officers. So long as we are regulated under the 1940 Act, the above indemnification and limitation of liability is limited by the 1940 Act or by any valid rule, regulation or order of the SEC thereunder. The 1940 Act provides, among other things, that a company may not indemnify any director or officer against liability to it or its security holders to which he or she might otherwise be subject by reason of his or her willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his or her office unless a determination is made by final decision of a court, by vote of a majority of a quorum of directors who are disinterested, non-party directors or by independent legal counsel that the liability for which indemnification is sought did not arise out of the foregoing conduct.

Delaware law also provides that indemnification permitted under the law shall not be deemed exclusive of any other rights to which the directors and officers may be entitled under the corporation's bylaws, any agreement, a vote of stockholders or otherwise.

We have obtained liability insurance for our officers and directors.

SHARES ELIGIBLE FOR FUTURE SALE

Immediately prior to this offering, there has been no public market for our common stock. Sales of substantial amounts of our unregistered common stock in the public market or the perception that such sales could occur, could adversely affect the prevailing market price of our common stock and our future ability to raise capital through the sale of our equity securities.

Upon completion of this offering (after giving effect to the share exchange and assuming the mid-point of the range set forth on the cover of this prospectus), shares of our common stock will be outstanding (or shares of our common stock if the underwriters exercise their over-allotment option in full). Of these shares, the shares sold in this offering will be freely tradable without restrictions or further registration under the Securities Act, unless those shares are purchased by "affiliates" as that term is defined in Rule 144 under the Securities Act. Restricted securities may be sold in the public market only if registered or if they qualify for an exemption from registration under Rule 144 under the Securities Act.

In conjunction with the Share Exchange, we will enter into a registration rights agreement with respect to shares issued to the selling stockholder and HTF-CHF. As a result and subject to the terms and conditions of the agreements, at any time following 180 days after the completion of this offering the holders of a majority-in-interest of the shares subject to the registration rights agreement (including permitted transferees) can require up to a maximum of three times that we file a registration statement under the Securities Act relating to the resale of all or a part of the shares. In addition, the registration rights agreement also provides for piggyback registration rights with respect to any future registrations of our equity securities and the right to require us to register the resale of their shares on a "shelf" Form N-2 at any time following 180 days after the completion of this offering. We (and, therefore, indirectly our stockholders) will bear customary costs and expenses incurred in connection with the registration of such shares, although the selling stockholder and HTF-CHF will be responsible for the underwriting discounts and selling commissions in a demand registration and their pro rata share of the underwriting discounts and selling commissions in a piggyback registration.

Rule 144

In general, a person who has beneficially owned restricted shares of our common stock for at least six months would be entitled to sell their securities provided that (i) such person is not deemed to have been one of our affiliates at the time of, or at any time during the 90 days preceding, a sale and (ii) we are subject to the Exchange Act periodic reporting requirements for at least 90 days before the sale. Persons who have beneficially owned restricted shares of our common stock for at least six months but who are our affiliates at the time of, or any time during the 90 days preceding, a sale, would be subject to additional restrictions, by which such person would be entitled to sell within any three-month period only a number of securities that does not exceed the greater of either of the following:

- 1% of the number of shares of our common stock then outstanding, which will equal approximately shares immediately after this offering; or
- the average weekly trading volume of our common stock on the NASDAQ Global Market for the four calendar weeks prior to the sale,

provided, in each case, that we are subject to the Exchange Act periodic reporting requirements for at least 90 days before the sale. Such sales must also comply with the manner of sale, current public information and notice provisions of Rule 144.

Lock-up Agreements

We and our officers and directors and our existing stockholders have agreed with the underwriters, subject to certain exceptions, not to (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any shares of our common stock or any securities convertible into or exercisable or exchangeable for common stock, (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the common stock, (iii) make any demand for or exercise any right with respect to, the registration of any shares of our common stock or any security convertible into

or exercisable or exchangeable for common stock for a period of 180 days after the date of this prospectus without the prior written consent of Morgan Stanley & Co. Incorporated and UBS Securities LLC.

The 180-day restricted period described above is subject to extension such that, in the event that either (a) during the last 17 days of the 180-day restricted period, we issue an earnings release or material news or a material event relating to us occurs or (b) prior to the expiration of the 180-day restricted period, we announce that we will release earnings results during the 16-day period beginning on the last day of the 180-day period, the "lock-up" restrictions described above will continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event. See "Underwriters."

REGULATION

We intend to elect to be regulated as a business development company under the 1940 Act and intend to elect to be treated as a RIC under Subchapter M of the Code. As with other companies regulated by the 1940 Act, a business development company must adhere to certain substantive regulatory requirements. The 1940 Act contains prohibitions and restrictions relating to transactions between business development companies and their affiliates (including any investment advisers or sub-advisers), principal underwriters and affiliates of those affiliates or underwriters and requires that a majority of the directors be persons other than "interested persons," as that term is defined in the 1940 Act. In addition, the 1940 Act provides that we may not change the nature of our business so as to cease to be, or to withdraw our election as, a business development company unless approved by "a majority of our outstanding voting securities" as defined in the 1940 Act. A majority of the outstanding voting securities of a company is defined under the 1940 Act as the lesser of: (i) 67% or more of such company's shares present at a meeting if more than 50% of the outstanding shares of such company are present and represented by proxy or (ii) more than 50% of the outstanding shares of such company. Our bylaws provide for the calling of a special meeting of stockholders at which such action could be considered upon written notice of not less than ten or more than sixty days before the date of such meeting.

We may invest up to 100% of our assets in securities acquired directly from issuers in privately negotiated transactions. With respect to such securities, we may, for the purpose of public resale, be deemed an "underwriter" as that term is defined in the Securities Act of 1933, or the Securities Act. We also do not intend to acquire securities issued by any investment company that exceed the limits imposed by the 1940 Act. Under these limits, except for registered money market funds, we generally cannot acquire more than 3% of the voting stock of any investment company, invest more than 5% of the value of our total assets in the securities of one investment company or invest more than 10% of the value of our total assets in the securities of more than one investment company. With regard to that portion of our portfolio invested in securities issued by investment companies, it should be noted that such investments might subject our stockholders to additional expenses. None of our investment policies are fundamental and any may be changed without stockholder approval.

We may also be prohibited under the 1940 Act from knowingly participating in certain transactions with our affiliates without the prior approval of our board of directors who are not interested persons and, in some cases, prior approval by the SEC. For example, under the 1940 Act, absent receipt of exemptive relief from the SEC, we and our affiliates may be precluded from co-investing in private placements of securities. As a result of one or more of these situations, we may not be able to invest as much as we otherwise would in certain investments or may not be able to liquidate a position as quickly.

We expect to be periodically examined by the SEC for compliance with the 1940 Act.

We are required to provide and maintain a bond issued by a reputable fidelity insurance company to protect us against larceny and embezzlement. Furthermore, as a business development company, we are prohibited from protecting any director or officer against any liability to us or our stockholders arising from willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of such person's office.

We and our Advisor are adopting and implementing written policies and procedures reasonably designed to prevent violation of the federal securities laws and will review these policies and procedures annually for their adequacy and the effectiveness of their implementation. We and our Advisor have designated an interim chief compliance officer to be responsible for administering the policies and procedures.

Qualifying assets

Under the 1940 Act, a business development company may not acquire any asset other than assets of the type listed in section 55(a) of the 1940 Act, which are referred to as qualifying assets, unless, at the time the acquisition is made, qualifying assets represent at least 70% of the company's total assets. The principal categories of qualifying assets relevant to our proposed business are the following:

- Securities purchased in transactions not involving any public offering from the issuer of such securities, which issuer (subject to certain limited exceptions) is an eligible portfolio company, or from any person who is, or has been during the preceding 13 months, an affiliated person of an eligible portfolio company, or from

any other person, subject to such rules as may be prescribed by the SEC. An eligible portfolio company is defined in the 1940 Act as any issuer which:

- is organized under the laws of, and has its principal place of business in, the United States;
- is not an investment company (other than a small business investment company wholly owned by the business development company) or a company that would be an investment company but for certain exclusions under the 1940 Act; and
- satisfies any of the following:
  - has a market capitalization of less than $250 million or does not have any class of securities listed on a national securities exchange;
  - is controlled by a business development company or a group of companies including a business development company, the business development company actually exercises a controlling influence over the management or policies of the eligible portfolio company, and, as a result thereof, the business development company has an affiliated person who is a director of the eligible portfolio company; or
  - is a small and solvent company having total assets of not more than $4 million and capital and surplus of not less than $2 million.

- Securities of any eligible portfolio company which we control.
- Securities purchased in a private transaction from a U.S. issuer that is not an investment company or from an affiliated person of the issuer, or in transactions incident thereto, if the issuer is in bankruptcy and subject to reorganization or if the issuer, immediately prior to the purchase of its securities was unable to meet its obligations as they came due without material assistance other than conventional lending or financing arrangements.
- Securities of an eligible portfolio company purchased from any person in a private transaction if there is no ready market for such securities and we already own 60% of the outstanding equity of the eligible portfolio company.
- Securities received in exchange for or distributed on or with respect to securities described above, or pursuant to the exercise of warrants or rights relating to such securities.
- Cash, cash equivalents, U.S. Government securities or high-quality debt securities maturing in one year or less from the time of investment.

The regulations defining qualifying assets may change over time. We may adjust our investment focus as needed to comply with and/or take advantage of any regulatory, legislative, administrative or judicial actions in this area.

Managerial assistance to portfolio companies

A business development company must have been organized and have its principal place of business in the United States and must be operated for the purpose of making investments in the types of securities described in "— Qualifying assets" above. However, in order to count portfolio securities as qualifying assets for the purpose of the 70% test, the business development company must either control the issuer of the securities or must offer to make available to the issuer of the securities (other than small and solvent companies described above) significant managerial assistance. Where the business development company purchases such securities in conjunction with one or more other persons acting together, the business development company will satisfy this test if one of the other persons in the group makes available such managerial assistance. Making available managerial assistance means, among other things, any arrangement whereby the business development company, through its directors, officers or employees, offers to provide, and, if accepted, does so provide, significant guidance and counsel concerning the management, operations or business objectives and policies of a portfolio company.

Issuance of Additional Shares

We are not generally able to issue and sell our common stock at a price below net asset value per share. We may, however, issue and sell our common stock, at a price below the current net asset value of the common stock, or issue and sell warrants, options or rights to acquire such common stock, at a price below the current net asset value of the common stock if our board of directors determines that such sale is in our best interest and in the best interests of our stockholders, and our stockholders have approved our policy and practice of making such sales within the preceding 12 months. In any such case, the price at which our securities are to be issued and sold may not be less than a price which, in the determination of our board of directors, closely approximates the market value of such securities.

Temporary investments

Pending investment in other types of "qualifying assets," as described above, our investments may consist of cash, cash equivalents, U.S. Government securities or high-quality debt securities maturing in one year or less from the time of investment, which we refer to, collectively, as temporary investments, so that 70% of our assets are qualifying assets. Typically, we will invest in highly rated commercial paper, U.S. Government agency notes, U.S. Treasury bills or in repurchase agreements relating to such securities that are fully collateralized by cash or securities issued by the U.S. Government or its agencies. A repurchase agreement involves the purchase by an investor, such as us, of a specified security and the simultaneous agreement by the seller to repurchase it at an agreed-upon future date and at a price which is greater than the purchase price by an amount that reflects an agreed-upon interest rate. There is no percentage restriction on the proportion of our assets that may be invested in such repurchase agreements. However, if more than 25% of our total assets constitute repurchase agreements from a single counterparty, we would not meet the diversification tests in order to qualify as a RIC for federal income tax purposes. Thus, we do not intend to enter into repurchase agreements with a single counterparty in excess of this limit. Our Advisor will monitor the creditworthiness of the counterparties with which we enter into repurchase agreement transactions.

Senior securities; Derivative securities

We are permitted, under specified conditions, to issue multiple classes of indebtedness and one class of stock senior to our common stock if our asset coverage, as defined in the 1940 Act, is at least equal to 200% immediately after each such issuance. In addition, while any senior securities are outstanding, we must make provisions to prohibit any distribution to our stockholders or the repurchase of such securities or shares unless we meet the applicable asset coverage ratios at the time of the distribution or repurchase. We may also borrow amounts up to 5% of the value of our total assets for temporary or emergency purposes without regard to asset coverage. For a discussion of the risks associated with leverage, see "Risk Factors — Risks Related to our Business and Structure — We will borrow money, which will magnify the potential for gain or loss on amounts invested and may increase the risk of investing in us."

The 1940 Act also limits the amount of warrants, options and rights to common stock that we may issue and the terms of such securities. We do not have, and do not anticipate having, outstanding derivative securities relating to our common shares.

Code of ethics

We and our Advisor have each adopted a code of ethics pursuant to Rule 17j-1 under the 1940 Act and Rule 204A-1 under the Advisers Act, respectively, that establishes procedures for personal investments and restricts certain personal securities transactions. Personnel subject to each code may invest in securities for their personal investment accounts, including securities that may be purchased or held by us, so long as such investments are made in accordance with the code's requirements. You may read and copy the code of ethics at the SEC's Public Reference Room in Washington, D.C. You may obtain information on the operation of the Public Reference Room by calling the SEC at (202) 942-8090. In addition, each code of ethics is attached as an exhibit to the registration statement of which this prospectus is a part, and is available on the SEC's Internet site at *http://www.sec.gov*. You may also obtain copies of the code of ethics, after paying a duplicating fee, by electronic request at the following

e-mail address: *publicinfo@sec.gov*, or by writing the SEC's Public Reference Section, Washington, D.C. 20549-0102.

Proxy voting policies and procedures

We have delegated our proxy voting responsibility to our Advisor. The Proxy Voting Policies and Procedures of our Advisor are set forth below. The guidelines are reviewed periodically by our Advisor and our independent directors, and, accordingly, are subject to change.

Introduction

Our Advisor is registered with the SEC as an investment adviser under the Investment Advisers Act of 1940, which we refer to as the Advisers Act. As an investment adviser registered under the Advisers Act, our Advisor has fiduciary duties to us. As part of this duty, our Advisor recognizes that it must vote client securities in a timely manner free of conflicts of interest and in our best interests and the best interests of our stockholders. Our Advisor's Proxy Voting Policies and Procedures have been formulated to ensure decision-making consistent with these fiduciary duties.

These policies and procedures for voting proxies are intended to comply with Section 206 of, and Rule 206(4)-6 under, the Advisers Act.

Proxy policies

Our Advisor votes proxies relating to our portfolio securities in what our Advisor perceives to be the best interest of our stockholders. Our Advisor reviews on a case-by-case basis each proposal submitted to a stockholder vote to determine its effect on the portfolio securities held by us. Although our Advisor will generally vote against proposals that may have a negative effect on our portfolio securities, our Advisor may vote for such a proposal if there exist compelling long-term reasons to do so.

Our Advisor's proxy voting decisions are made by those senior officers who are responsible for monitoring each of our investments. To ensure that a vote is not the product of a conflict of interest, our Advisor requires that (1) anyone involved in the decision-making process disclose to our Chief Compliance Officer any potential conflict that he or she is aware of and any contact that he or she has had with any interested party regarding a proxy vote and (2) employees involved in the decision-making process or vote administration are prohibited from revealing how we intend to vote on a proposal in order to reduce any attempted influence from interested parties.

Our Advisor has engaged a third-party service provider to assist it in the voting of proxies. This third-party service provider makes recommendations to our Advisor, based on its guidelines, as to how our votes should be cast. These recommendations are then reviewed by our Advisor's employees, one of whom must approve the proxy vote in writing and return such written approval to the Administrator's operations group. If a vote may involve a material conflict of interest, prior to approving such vote, our Advisor must consult with its chief compliance officer to determine whether the potential conflict is material and if so, the appropriate method to resolve such conflict. If the conflict is determined not to be material, our Advisor's employees shall vote the proxy in accordance with our Advisor's proxy voting policy.

Proxy voting records

You may obtain information about how we voted proxies by making a written request for proxy voting information to:

Chief Compliance Officer
Horizon Technology Finance Corporation
76 Batterson Park Road
Farmington, Connecticut 06032

Sarbanes-Oxley Act of 2002

The Sarbanes-Oxley Act of 2002 imposes a wide variety of regulatory requirements on publicly held companies and their insiders. Many of these requirements affect us. For example:

- pursuant to Rule 13a-14 under the Exchange Act, our principal executive officer and principal financial officer must certify the accuracy of the financial statements contained in our periodic reports;
- pursuant to Item 307 under Regulation S-K, our periodic reports must disclose our conclusions about the effectiveness of our disclosure controls and procedures;
- pursuant to Rule 13a-15 under the Exchange Act, our management must prepare an annual report regarding its assessment of our internal control over financial reporting, which must be audited by our independent registered public accounting firm; and
- pursuant to Item 308 of Regulation S-K and Rule 13a-15 under the Exchange Act, our periodic reports must disclose whether there were significant changes in our internal controls over financial reporting or in other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

The Sarbanes-Oxley Act requires us to review our current policies and procedures to determine whether we comply with the Sarbanes-Oxley Act and the regulations promulgated under the act. We will continue to monitor our compliance with all regulations that are adopted under the Sarbanes-Oxley Act and will take actions necessary to ensure that we are in compliance therewith.

Small Business Investment Company Regulations

On July 14, 2009, our Advisor received a Move Forward Letter from the Investment Division of the SBA. We expect to file an application to have a to-be-formed wholly owned subsidiary be licensed by the SBA as an SBIC under Section 301(c) of the Small Business Investment Act of 1958. Although we cannot assure you that we will receive SBA approval, we remain cautiously optimistic that our Advisor will successfully complete the licensing process. To the extent our Advisor receives an SBIC license, we will form an SBIC subsidiary which will be allowed to issue SBA-guaranteed debentures, subject to the required capitalization of the SBIC subsidiary.

SBICs are designed to stimulate the flow of private equity capital to eligible small businesses. Under SBA regulations, SBICs may make loans to eligible small businesses, invest in the equity securities of such businesses and provide them with consulting and advisory services. Under present SBA regulations, eligible small businesses generally include businesses that (together with their affiliates) have a tangible net worth not exceeding $18 million and have average annual net income after U.S. federal income taxes not exceeding $6 million (average net income to be computed without benefit of any carryover loss) for the two most recent fiscal years. In addition, an SBIC must devote 20% of its investment activity to "smaller" concerns as defined by the SBA. A smaller concern generally includes businesses that have a tangible net worth not exceeding $6 million and have average annual net income after U.S. federal income taxes not exceeding $2 million (average net income to be computed without benefit of any net carryover loss) for the two most recent fiscal years. SBA regulations also provide alternative size standard criteria to determine eligibility for designation as an eligible small business or smaller concern, which criteria depend on the primary industry in which the business is engaged and are based on such factors as the number of employees and gross revenue. However, once an SBIC has invested in a company, it may continue to make follow on investments in the company, regardless of the size of the company at the time of the follow on investment, up to the time of the company's initial public offering, if any.

The SBA prohibits an SBIC from providing funds to small businesses for certain purposes, such as relending or investing outside the United States, to businesses engaged in a few prohibited industries and to certain "passive" (i.e., non-operating) companies. In addition, without prior SBA approval, an SBIC may not invest an amount equal to more than approximately 30% of the SBIC's regulatory capital in any one company and its affiliates.

The SBA places certain limitations on the financing terms of investments by SBICs in portfolio companies (such as limiting the permissible interest rate on debt securities held by an SBIC in a portfolio company). Although prior regulations prohibited an SBIC from controlling a small business concern except in limited circumstances,

regulations adopted by the SBA in 2002 now allow an SBIC to exercise control over a small business for a period of up to seven years from the date on which the SBIC initially acquires its control position. This control period may be extended for an additional period of time with the SBA's prior written approval.

The SBA restricts the ability of an SBIC to lend money to any of its officers, directors and employees or to invest in affiliates thereof. The SBA also prohibits, without prior SBA approval, a "change of control" of an SBIC or transfers that would result in any person (or a group of persons acting in concert) owning 10% or more of a class of capital stock of a licensed SBIC. A "change of control" is any event which would result in the transfer of the power, direct or indirect, to direct the management and policies of an SBIC, whether through ownership, contractual arrangements or otherwise. To the extent that we form an SBIC subsidiary, this would prohibit a change of control of us without prior SBA approval.

An SBIC (or group of SBICs under common control) may generally have outstanding debentures guaranteed by the SBA in amounts up to twice the amount of the privately raised funds of the SBIC(s). The SBIC regulations currently limit the amount that the SBIC subsidiary would be permitted to borrow up to a maximum of $150 million. This means that the SBIC subsidiary could access the full $150 million maximum available if it were to have $75 million in regulatory capital. However, we would not be required to capitalize our SBIC subsidiary with $75 million and may determine to capitalize it with a lesser amount. In addition, if we are able to obtain financing under the SBIC program, the SBIC subsidiary will be subject to regulation and oversight by the SBA, including requirements with respect to maintaining certain minimum financial ratios and other covenants. Debentures guaranteed by the SBA have a maturity of ten years, require semi-annual payments of interest and do not require any principal payments prior to maturity.

The recently enacted American Recovery and Reinvestment Act of 2009, or the 2009 Stimulus Bill, contains several provisions applicable to SBIC funds. One of the key SBIC-related provisions included in the 2009 Stimulus Bill increased the maximum amount of combined SBIC leverage, or the SBIC leverage cap, to $225 million for affiliated SBIC funds. The prior maximum amount of SBIC leverage available to affiliated SBIC funds was approximately $137 million, as adjusted annually based upon changes in the Consumer Price Index. Due to the increase in the maximum amount of SBIC leverage available to affiliated SBIC funds, we, through our SBIC subsidiary, would have access to incremental SBIC leverage to support our future investment activities.

SBICs must invest idle funds that are not being used to make loans in investments permitted under SBIC regulations in the following limited types of securities: (1) direct obligations of, or obligations guaranteed as to principal and interest by, the U.S. government, which mature within 15 months from the date of the investment; (2) repurchase agreements with federally insured institutions with a maturity of seven days or less (and the securities underlying the repurchase obligations must be direct obligations of or guaranteed by the federal government); (3) certificates of deposit with a maturity of one year or less, issued by a federally insured institution; (4) a deposit account in a federally insured institution that is subject to a withdrawal restriction of one year or less; (5) a checking account in a federally insured institution; or (6) a reasonable petty cash fund.

SBICs are periodically examined and audited by the SBA's staff to determine their compliance with SBIC regulations and are periodically required to file certain forms with the SBA.

Neither the SBA nor the U.S. government or any of its agencies or officers has approved any ownership interest to be issued by us or any obligation that we or any of our subsidiaries may incur.

In connection with the filing of the SBA license application, we will be applying for exemptive relief from the SEC to permit us to exclude the debt of the SBIC subsidiary guaranteed by the SBA from the 200% consolidated asset coverage ratio requirements, which will enable us to fund more investments with debt capital. However, there can be no assurance that we will receive the exemptive relief requested from the SEC.

NASDAQ Global Market Corporate Governance Regulations

The NASDAQ Global Market has adopted corporate governance regulations that listed companies must comply with. Upon the completion of this offering, we intend to be in compliance with these corporate governance listing standards. We intend to monitor our compliance with all future listing standards and to take all necessary actions to ensure that we are in compliance therewith.

Privacy Principles

We are committed to maintaining the privacy of stockholders and to safeguarding our non-public personal information. The following information is provided to help you understand what personal information we collect, how we protect that information and why, in certain cases, we may share information with select other parties.

Generally, we do not receive any nonpublic personal information relating to our stockholders, although certain nonpublic personal information of our stockholders may become available to us. We do not disclose any nonpublic personal information about our stockholders or former stockholders to anyone, except as permitted by law or as is necessary in order to service stockholder accounts (for example, to a transfer agent or third party administrator).

We restrict access to nonpublic personal information about our stockholders to our Advisor's employees with a legitimate business need for the information. We maintain physical, electronic and procedural safeguards designed to protect the nonpublic personal information of our stockholders.

BROKERAGE ALLOCATIONS AND OTHER PRACTICES

Since we will generally acquire and dispose of our investments in privately negotiated transactions, we will infrequently use brokers in the normal course of our business. Subject to policies established by our board of directors, our Advisor will be primarily responsible for the execution of the publicly traded securities portion of our portfolio transactions and the allocation of brokerage commissions. Our Advisor does not expect to execute transactions through any particular broker or dealer, but will seek to obtain the best net results for us, taking into account such factors as price (including the applicable brokerage commission or dealer spread), size of order, difficulty of execution, and operational facilities of the firm and the firm's risk and skill in positioning blocks of securities. While our Advisor generally will seek reasonably competitive trade execution costs, we will not necessarily pay the lowest spread or commission available. Subject to applicable legal requirements, our Advisor may select a broker based partly upon brokerage or research services provided to it and us and any other clients. In return for such services, we may pay a higher commission than other brokers would charge if our Advisor determines in good faith that such commission is reasonable in relation to the services provided.

MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following discussion is a general summary of the material U.S. federal income tax considerations applicable to us and to an investment in shares of our common stock. This discussion is based on the provisions of the Internal Revenue Code of 1986, as amended, which we refer to as the "Code," and the regulations of the U.S. Department of Treasury promulgated thereunder, which we refer to as the "Treasury regulations," each as in effect as of the date of this prospectus. These provisions are subject to differing interpretations and change by legislative or administrative action, and any change may be retroactive. This discussion does not constitute a detailed explanation of all U.S. federal income tax aspects affecting us and our stockholders and does not purport to deal with the U.S. federal income tax consequences that may be important to particular stockholders in light of their individual investment circumstances or to some types of stockholders subject to special tax rules, such as financial institutions, broker-dealers, insurance companies, tax-exempt organizations, partnerships or other pass-through entities, persons holding our common stock in connection with a hedging, straddle, conversion or other integrated transaction, non-U.S. stockholders (as defined below) engaged in a trade or business in the United States or persons who have ceased to be U.S. citizens or to be taxed as resident aliens. This discussion also does not address any aspects of U.S. estate or gift tax or foreign, state or local tax. This discussion assumes that our stockholders hold their shares of our common stock as capital assets for U.S. federal income tax purposes (generally, assets held for investment). No ruling has been or will be sought from the Internal Revenue Service, which we refer to as the "IRS," regarding any matter discussed herein.

For purposes of this discussion:

- a "U.S. stockholder" means a beneficial owner of shares of our common stock that is, for U.S. federal income tax purposes: (1) a person who is a citizen or individual resident of the United States; (2) a domestic corporation (or other domestic entity taxable as a corporation for U.S. federal income tax purposes); (3) an estate whose income is subject to U.S. federal income tax regardless of its source; or (4) a trust if (a) a U.S. court is able to exercise primary supervision over the trust's administration and one or more U.S. persons are authorized to control all substantial decisions of the trust or (b) the trust has in effect a valid election to be treated as a domestic trust for U.S. federal income tax purposes; and
- a "non-U.S. stockholder" means a beneficial owner of shares of our common stock that is not a U.S. stockholder or a partnership (or an entity or arrangement treated as a partnership) for U.S. federal income tax purposes.

If a partnership or other entity classified as a partnership for U.S. federal income tax purposes holds our shares, the U.S. tax treatment of the partnership and each partner generally will depend on the status of the partner, the activities of the partnership and certain determinations made at the partner level. A stockholder that is a partnership holding shares of our common stock, and each partner in such a partnership, should consult their own tax advisers with respect to the purchase, ownership and disposition of shares of our common stock.

Tax matters are very complicated and the tax consequences to each stockholder of an investment in our shares will depend on the facts of its particular situation. Stockholders are urged to consult their own tax advisers to determine the U.S. federal, state, local and foreign tax consequences to them of an investment in our shares, including applicable tax reporting requirements, the applicability of U.S. federal, state, local and foreign tax laws, eligibility for the benefits of any applicable tax treaty, and the effect of any possible changes in the tax laws.

Taxation of the company

As a business development company, we intend to elect to be treated, and intend to qualify, as a RIC under Subchapter M of the Code commencing with our taxable year ending on December 31, 2010. As a RIC, we generally will not pay corporate-level federal income taxes on any ordinary income or capital gains that we timely distribute to our stockholders as dividends.

To continue to qualify as a RIC, we must, among other things, (a) derive in each taxable year at least 90% of our gross income from dividends, interest (including tax-exempt interest), payments with respect to certain securities loans, gains from the sale or other disposition of stock, securities or foreign currencies, other income (including but

not limited to gain from options, futures or forward contracts) derived with respect to our business of investing in stock, securities or currencies, or net income derived from an interest in a "qualified publicly traded partnership" (a "QPTP") (the "90% Gross Income Test"); and (b) diversify our holdings so that, at the end of each quarter of each taxable year (i) at least 50% of the market value of our total assets is represented by cash and cash items, U.S. Government securities, the securities of other regulated investment companies and other securities, with other securities limited, in respect of any one issuer, to an amount not greater than 5% of the value of our total assets and not more than 10% of the outstanding voting securities of such issuer (subject to the exception described below), and (ii) not more than 25% of the market value of our total assets is invested in the securities of any issuer (other than U.S. Government securities and the securities of other regulated investment companies), the securities of any two or more issuers that we control and that are determined to be engaged in the same business or similar or related trades or businesses, or the securities of one or more QPTPs (the "Diversification Tests"). In the case of a RIC that furnishes capital to development corporations, there is an exception relating to the Diversification Tests described above. This exception is available only to registered investment companies which the SEC determines to be principally engaged in the furnishing of capital to other corporations which are principally engaged in the development or exploitation of inventions, technological improvements, new processes, or products not previously generally available, which we refer to as "SEC Certification." We have not sought SEC Certification, but it is possible that we will seek SEC Certification in future years. If we receive SEC Certification, we generally will be entitled to include, in the computation of the 50% value of our assets (described in (b)(i) above), the value of any securities of an issuer, whether or not we own more than 10% of the outstanding voting securities of the issuer, if the basis of the securities, when added to our basis of any other securities of the issuer that we own, does not exceed 5% of the value of our total assets.

As a RIC, in any fiscal year with respect to which we distribute an amount equal to at least 90% of the sum of our (i) investment company taxable income (which includes, among other items, dividends, interest and the excess of any net realized short-term capital gains over net realized long-term capital losses and other taxable income (other than any net capital gain), reduced by deductible expenses) determined without regard to the deduction for dividends and distributions paid and (ii) net tax-exempt interest income (which is the excess of our gross tax-exempt interest income over certain disallowed deductions) (the "Annual Distribution Requirement"), we (but not our stockholders) generally will not be subject to U.S. federal income tax on investment company taxable income and net capital gains that we distribute to our stockholders. We intend to distribute annually all or substantially all of such income. To the extent that we retain our net capital gains for investment or any investment company taxable income, we will be subject to U.S. federal income tax. We may choose to retain our net capital gains for investment or any investment company taxable income, and pay the associated federal corporate income tax, including the 4% U.S. federal excise tax described below.

We will be subject to a nondeductible 4% U.S. federal excise tax on certain of our undistributed income, unless we timely distribute (or are deemed to have timely distributed) an amount equal to the sum of:

- at least 98% of our ordinary income (not taking into account any capital gains or losses) for the calendar year;
- at least 98% of the amount by which our capital gains exceed our capital losses (adjusted for certain ordinary losses) for a one-year period generally ending on October 31 of the calendar year (unless an election is made by us to use our taxable year); and
- certain undistributed amounts from previous years on which we paid no U.S. federal income tax.

While we intend to distribute any income and capital gains in order to avoid imposition of this 4% U.S. federal excise tax, we may not be successful in avoiding entirely the imposition of this tax. In that case, we will be liable for the tax only on the amount by which we do not meet the foregoing distribution requirement.

If we borrow money, we may be prevented by loan covenants from declaring and paying dividends in certain circumstances. Limits on our payment of dividends may prevent us from satisfying distribution requirements, and may, therefore, jeopardize our qualification for taxation as a RIC, or subject us to the 4% U.S. federal excise tax.

Although we do not presently expect to do so, we are authorized to borrow funds and to sell assets in order to satisfy distribution requirements. However, under the 1940 Act, we are not permitted to make distributions to our

stockholders while any senior securities are outstanding unless we meet the applicable asset coverage ratios. See "Regulation — Senior Securities; Derivative Securities." Moreover, our ability to dispose of assets to meet our distribution requirements may be limited by (1) the illiquid nature of our portfolio and/or (2) other requirements relating to our status as a RIC, including the Diversification Tests. If we dispose of assets in order to meet the Annual Distribution Requirement or to avoid the 4% U.S. federal excise tax, we may make such dispositions at times that, from an investment standpoint, are not advantageous.

A RIC is limited in its ability to deduct expenses in excess of its "investment company taxable income" (which is, generally, ordinary income plus the excess of net short-term capital gains over net long-term capital losses). If our expenses in a given year exceed investment company taxable income, we would experience a net operating loss for that year. However, a RIC is not permitted to carry forward net operating losses to subsequent years. In addition, expenses can be used only to offset investment company taxable income, not net capital gain. Due to these limits on the deductibility of expenses, we may for tax purposes have aggregate taxable income for several years that we are required to distribute and that is taxable to our stockholders even if such income is greater than the aggregate net income we actually earned during those years. Such required distributions may be made from our cash assets or by liquidation of investments, if necessary. We may realize gains or losses from such liquidations. In the event we realize net capital gains from such transactions, you may receive a larger capital gain distribution than you would have received in the absence of such transactions.

Failure to qualify as a RIC

If, in any particular taxable year, we do not satisfy the Annual Distribution Requirement or otherwise were to fail to qualify as a RIC (for example, because we fail the 90% Gross Income Test), all of our taxable income (including our net capital gains) will be subject to tax at regular corporate rates without any deduction for distributions to stockholders, and distributions generally will be taxable to the stockholders as ordinary dividends to the extent of our current or accumulated earnings and profits. To requalify as a RIC in a subsequent taxable year, we would be required to satisfy the RIC qualification requirements for that year and dispose of any earnings and profits from any year in which we failed to qualify as a RIC. Subject to a limited exception applicable to RICs that qualified as such under Subchapter M of the Code for at least one year prior to disqualification and that requalify as a RIC no later than the second year following the non-qualifying year, we could be subject to tax on any unrealized net built-in gains in the assets held by us during the period in which we failed to qualify as a RIC that are recognized within the subsequent 10 years, unless we made a special election to pay corporate-level federal income tax on such built-in gain at the time of our requalification as a RIC.

We may decide to be taxed as a regular corporation even if we would otherwise qualify as a RIC if we determine that treatment as a corporation for a particular year would be in our best interests.

Company investments

Certain of our investment practices are subject to special and complex U.S. federal income tax provisions that may, among other things, (i) disallow, suspend or otherwise limit the allowance of certain losses or deductions, including the dividends received deduction, (ii) convert lower taxed long-term capital gains and qualified dividend income into higher taxed short-term capital gains or ordinary income, (iii) convert ordinary loss or a deduction into capital loss (the deductibility of which is more limited), (iv) cause us to recognize income or gain without a corresponding receipt of cash, (v) adversely affect the time as to when a purchase or sale of stock or securities is deemed to occur, (vi) adversely alter the characterization of certain complex financial transactions and (vii) produce income that will not qualify as good income for purposes of the 90% Gross Income Test. We will monitor our transactions and may make certain tax elections and may be required to borrow money or dispose of securities to mitigate the effect of these rules and to prevent disqualification of us as a RIC but there can be no assurance that we will be successful in this regard.

We may be required to recognize taxable income in circumstances in which we do not receive cash. For example if we hold debt instruments that are treated under applicable tax rules as having original issue discount (such as debt instruments with payment-in-kind interest or, in certain cases, increasing interest rates or issued with warrants), we must include in taxable income each year a portion of the original issue discount that accrues over the

life of the obligation, regardless of whether cash representing such income is received by us in the same taxable year. Since in certain cases we may recognize taxable income before or without receiving cash representing such income, we may have difficulty meeting the Annual Distribution Requirement.

Accordingly, we may need to sell some of our assets at times that we would not consider advantageous, raise additional debt or equity capital or forego new investment opportunities or otherwise take actions that are disadvantageous to our business (or be unable to take action that are advantageous) in order to satisfy the Annual Distribution Requirement. If we are unable to obtain cash from other sources to satisfy the Annual Distribution Requirement, we may fail to qualify for the federal income tax benefits allowable to RICs and, thus, become subject to a corporate-level federal income tax on all our income.

Warrants. Gain or loss realized by us from the sale or exchange of warrants acquired by us as well as any loss attributable to the lapse of such warrants generally will be treated as capital gain or loss. The treatment of such gain or loss as long-term or short-term will depend on how long we held a particular warrant. Upon the exercise of a warrant acquired by us, our tax basis in the stock purchased under the warrant will equal the sum of the amount paid for the warrant plus the strike price paid on the exercise of the warrant.

Foreign Investments. In the event we invest in foreign securities, we may be subject to withholding and other foreign taxes with respect to those securities. We do not expect to satisfy the requirement to pass through to our stockholders their share of the foreign taxes paid by us.

Passive Foreign Investment Companies. We may invest in the stock of a foreign corporation which is classified as a “passive foreign investment company” (within the meaning of Section 1297 of the Code) (“PFIC”). In general, if a special tax election has not been made, we will be required to pay tax at ordinary income rates on any gains and “excess distributions” with respect to PFIC stock as if such items had been realized ratably over the period during which we held the PFIC stock, plus an interest charge. Any adverse tax consequences of a PFIC investment may be limited if we are eligible to elect alternative tax treatment with respect to such investment. No assurances can be given that any such election will be available or that, if available, we will make such an election.

Foreign Currency Transactions. Under the Code, gains or losses attributable to fluctuations in exchange rates which occur between the time we accrue income or other receivables or accrue expenses or other liabilities denominated in a foreign currency and the time we actually collect such receivables or pay such liabilities generally are treated as ordinary income or loss. Similarly, on disposition of debt instruments and certain other instruments denominated in a foreign currency, gains or losses attributable to fluctuations in the value of the foreign currency between the date of acquisition of the instrument and the date of disposition also are treated as ordinary gain or loss. These gains and losses, referred to under the Code as “section 988” gains or losses, may increase or decrease the amount of our investment company taxable income to be distributed to our shareholders as ordinary income.

The remainder of this discussion assumes that we will qualify as a RIC for each taxable year.

Taxation of U.S. stockholders

The following discussion only applies to U.S. stockholders. **Prospective investors that are not U.S. stockholders should refer to “ — Taxation of non-U.S. stockholders” below and are urged to consult their own tax advisers with respect to the U.S. federal income tax consequences of an investment in our shares, including the potential application of U.S. federal withholding taxes.**

Actual and Deemed Distributions. Distributions we pay to you from our ordinary income or from an excess of net realized short-term capital gains over net realized long-term capital losses (together referred to hereinafter as “ordinary income dividends”) are generally taxable to you as ordinary income to the extent of our earnings and profits. Due to our expected investments, in general, distributions will not be eligible for the dividends received deduction allowed to corporate U.S. stockholders and will not qualify for the reduced rates of tax for qualified dividend income allowed to individuals. Distributions made to you from an excess of net realized long-term capital gains over net realized short-term capital losses, which we refer to as “capital gain dividends,” including capital gain dividends credited to you but retained by us, are taxable to you as long-term capital gains if they have been properly designated by us, regardless of the length of time you have owned our shares. Distributions in excess of our earnings and profits will first reduce the adjusted tax basis of your shares and, after the adjusted tax basis is reduced to zero,

will constitute capital gains to you (assuming the shares are held as a capital asset). The maximum U.S. federal tax rate on long-term capital gains of individuals is generally 15% (5% for individuals in lower brackets) for such gains realized in taxable years beginning on or before December 31, 2010. For non-corporate taxpayers, ordinary income dividends will currently be taxed at a maximum rate of 35%, while capital gain dividends generally will be taxed at a maximum U.S. federal income tax rate of 15% for such dividends received in taxable years beginning on or before December 31, 2010. Without legislation, for non-corporate taxpayers, the maximum U.S. federal income tax rate will increase to 20% in 2011. For corporate taxpayers, both ordinary income dividends and capital gain dividends are currently taxed at a maximum U.S. federal income tax rate of 35%.

Generally, you will be provided with a written notice designating the amount of any (i) ordinary income dividends no later than 30 days after the close of the taxable year, and (ii) capital gain dividends or other distributions no later than 60 days after the close of the taxable year.

In the event that we retain any net capital gains, we may designate the retained amounts as undistributed capital gains in a written notice to our stockholders provided no later than 60 days after the close of the taxable year. If a designation is made, U.S. stockholders would include in income, as long-term capital gains, their proportionate share of the undistributed amounts, but would be allowed a credit or refund, as the case may be, for their proportionate share of the corporate tax paid by us. In addition, the tax basis of shares owned by a U.S. stockholder would be increased by an amount equal to the difference between (i) the amount included in the U.S. stockholder's income as long-term capital gains and (ii) the U.S. stockholder's proportionate share of the corporate tax paid by us.

For purposes of determining (1) whether the Annual Distribution Requirement is satisfied for any year and (2) the amount of capital gain dividends paid for that year, we may, under certain circumstances, elect to treat a dividend that is paid during the following taxable year as if it had been paid during the taxable year in question. If we make such an election, the U.S. stockholder will still be treated as receiving the dividend in the taxable year in which the distribution is made. However, if we pay you a dividend in January which was declared in the previous October, November or December to stockholders of record on a specified date in one of these months, then the dividend will be treated for tax purposes as being paid by us and received by you on December 31 of the year in which the dividend was declared.

If an investor purchases shares of our stock shortly before the record date of a distribution, the price of the shares will include the value of the distribution and the investor will be subject to tax on the distribution even though it represents a return of its investment.

Alternative Minimum Tax. As a RIC, we will be subject to alternative minimum tax, also referred to as "AMT," but any items that are treated differently for AMT purposes must be apportioned between us and our U.S. stockholders and this may affect the U.S. stockholders' AMT liabilities. Although regulations explaining the precise method of apportionment have not yet been issued, such items will generally be apportioned in the same proportion that dividends paid to each U.S. stockholder bear to our taxable income (determined without regard to the dividends paid deduction), unless a different method for particular item is warranted under the circumstances.

Dividend Reinvestment Plan. Under the dividend reinvestment plan, if a U.S. stockholder owns shares of common stock registered in its own name, the U.S. stockholder will have all cash distributions automatically reinvested in additional shares of common stock unless the U.S. stockholder opts out of our dividend reinvestment plan by delivering a written notice to our dividend paying agent prior to the record date of the next dividend or distribution. See "Dividend Reinvestment Plan." Any distributions reinvested under the plan will nevertheless remain taxable to the U.S. stockholder. The U.S. stockholder will have an adjusted basis in the additional common shares purchased through the plan equal to the amount of the reinvested distribution. The additional shares will have a new holding period commencing on the day following the day on which the shares are credited to the U.S. stockholder's account.

Dispositions. A U.S. stockholder will recognize gain or loss on the sale, exchange or other taxable disposition of shares of our common stock in an amount equal to the difference between the U.S. stockholder's adjusted basis in the shares disposed of and the amount realized on their disposition. Generally, gain recognized by a U.S. stockholder on the disposition of shares of our common stock will result in capital gain or loss to a U.S. stockholder, and will be a long-term capital gain or loss if the shares have been held for more than one year at

the time of sale. Any loss recognized by a U.S. stockholder upon the disposition of shares of our common stock held for six months or less will be treated as a long-term capital loss to the extent of any capital gain dividends received (including amounts credited as an undistributed capital gain dividend) by the U.S. stockholder. A loss recognized by a U.S. stockholder on a disposition of shares of our common stock will be disallowed as a deduction if the U.S. stockholder acquires additional shares of our common stock (whether through the automatic reinvestment of dividends or otherwise) within a 61-day period beginning 30 days before and ending 30 days after the date that the shares are disposed of. In this case, the basis of the shares acquired will be adjusted to reflect the disallowed loss. Present U.S. law taxes both long-term and short-term capital gains of corporations at the rates applicable to ordinary income. Non-corporate U.S. stockholders with net capital losses for a year (i.e., capital losses in excess of capital gains) generally may deduct up to $3,000 of such losses against their ordinary income each year; any net capital losses of a non-corporate U.S. stockholder in excess of $3,000 generally may be carried forward and used in subsequent years as provided in the Code. Corporate U.S. stockholders generally may not deduct any net capital losses for a year, but may carry back such losses for three years or carry forward such losses for five years.

Tax Shelter Reporting Regulations. Under applicable Treasury regulations, if a U.S. stockholder recognizes a loss with respect to shares of $2 million or more for a non-corporate U.S. stockholder or $10 million or more for a corporate U.S. stockholder in any single taxable year (or a greater loss over a combination of years), the U.S. stockholder must file with the IRS a disclosure statement on Form 8886. Direct U.S. stockholders of portfolio securities are in many cases excepted from this reporting requirement, but under current guidance, U.S. stockholders of a RIC are not excepted. Future guidance may extend the current exception from this reporting requirement to U.S. stockholders of most or all RICs. The fact that a loss is reportable under these regulations does not affect the legal determination of whether the taxpayer's treatment of the loss is proper. U.S. stockholders should consult their own tax advisers to determine the applicability of these regulations in light of their individual circumstances.

Backup Withholding. We are required in certain circumstances to backup withhold on taxable dividends or distributions paid to non-corporate U.S. stockholders who do not furnish us with their correct taxpayer identification number (in the case of individuals, their social security number) and certain certifications, or who are otherwise subject to backup withholding. Backup withholding is not an additional tax. Any amounts withheld from payments made to you may be refunded or credited against your U.S. federal income tax liability, if any, provided that the required information is timely furnished to the IRS.

U.S. stockholders should consult their own tax advisers with respect to the U.S. federal income tax and withholding tax, and state, local and foreign tax consequences of an investment in shares of our common stock. Additionally, U.S. stockholders should be aware of recently enacted legislation that generally imposes, effective for payments made after December 31, 2012, a 30% federal withholding tax on dividends and proceeds from the sale of our common stock held by or through foreign entities, as described below in "Recently Enacted Legislation Affecting Taxation of Our Common Stock Held By or Through Foreign Entities."

Taxation of non-U.S. stockholders

The following discussion only applies to non-U.S. stockholders. Whether an investment in shares of our common stock is appropriate for a non-U.S. stockholder will depend upon that person's particular circumstances. An investment in shares of our common stock by a non-U.S. stockholder may have adverse tax consequences. Non-U.S. stockholders should consult their own tax advisers before investing in shares of our common stock.

Actual and Deemed Distributions; Dispositions. Distributions of ordinary income dividends to non-U.S. stockholders, subject to the discussion below, will generally be subject to withholding of U.S. federal tax at a 30% rate (or lower rate provided by an applicable treaty) to the extent of our current or accumulated earnings and profits even if they are funded by income or gains (such as portfolio interest, short-term capital gains, or foreign-source dividend and interest income) that, if paid to a non-U.S. stockholder directly, would not be subject to withholding. Different tax consequences may result if the non-U.S. stockholder is engaged in a trade or business in the United States or, in the case of an individual, is present in the United States for 183 days or more during a taxable year and certain other conditions are satisfied. Special certification requirements apply to a non-U.S. stockholder that is a foreign partnership or a foreign trust, and such entities are urged to consult their own tax advisers.

However, for taxable years beginning before January 1, 2010 (and for taxable years beginning before January 1, 2011 if the pending legislation discussed below in "— Proposed Legislation" is enacted), certain "interest-related dividends" and "short-term capital gain dividends" paid by us to certain non-U.S. stockholders are eligible for an exemption from the 30% federal withholding tax provided that certain requirements are satisfied and that we elect to follow certain procedures. It is uncertain whether we will follow those procedures. Interest-related dividends generally are dividends derived from certain interest income earned by us that would not be subject to such tax if earned by non-U.S. stockholders directly. Short-term capital gain dividends generally are dividends derived from the excess of our net short-term capital gains over net long-term capital losses. No assurance can be given as to whether this exemption will be extended for tax years beginning on or after January 1, 2010 or whether any of our distributions will be designated as eligible for this exemption from withholding tax.

Actual or deemed distributions of our net capital gains to a non-U.S. stockholder, and gains recognized by a non-U.S. stockholder upon the sale of our common stock, generally will not be subject to federal withholding tax and will not be subject to federal income tax unless (i) the distributions or gains, as the case may be, are effectively connected with a U.S. trade or business of the non-U.S. stockholder and, if required by an applicable income tax treaty, are attributable to a permanent establishment maintained by the non-U.S. stockholder in the United States or (ii) in the case of an individual, the non-U.S. stockholder is present in the United States for 183 days or more during a taxable year and certain other conditions are satisfied.

If we distribute our net capital gains in the form of deemed rather than actual distributions (which we may do in the future), a non-U.S. stockholder will be entitled to a federal income tax credit or tax refund equal to the stockholder's allocable share of the tax we pay on the capital gains deemed to have been distributed. In order to obtain the refund, the non-U.S. stockholder must obtain a U.S. taxpayer identification number and file a federal income tax return even if the non-U.S. stockholder is not otherwise required to obtain a U.S. taxpayer identification number or file a federal income tax return.

For a corporate non-U.S. stockholder, distributions (both actual and deemed), and gains realized upon the sale of our common stock that are effectively connected with a U.S. trade or business may, under certain circumstances, be subject to an additional "branch profits tax" at a 30% rate (or at a lower rate if provided for by an applicable tax treaty). Accordingly, investment in shares of our common stock may not be appropriate for certain non-U.S. stockholders.

Dividend Reinvestment Plan. Under our dividend reinvestment plan, if a non-U.S. stockholder owns shares of common stock registered in its own name, the non-U.S. stockholder will have all cash distributions automatically reinvested in additional shares of common stock unless it opts out of our dividend reinvestment plan by delivering a written notice to our dividend paying agent prior to the record date of the next dividend or distribution. See "Dividend Reinvestment Plan." If the distribution is a distribution of our investment company taxable income, is not designated by us as a short-term capital gains dividend or interest-related dividend and it is not effectively connected with a U.S. trade or business of the non-U.S. stockholder (or, if required by an applicable income tax treaty, is not attributable to a U.S. permanent establishment of the non-U.S. stockholder), the amount distributed (to the extent of our current or accumulated earnings and profits) will be subject to withholding of U.S. federal income tax at a 30% rate (or lower rate provided by an applicable treaty) and only the net after-tax amount will be reinvested in common shares. If the distribution is effectively connected with a U.S. trade or business of the non-U.S. stockholder, generally the full amount of the distribution will be reinvested in the plan and will nevertheless be subject to U.S. federal income tax at the ordinary income rates applicable to U.S. persons. The non-U.S. stockholder will have an adjusted basis in the additional common shares purchased through the plan equal to the amount reinvested. The additional shares will have a new holding period commencing on the day following the day on which the shares are credited to the non-U.S. stockholder's account.

Backup Withholding. A non-U.S. stockholder who is a non-resident alien individual, and who is otherwise subject to withholding of federal income tax, may be subject to information reporting and backup withholding of federal income tax on taxable dividends or distributions unless the non-U.S. stockholder provides us or the dividend paying agent with an IRS Form W-8BEN (or an acceptable substitute form) or otherwise meets documentary evidence requirements for establishing that it is a non-U.S. stockholder or otherwise establishes an exemption from backup withholding. Backup withholding is not an additional tax. Any amounts withheld from payments made to

you may be refunded or credited against your U.S. federal income tax liability, if any, provided that the required information is furnished to the IRS.

Non-U.S. stockholders should consult their own tax advisers with respect to the U.S. federal income tax and withholding tax, and state, local and foreign tax consequences of an investment in our shares. Additionally, non-U.S. stockholders should be aware of recently enacted legislation that generally imposes, effective for payments made after December 31, 2012, a 30% federal withholding tax on dividends and proceeds from the sale of our common stock held by or through foreign entities, as described below in "Recently Enacted Legislation Affecting Taxation of Our Common Stock Held By or Through Foreign Entities."

Recently Enacted Legislation Affecting Taxation of Our Common Stock Held By or Through Foreign Entities

President Obama recently signed into law H.R. 2847 (the "Recently Enacted Legislation"), which will generally impose a federal withholding tax of 30% on dividends and the gross proceeds of a disposition of our common stock paid after December 31, 2012 to a foreign financial institution unless such institution enters into an agreement with the U.S. government to withhold on certain payments and to collect and provide to the U.S. tax authorities substantial information regarding U.S. account holders of such institution (which includes certain equity and debt holders of such institution, as well as certain account holders that are foreign entities with U.S. owners). The Recently Enacted Legislation will also generally impose a federal withholding tax of 30% on dividends and the gross proceeds of a disposition of our common stock paid after December 31, 2012 to a non-financial foreign entity unless such entity provides the withholding agent with a certification identifying the direct and indirect U.S. owners of the entity. Under certain circumstances, a non-U.S. stockholder might be eligible for refunds or credits of such taxes. Stockholders are encouraged to consult with their own tax advisors regarding the possible implications of the Recently Enacted Legislation on their investment in our common stock.

Proposed Legislation

Legislation proposed in Congress would levy an excise tax on certain securities transactions, including transactions in stocks, futures, swaps, credit default swaps and options. If enacted, transactions by us could be subject to this excise tax. This tax is not proposed to apply to the purchase or sale of an interest in a RIC. Other legislation proposed in Congress would permit a temporary exemption from the 30% federal withholding tax for "interest-related dividends" and "short-term capital gain dividends" paid by us to non-U.S. stockholders.

Proposed legislation may not become law and, if it does, may not become law in its current form. Even if the proposed legislation is enacted, it is unclear what the actual effective date of any such legislation would be.

UNDERWRITERS

Under the terms and subject to the conditions contained in the underwriting agreement dated the date of this prospectus, the underwriters named below, for whom Morgan Stanley & Co. Incorporated and UBS Securities LLC are acting as representatives, have severally agreed to purchase, and we and the selling stockholder have agreed to sell to them, severally, the number of shares of common stock indicated below:

Name	Number of Shares
Morgan Stanley & Co. Incorporated	
UBS Securities LLC	
Stifel, Nicolaus & Company, Incorporated	
Morgan Keegan & Company, Inc.	
RBC Capital Markets Corporation	
BMO Capital Markets Corp.	
Lazard Capital Markets LLC	
Northland Securities, Inc.	
Total	

The underwriters and the representatives are collectively referred to as the "underwriters" and the "representatives," respectively. The underwriters are offering the shares of common stock subject to their acceptance of the shares from us and the selling stockholder and subject to prior sale. The underwriting agreement provides that the obligations of the several underwriters to pay for and accept delivery of the shares of our common stock offered by this prospectus are subject to the approval of legal matters by their counsel and to certain other conditions. The underwriters are obligated to take and pay for all of the shares of common stock offered by this prospectus if any such shares are taken. However, the underwriters are not required to take or pay for the shares covered by the underwriters' over-allotment option described below.

The underwriters initially propose to offer part of the shares of common stock directly to the public at the public offering price listed on the cover page of this prospectus and part to certain dealers at a price that represents a concession not in excess of $ a share under the public offering price. Any underwriter may allow, and such dealers may reallow, a concession not in excess of $ a share to other underwriters or to certain dealers. After the initial offering of the shares of common stock, the offering price and other selling terms may from time to time be varied by the representatives.

The underwriters have been granted an option, exercisable for 30 days from the date of this prospectus, to purchase up to an aggregate of additional shares of our common stock at the public offering price listed on the cover page of this prospectus, less underwriting discounts and commissions. The underwriters may exercise this option solely for the purpose of covering over-allotments, if any, made in connection with the offering of the shares of our common stock offered by this prospectus. To the extent the option is exercised, each underwriter will become obligated, subject to limited conditions, to purchase approximately the same percentage of the additional shares of our common stock as the number listed next to the underwriter's name in the preceding table bears to the total number of shares of our common stock listed next to the names of all underwriters in the preceding table.

The following table shows the public offering price, underwriting discount and proceeds before expenses to us and the selling stockholder. The information assumes either no exercise or full exercise by the underwriters of their over-allotment option.

	Per Share	Without Option	With Option
Public offering price	$	$	$
Sales load (underwriting discount and commissions)			
Proceeds, before expenses, to Horizon Technology Finance Corporation			
Proceeds, before expenses, to selling stockholder			

We estimate that the total expenses of this offering, excluding sales load (underwriting discounts and commissions), will be approximately $.

The underwriters have informed us that they do not intend sales to discretionary accounts to exceed five percent of the total number of shares of our common stock offered by them.

We have applied to have our common stock approved for listing on The NASDAQ Global Market under the symbol "HRZN."

Each of us, our directors, executive officers and our other existing stockholder has agreed that, without the prior written consent of Morgan Stanley & Co. Incorporated and UBS Securities LLC on behalf of the underwriters, each of us will not, during the period ending 180 days after the date of this prospectus:

- offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of directly or indirectly, any shares of our common stock or any securities convertible into or exercisable or exchangeable for our common stock; or
- enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the common stock,

whether any transaction described above is to be settled by delivery of common stock or such other securities, in cash or otherwise.

The restrictions described in the preceding paragraph do not apply to:

- the sale of shares to the underwriters;
- the issuance by us of shares of common stock upon the exercise of an option or a warrant or the conversion of a security outstanding on the date of this prospectus of which the underwriters have been advised in writing; or
- transactions by any person other than us relating to shares of common stock or other securities acquired in open market transactions after the completion of the offering of the shares.

The 180-day restricted period described above is subject to extension such that, in the event that either (a) during the last 17 days of the 180-day restricted period, we issue an earnings release or material news or a material event relating to us occurs or (b) prior to the expiration of the 180-day restricted period, we announce that we will release earnings results during the 16-day period beginning on the last day of the 180-day period, the "lock-up" restrictions described above will continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event. The release of any securities subject to these lock-up agreements is considered on a case-by-case basis. Factors that would be considered by Morgan Stanley & Co. Incorporated and UBS Securities LLC in determining whether to release securities subject to these lock-up agreements may include the length of time before the lock-up agreement expires, the number of shares or other securities involved, the reason for a requested release, market conditions at the time of the requested release, the trading price of our common shares, historical trading volumes of our common shares and whether the person seeking the release is an officer, director or affiliate of ours.

In order to facilitate the offering of our common stock, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of our common stock. Specifically, the underwriters may sell more shares than they are obligated to purchase under the underwriting agreement, creating a short position in. our common stock for their own account. A short sale is covered if the short position is no greater than the number of shares available for purchase by the underwriters under the over-allotment option. The underwriters can close out a covered short sale by exercising the over-allotment option or purchasing shares in the open market. In determining the source of shares to close out a covered short sale, the underwriters will consider, among other things, the open market price of shares compared to the price available under the over-allotment option. The underwriters may also sell shares in excess of the over-allotment option, creating a naked short position. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of our common stock in the open market after pricing that could adversely affect investors who purchase in the offering. In addition, in order to cover any over-allotments or to stabilize the price of our common stock, the underwriters may bid for, and purchase, shares of our common stock in the

open market. Finally, the underwriting syndicate may also reclaim selling concessions allowed to an underwriter or a dealer for distributing our common stock in the offering, if the syndicate repurchases previously distributed shares of our common stock to cover syndicate short positions or to stabilize the price of the common stock. Any of these activities may stabilize or maintain the market price of our common stock above independent market levels. The underwriters are not required to engage in these activities, and may end any of these activities at any time.

We and our Advisor and the selling stockholder have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the underwriters may be required to make in respect of those liabilities.

The underwriters and their affiliates have provided in the past to Horizon Technology Finance Corporation and may provide from time to time in the future in the ordinary course of their business certain commercial banking, financial advisory, investment banking and other services to Horizon Technology Finance Corporation and its affiliates and managed funds and Horizon Technology Finance Corporation or our portfolio companies for which they have received or will be entitled to receive separate fees. In particular, the underwriters or their affiliates may execute transactions with Horizon Technology Finance Corporation or on behalf of Horizon Technology Finance Corporation, or any of our portfolio companies, affiliates and/or managed funds. In addition, the underwriters or their affiliates may act as arrangers, underwriters or placement agents for companies whose securities are sold to or whose loans are syndicated to Horizon Technology Finance Corporation and its affiliates and managed funds.

Lazard Frères & Co. LLC referred this transaction to Lazard Capital Markets LLC and will receive a referral fee from Lazard Capital Markets LLC in connection therewith. Northland Capital Markets is the trade name for certain capital markets and investment banking services of Northland Securities, Inc., member FINRA/SIPC.

The principal business address of Morgan Stanley & Co. Incorporated is 1585 Broadway, New York, NY 10036. The principal business address of UBS Securities LLC is 299 Park Avenue, New York, NY 10171. The principal business address of Stifel, Nicolaus & Company Incorporated is One Financial Plaza, 501 North Broadway, St. Louis, MO 63102. The principal business address of Morgan Keegan & Company, Inc. is 50 N. Front Street, 19th Floor, Memphis, TN 38103. The principal business address of RBC Capital Markets Corporation is One Beacon Street, Boston, MA 02108. The principal business address of BMO Capital Markets Corp. is 3 Times Square, New York, NY 10036. The principal business address of Lazard Capital Markets LLC is 30 Rockefeller Plaza, New York, NY 10020. The principal business address of Northland Capital Markets is 45 South Seventh Street, Suite 2000, Minneapolis, MN 55402.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive, each underwriter has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Member State it has not made and will not make an offer of our shares to the public in that Member State, except that it may, with effect from and including such date, make an offer of our shares to the public in that Member State:

a. at any time to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

b. at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or

c. at any time in any other circumstances which do not require the publication by us of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of the above, the expression an “offer of our shares to the public” in relation to any shares in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the shares to be offered so as to enable an investor to decide to purchase or subscribe the shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in that Member State.

United Kingdom

Each underwriter has represented and agreed that it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of the shares in circumstances in which Section 21(1) of such Act does not apply to us and it has complied and will comply with all applicable provisions of such Act with respect to anything done by it in relation to any shares in, from or otherwise involving the United Kingdom.

Switzerland

The Prospectus does not constitute an issue prospectus pursuant to Article 652a or Article 1156 of the Swiss Code of Obligations ("CO") and the shares will not be listed on the SIX Swiss Exchange. Therefore, the Prospectus may not comply with the disclosure standards of the CO and/or the listing rules (including any prospectus schemes) of the SIX Swiss Exchange. Accordingly, the shares may not be offered to the public in or from Switzerland, but only to a selected and limited circle of investors, which do not subscribe to the shares with a view to distribution.

Australia

This prospectus is not a formal disclosure document and has not been, nor will be, lodged with the Australian Securities and Investments Commission. It does not purport to contain all information that an investor or their professional advisers would expect to find in a prospectus or other disclosure document (as defined in the Corporations Act 2001 (Australia)) for the purposes of Part 6D.2 of the Corporations Act 2001 (Australia) or in a product disclosure statement for the purposes of Part 7.9 of the Corporations Act 2001 (Australia), in either case, in relation to the securities.

The securities are not being offered in Australia to "retail clients" as defined in sections 761G and 761GA of the Corporations Act 2001 (Australia). This offering is being made in Australia solely to "wholesale clients" for the purposes of section 761G of the Corporations Act 2001 (Australia) and, as such, no prospectus, product disclosure statement or other disclosure document in relation to the securities has been, or will be, prepared.

This prospectus does not constitute an offer in Australia other than to wholesale clients. By submitting an application for our securities, you represent and warrant to us that you are a wholesale client for the purposes of section 761G of the Corporations Act 2001 (Australia). If any recipient of this prospectus is not a wholesale client, no offer of, or invitation to apply for, our securities shall be deemed to be made to such recipient and no applications for our securities will be accepted from such recipient. Any offer to a recipient in Australia, and any agreement arising from acceptance of such offer, is personal and may only be accepted by the recipient. In addition, by applying for our securities you undertake to us that, for a period of 12 months from the date of issue of the securities, you will not transfer any interest in the securities to any person in Australia other than to a wholesale client.

Hong Kong

Our securities may not be offered or sold in Hong Kong, by means of this prospectus or any document other than (i) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong) and any rules made thereunder, or (ii) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), or (iii) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong). No advertisement, invitation or document relating to our securities may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere) which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the securities which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Japan

Our securities have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (the Financial Instruments and Exchange Law) and our securities will not be offered or sold, directly or indirectly, in Japan, or to, or for the benefit of, any resident of Japan (which term as used herein means any person

resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan, or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

Singapore

This document has not been registered as a prospectus with the Monetary Authority of Singapore and in Singapore, the offer and sale of our securities is made pursuant to exemptions provided in sections 274 and 275 of the Securities and Futures Act, Chapter 289 of Singapore ("SFA"). Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of our securities may not be circulated or distributed, nor may our securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor as defined in Section 4A of the SFA pursuant to Section 274 of the SFA, (ii) to a relevant person as defined in section 275(2) of the SFA pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA, in each case subject to compliance with the conditions (if any) set forth in the SFA. Moreover, this document is not a prospectus as defined in the SFA. Accordingly, statutory liability under the SFA in relation to the content of prospectuses would not apply. Prospective investors in Singapore should consider carefully whether an investment in our securities is suitable for them.

Where our securities are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) by a corporation (which is not an accredited investor as defined in Section 4A of the SFA) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) for a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

shares of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferable for six months after that corporation or that trust has acquired the shares under Section 275 of the SFA, except:

(1) to an institutional investor (for corporations under Section 274 of the SFA) or to a relevant person defined in Section 275(2) of the SFA, or any person pursuant to an offer that is made on terms that such shares of that corporation or such rights and interest in that trust are acquired at a consideration of not less than S$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for corporations, in accordance with the conditions, specified in Section 275 of the SFA;

(2) where no consideration is given for the transfer; or

(3) where the transfer is by operation of law.

In addition, investors in Singapore should note that the securities acquired by them are subject to resale and transfer restrictions specified under Section 276 of the SFA, and they, therefore, should seek their own legal advice before effecting any resale or transfer of their securities.

Pricing of the Offering

Prior to this offering, there has been no public market for the shares of our common stock. The initial public offering price will be determined by negotiations between us and the representatives of the underwriters. Among the factors to be considered in determining the initial public offering price will be our future prospects and our industry in general, sales, earnings and certain other financial and operating information in recent periods, and the price-earnings ratios, market prices of securities and financial and operating information of companies engaged in activities similar to ours.

CUSTODIAN, TRANSFER AGENT, DIVIDEND PAYING AGENT AND REGISTRAR

Our securities are held by , which we refer to as our Custodian, pursuant to a custodian services agreement. The principal business address of is . will act as our transfer agent, dividend paying agent and registrar pursuant to a transfer agency agreement. The principal business address of is .

LEGAL MATTERS

Certain legal matters in connection with the common shares will be passed upon for us by Squire, Sanders & Dempsey L.L.P., and for the underwriters by Fried, Frank, Harris, Shriver & Jacobson LLP, New York, New York.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The consolidated financial statements of Compass Horizon Funding Company LLC appearing in this prospectus and registration statement have been audited by McGladrey & Pullen, LLP, an independent registered public accounting firm located at One Church St., New Haven, CT 06510, as stated in their report appearing elsewhere herein, and are included in reliance upon such report and upon the authority of such firm as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We have filed a registration statement with the SEC on Form N-2, together with all amendments and related exhibits, under the Securities Act relating to the shares of common stock we are offering pursuant to this prospectus. This prospectus does not contain all of the information set forth in the registration statement, including any exhibits and schedules it may contain. For further information concerning us or the shares we are offering, please refer to the registration statement. Statements contained in this prospectus as to the contents of any contract or other document referred to are not necessarily complete and in each instance reference is made to the copy of any contract or other document filed as an exhibit to the registration statement. Each statement is qualified in all respects by this reference.

Upon the completion of this offering, we will file with or submit to the SEC annual, quarterly and current periodic reports, proxy statements and other information meeting the informational requirements of the Securities Exchange Act of 1934. You may inspect and copy these reports, proxy statements and other information, as well as the registration statement of which this prospectus forms a part and the related exhibits and schedules, at the Public Reference Room of the SEC at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Copies of these reports, proxy and information statements and other information may be obtained, after paying a duplicating fee, by electronic request at the following e-mail address: *publicinfo@sec.gov*, or by writing the SEC's Public Reference Section, 100 F Street, N.E., Washington, D.C. 20549-0102. This information will also be available free of charge by contacting us at 76 Batterson Park Road, Farmington, Connecticut 06032, by telephone at (800) 676-8654, or on our website that we expect to establish upon completion of this offering. In addition, the SEC maintains an Internet website that contains reports, proxy and information statements and other information filed electronically by us with the SEC at *http://www.sec.gov*.

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Compass Horizon Funding Company LLC

Consolidated Balance Sheets (Unaudited)

	March 31, 2010	December 31, 2009
ASSETS		
Cash and cash equivalents	$ 19,148,952	$ 9,892,048
Loans receivable (Note 3)		
Venture loans (net of unearned income of: 2010 $1,309,082 and 2009 $1,134,146)	112,650,051	107,755,693
Revolving loans (net of unearned income of: 2010 $12,654 and 2009 $17,323)	2,335,882	3,664,546
Allowance for loan losses	(1,620,810)	(1,924,034)
Loans receivable, net	113,365,123	109,496,205
Warrants (Note 7)	2,935,154	2,457,680
Accrued interest receivable	1,716,182	1,451,963
Debt issuance costs (net of accumulated amortization of: 2010 $2,420,328 and 2009 $2,129,889)	1,064,947	1,355,386
Other assets	360,006	214,731
TOTAL ASSETS	$ 138,590,364	$ 124,868,013
LIABILITIES AND MEMBERS' CAPITAL		
Borrowings (Note 4)	$ 75,230,251	$ 64,166,412
Interest rate swap liability (Note 8)	668,247	767,877
Accrued management fees (Note 11)	183,149	181,561
Other accrued expenses	298,720	259,494
TOTAL LIABILITIES	76,380,367	65,375,344
Commitments and Contingencies (Notes 5 and 6)		
MEMBERS' CAPITAL		
Members' capital (Note 9)	62,878,244	60,260,546
Accumulated other comprehensive loss - Unrealized loss on interest rate swaps	(668,247)	(767,877)
TOTAL MEMBERS' CAPITAL	62,209,997	59,492,669
TOTAL LIABILITIES AND MEMBERS' CAPITAL	$ 138,590,364	$ 124,868,013

See Notes to Unaudited Consolidated Financial Statements

Compass Horizon Funding Company LLC

Consolidated Statements of Operations (Unaudited)

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
INCOME		
Interest income on loans	$ 3,744,547	$ 3,213,457
Other interest income	9,337	33,076
Net unrealized gain on warrants (Note 7)	201,765	444,777
Other income	38,852	10,000
Total income	3,994,501	3,701,310
Credit (provision) for loan losses (Note 3)	303,224	(36,413)
Income after credit (provision) for loan losses	4,297,725	3,664,897
EXPENSES		
Management fee expense (Note 11)	547,151	507,453
Interest expense	1,003,324	1,020,808
Professional fees	72,962	7,750
General and administrative	56,590	46,032
Total expenses	1,680,027	1,582,043
NET INCOME	$ 2,617,698	$ 2,082,854

See Notes to Unaudited Consolidated Financial Statements

Compass Horizon Funding Company LLC

Consolidated Statements of Members' Capital (Unaudited)

	Members' Capital	Accumulated Other Comprehensive Loss	Total
Balance at December 31, 2008	$50,947,371	$ (1,162,563)	$49,784,808
Comprehensive income			
Net income	2,082,854		2,082,854
Unrealized loss on interest rate swaps (Note 8)		(73,780)	(73,780)
Total comprehensive income			2,009,074
Balance at March 31, 2009	$53,030,225	$ (1,236,343)	$51,793,882
Balance at December 31, 2009	$60,260,546	$ (767,877)	$59,492,669
Comprehensive income			
Net income	2,617,698		2,617,698
Unrealized gain on interest rate swaps (Note 8)		99,630	99,630
Total comprehensive income			2,717,328
Balance at March 31, 2010	$62,878,244	$ (668,247)	$62,209,997

See Notes to Unaudited Consolidated Financial Statements

Compass Horizon Funding Company LLC

Consolidated Statements of Cash Flows (Unaudited)

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 2,617,698	$ 2,082,854
Adjustments to reconcile net income to net cash provided by operating activities:		
(Credit) provision for loan losses	(303,224)	36,413
Amortization of debt issuance costs	290,439	286,000
Net unrealized appreciation of warrants during the period	(201,765)	(444,777)
Changes in assets and liabilities:		
Increase in accrued interest receivable	(264,219)	(316,068)
Decrease in unearned loan income	(105,405)	(10,458)
(Increase) decrease in other assets	(145,275)	27,854
Increase (decrease) in other accrued expenses	39,226	(101,400)
Increase in accrued management fees	1,588	18,094
Net cash provided by operating activities	1,929,063	1,578,512
CASH FLOWS FROM INVESTING ACTIVITIES:		
Loans funded	(12,024,588)	(14,117,666)
Principal repayments on loans	8,288,590	1,458,183
Net cash used in investing activities	(3,735,998)	(12,659,483)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase in revolving borrowings	11,063,839	6,587,204
Net cash provided by financing activities	11,063,839	6,587,204
Net increase (decrease) in cash and cash equivalents	9,256,904	(4,493,767)
CASH AND CASH EQUIVALENTS:		
Beginning of period	9,892,048	20,024,408
End of period	$ 19,148,952	$ 15,530,641
Cash paid for interest	$ 712,884	$ 705,686
Supplemental non-cash investing and financing activities:		
Warrants received & recorded as unearned loan income	$ 275,709	$ 135,670
(Decrease) increase in interest rate swap liability	$ (99,630)	$ 73,780

See Notes to Unaudited Consolidated Financial Statements

Compass Horizon Funding Company LLC

Notes to Unaudited Consolidated Financial Statements

Note 1. Organization

Compass Horizon Funding Company LLC ("CHF") was formed as a Delaware limited liability company on January 23, 2008 by and between Compass Horizon Partners, LP, an exempted limited partnership registered in Bermuda ("Compass") and HTF-CHF Holdings LLC, a Delaware limited liability company ("Horizon"). Compass is the only Class A Member, Horizon is the only Class B Member and there are no other members of any type. CHF was formed to acquire and manage loans to, and warrants from, venture capital backed technology companies in the life sciences and information technology industries. The Company makes loans to companies in these industries which are at a range of life cycle stages including early stage, expansion stage and later stage.

Horizon Credit I LLC ("Credit I") was formed as a Delaware limited liability company on January 23, 2008, with CHF as the sole equity member. Credit I is a special purpose bankruptcy remote entity and is reported herein as a wholly owned subsidiary of CHF.

CHF and Credit I are collectively referred to herein as the "Company" which commenced operations on March 4, 2008. CHF sells certain portfolio transactions to Credit I ("Purchased Assets"). Credit I is a separate legal entity from CHF and the Purchased Assets have been conveyed to Credit I and are not available for creditors of CHF or any other entity other than its lenders.

Note 2. Summary of Significant Accounting Policies

Basis of Financial Statement Presentation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and in accordance with the rules and regulations of the SEC. The interim information reflects all adjustments (consisting only of normal recurring accruals and adjustments), which are, in the opinion of management, necessary to fairly state the operating results for the respective periods. However, these operating results are not necessarily indicative of the results expected for the full fiscal year. The notes to the unaudited financial statements should be read in conjunction with the notes to the Company's December 31, 2009 and 2008 audited financial statements contained within this registration statement.

In preparing the consolidated financial statements in accordance with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities, as of the date of the balance sheet and income and expenses for the period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses, and the valuation of warrants and interest rate swaps.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of CHF and Credit I. All inter-company accounts and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

Cash and cash equivalents as presented in the consolidated balance sheets and the consolidated statements of cash flows include bank checking accounts and money market funds with an original maturity of less than 90 days.

Loans

Loans receivable are stated at current unpaid principal balances adjusted for the allowance for loan losses, unearned income and any unamortized deferred fees or costs. The Company has the ability and intent to hold its loans for the foreseeable future or until maturity or payoff.

Interest on loans is accrued and included in income based on contractual rates applied to principal amounts outstanding. Interest income on loans is determined using a method that results in a level rate of return on principal amounts outstanding. When a loan becomes 90 days or more past due, or if the Company otherwise does not expect to receive interest and principal repayments, the loan is placed on non-accrual status and the recognition of interest income is discontinued. Interest payments received on loans that are on non-accrual status are treated as reductions of principal until the principal is repaid. No loans were on non-accrual status as of March 31, 2010 and December 31, 2009.

The Company receives a variety of fees from borrowers in the ordinary course of conducting its business, including advisory fees, commitment fees, amendment fees, non-utilization fees and prepayment fees (collectively, the "Fees"). In a limited number of cases, the Company may also receive a non-refundable deposit earned upon the termination of a transaction. Loan origination fees, net of certain direct origination costs, are deferred, and along with unearned income, are amortized as a level yield adjustment over the respective term of the loan. Fees for counterparty loan commitments with multiple loans are allocated to each loan based upon each loan's relative fair value. When a loan is placed on non-accrual, the amortization of the related Fee and unearned income is discontinued until the loan is returned to accrual status.

Certain loan agreements also require the borrower to make an end-of-term payment that is accrued into income over the life of the loan to the extent such amounts are expected to be collected. The Company will generally cease accruing the income if there is insufficient value to support the accrual or the Company does not expect the borrower to be able to pay all principal and interest due.

Allowance for Loan Losses

The allowance for loan losses represents management's estimate of probable loan losses inherent in the loan portfolio as of the balance sheet date. The estimation of the allowance is based on a variety of factors, including past loan loss experience, the current credit profile of the Company's borrowers, adverse situations that have occurred that may affect individual borrowers' ability to repay, the estimated value of underlying collateral and general economic conditions. The loan portfolio is comprised of large balance loans that are evaluated individually for impairment and are risk-rated based upon a borrower's individual situation, current economic conditions, collateral and industry-specific information that management believes is relevant in determining the potential occurrence of a loss event and in measuring impairment. The allowance for loan losses is sensitive to the risk rating assigned to each of the loans and to corresponding qualitative loss factors that the Company uses to estimate the allowance. These factors are applied to the outstanding loan balances in estimating the allowance for loan losses. If necessary, based on performance factors related to specific loans, specific allowance for loan losses is established for individual impaired loans. Increases or decreases to the allowance for loan losses are charged or credited to current period earnings through the provision (credit) for loan losses. Amounts determined to be uncollectible are charged against the allowance for loan losses, while amounts recovered on previously charged-off loans increase the allowance for loan losses.

A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan by loan basis by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's observable market price, or the fair value of the collateral, if the loan is collateral dependent.

Impaired loans also include loans modified in troubled debt restructurings where concessions have been granted to borrowers experiencing financial difficulties. These concessions could include a reduction in the interest rate on the loan, payment extensions, forgiveness of principal, forbearance or other actions intended to maximize collection. There have been no troubled debt restructurings since our inception.

Warrants

In connection with substantially all lending arrangements, the Company receives warrants to purchase shares of stock from the borrower. Because the warrant agreements contain net exercise or "cashless" exercise provisions, the warrants qualify as derivative instruments. The warrants are recorded as assets at estimated fair value on the grant date using the Black-Scholes valuation model. The warrants are considered loan fees and are also recorded as unearned loan income on the grant date. The unearned income is recognized as interest income over the contractual life of the related loan in accordance with the Company's income recognition policy. As all the warrants held are deemed to be derivatives, they are periodically measured at fair value using the Black-Scholes valuation model. Any adjustment to fair value is recorded through earnings as net unrealized gain or loss on warrants. Gains from the disposition of the warrants or stock acquired from the exercise of warrants, are recognized as realized gains on warrants.

The Company values the warrant assets incorporating the following material assumptions:

- Underlying asset value of the issuer is estimated based on information available, including any information regarding the most recent rounds of borrower funding.
- Volatility, or the amount of uncertainty or risk about the size of the changes in the warrant price, is based on guideline publicly traded companies within indices similar in nature to the underlying company issuing the warrant. A total of seven such indices were used. The weighted average volatility assumptions used for the warrant valuation at March 31, 2010, December 31, 2009 and March 31, 2009 were 29%, 29% and 25%, respectively.
- The risk-free interest rates are derived from the U.S. Treasury yield curve. The risk-free interest rates are calculated based on a weighted average of the risk-free interest rates that correspond closest to the expected remaining life of the warrant.
- Other adjustments, including a marketability discount, are estimated based on management's judgment about the general industry environment.

Debt Issuance Costs

Debt issuance costs are fees and other direct incremental costs incurred by the Company in obtaining debt financing from its lender and are recognized as assets and are amortized as interest expense over the term of the related Credit Facility. The unamortized balance of debt issuance costs as of March 31, 2010 and December 31, 2009 was $1,064,947 and $1,355,386, respectively, and the amortization expense relating to debt issuance costs during the three months ended March 31, 2010 and March 31, 2009 was $290,439 and $286,000, respectively.

Income Taxes

The Company is a limited liability company treated as a partnership for U.S. federal income tax purposes and, as a result, all items of income and expense are passed through to, and are generally reportable on, the tax returns of the respective members of each limited liability company. Therefore, no federal or state income tax provision has been recorded.

The FASB issued new guidance on accounting for uncertainty in income taxes. The Company adopted this new guidance for the year ended December 31, 2009. Management evaluated the Company's tax positions and

concluded that the Company had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

Interest Rate Swaps and Hedging Activities

The Company recognizes its interest rate swap derivatives on the balance sheet as either an asset or liability measured at fair value. Changes in the derivatives' fair value are recognized currently in income unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the statement of operations and requires the Company to formally document, designate and assess effectiveness of transactions that receive hedge accounting. Derivatives that are not hedges are adjusted to fair value through earnings. If the derivative qualifies as a hedge, depending on the nature of the hedge, changes in the fair value of derivatives are either offset against the change in fair value of hedged assets, liabilities, or firm commitments through earnings, or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value, if any, is immediately recognized as interest expense.

Comprehensive Income

Accounting principles generally require that recognized income, expenses, gains and losses be included in net income. Certain changes in assets and liabilities, such as unrealized appreciation or depreciation on interest rate swaps, are reported as a separate component of members' capital in the consolidated balance sheet, and such items, along with net income, are components of comprehensive income.

Fair Value

The Company uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in certain instances, there are no quoted market prices for certain assets or liabilities. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the asset or liability.

Fair value measurements focus on exit prices in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment.

The Company's fair value measurements are classified into a fair value hierarchy based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. The three categories within the hierarchy are as follows:

Level 1 Quoted prices in active markets for identical assets and liabilities.

Level 2 Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities in active markets, quoted prices in markets that are not active, and model-based valuation techniques for which all significant inputs are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

In February 2010, the FASB issued guidance which amends the existing guidance related to fair value measurements and disclosures. The amendments require the following new fair value disclosures:

- Separate disclosure of the significant transfers in and out of Level 1 and Level 2 fair value measurements, and a description of the reasons for the transfers.
- In the roll forward of activity for Level 3 fair value measurements (significant unobservable inputs), purchases, sales, issuances, and settlements should be presented separately (on a gross basis rather than as one net number).

In addition, the amendments clarify existing disclosure requirements, as follows:

- Fair value measurements and disclosures should be presented for each class of assets and liabilities within a line item in the balance sheet.
- Reporting entities should provide disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements that fall in either Level 2 or Level 3.

The new disclosures and clarifications of existing disclosures are effective for the Company's interim and annual reporting periods beginning after December 15, 2009, except for the disclosures included in the roll forward of activity for Level 3 fair value measurements, for which the effective date is for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years.

See Note 10 for additional information regarding fair value.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales, when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Company — put presumptively beyond the reach of the transferor and its creditors, even in bankruptcy or other receivership, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the transferor does not maintain effective control over the transferred assets through either (a) an agreement that both entitles and obligates the transferor to repurchase or redeem the assets before maturity or (b) the ability to unilaterally cause the holder to return specific assets, other than through a cleanup call.

In June 2009, the FASB issued guidance which modified certain guidance relating to transfers and servicing of financial assets. This guidance eliminates the concept of qualifying special purpose entities, provides guidance as to when a portion of a transferred financial asset can be evaluated for sale accounting, provides additional guidance with regard to accounting for transfers of financial assets and requires additional disclosures. This guidance is effective for the Company as of January 1, 2010, with adoption applied prospectively for transfers that occur on and after the effective date. The adoption of this guidance is not expected to have a material impact on the Company's financial statements.

Subsequent Events

The Company has evaluated the subsequent events through June 4, 2010, the date on which the financial statements were issued.

Note 3. Loans Receivable

Loans receivable consist of term loans and revolving loans. The loans are payable in installments with final maturities ranging from 24 to 48 months and are generally collateralized by all assets of the borrower. As of March 31, 2010 and December 31, 2009, 98.0% and 96.7%, respectively, of the Company's loans are at fixed rates for their term. The weighted average interest rate of the loan portfolio was 12.71% and 12.64% as of March 31, 2010 and December 31, 2009, respectively. All loans were made to companies based in the United States of America.

The following is a summary of the changes in the allowance for loan losses:

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
Balance at beginning of period	$ 1,924,034	$ 1,649,653
(Credit) provision for loan losses	(303,224)	36,413
Charge offs, net of recoveries	—	—
Balance at end of period	$ 1,620,810	$ 1,686,066

Note 4. Borrowings

Credit I entered into a $150,000,000 Revolving Credit Facility (the "Credit Facility") with WestLB AG ("WestLB") effective March 4, 2008. The Credit Facility has a three year initial revolving term and is renewable on March 3, 2011, subject to agreement between the Company and WestLB. If the revolving term is not renewed, the balance will be allowed to amortize over an additional four year term. The interest rate is based upon the one-month LIBOR (0.25% and 0.23% as of March 31, 2010 and December 31, 2009, respectively) plus a spread of 2.50%.

The Credit Facility is collateralized by loans held by Credit I and permits an advance rate of up to 75% of eligible loans held by Credit I. The Credit Facility contains covenants that, among other things, require the Company to maintain a minimum net worth and to restrict the loans securing the Credit Facility to certain criteria for qualified loans and includes portfolio company concentration limits as defined in the related loan agreement. At March 31, 2010 and December 31, 2009, based on assets of Credit I, the Company had borrowing capacity of approximately $75,800,000 million and $72,160,000 million, respectively, and had actual borrowings outstanding of $75,230,251 and $64,166,412, respectively, on the Credit Facility.

Note 5. Financial Instruments with Off-Balance-Sheet Risk

In the normal course of business, the Company is party to financial instruments with off-balance-sheet risk to meet the financing needs of its borrowers. These financial instruments include commitments to extend credit and involve, to varying degrees, elements of credit risk in excess of the amount recognized in the consolidated balance sheet. The Company attempts to limit its credit risk by conducting extensive due diligence and obtaining collateral where appropriate.

The balance of unfunded commitments to extend credit was approximately $16,700,000 and $5,400,000 as of March 31, 2010 and December 31, 2009, respectively. Commitments to extend credit consist principally of the unused portions of commitments that obligate CHF to extend credit, such as revolving credit arrangements or similar transactions. Commitments may also include a financial or nonfinancial milestone that has to be achieved before the commitment can be drawn. Commitments generally have fixed expiration dates or other termination clauses. Since commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

Note 6. Concentrations of Credit Risk

The Company's loan portfolio consists primarily of loans to development-stage companies at various stages of development in the information technology and life science industries. Many of these companies may have relatively limited operating histories and also may experience variation in operating results. Many of these companies do business in regulated industries and could be affected by changes in government regulations. Most of the Company's borrowers will need additional capital to satisfy their continuing working capital needs and other requirements, and in many instances to service the interest and principal payments on the loans.

The largest loans may vary from year to year as new loans are recorded and repaid. The Company's five largest loans represented approximately 29% and 28% of total loans outstanding as of March 31, 2010 and December 31, 2009, respectively. No single loan represents more than 10% of the total loans as of March 31, 2010 and December 31, 2009. Loan income, consisting of interest and fees, can fluctuate significantly upon repayment of large loans. Interest income from the five largest loans accounted for approximately 18% and 25% of total loan interest and fee income for the three months ended March 31, 2010 and March 31, 2009, respectively.

Note 7: Warrants

The Company receives warrants from borrowers in connection with the loans receivable. These warrants generally do not produce a current cash return, but are held for potential investment appreciation and capital gains. For the three months ended March 31, 2010 and March 31, 2009, the Company did not recognize any realized gains, and recognized net unrealized appreciation of $201,765 and $444,777, respectively, on the warrants.

Note 8: Interest Rate Swaps and Hedging Activities

On October 14, 2008, the Company entered into two interest rate swap agreements (collectively, the "Swap") with WestLB, fixing the rate of $10 million at 3.58% and $15 million at 3.20% on the first advances of a like amount of variable rate Credit Facility borrowings. The interest rate swaps expire in October 2011 and October 2010, respectively. The Swap is designated as a cash flow hedge and is anticipated to be highly effective.

The Company utilizes the Swap to manage risks related to interest rates on the first $25 million of borrowings on the Company's Credit Facility. Accounting for derivatives as hedges requires that, at inception and over the term of the arrangement, the hedged item and related derivative meet the requirements for hedge accounting.

The objective of the Swap is to hedge the risk of changes in cash flows associated with the future interest payments on the first $25 million of the variable rate Credit Facility debt with a combined notional amount of $25 million. This is a hedge of future specified cash flows. As a result, these interest rate swaps are derivatives and were designated as hedging instruments at the inception of the Swap, and the Company has applied cash flow hedge accounting. The Swap is recorded in the consolidated balance sheet at fair value, and any related increases or decreases in the fair value are recognized on the Company's consolidated balance sheet within accumulated other comprehensive income.

At March 31, 2010 and December 31, 2009, the Swap has been recorded as a liability on the consolidated balance sheet and the corresponding unrealized loss on the Swap is recorded in accumulated other comprehensive loss, totaling $668,247 and $767,877, respectively. The Swap does not contain any credit risk related contingent features.

The Company assesses the effectiveness of its Swap on a quarterly basis. The Company has considered the impact of the current credit crisis in the United States in assessing the risk of counterparty default. The Company believes that it is still likely that the counterparty for the Swap will continue to perform throughout the contract period, and as a result continues to deem the Swap an effective hedging instrument. As most of the critical terms of the hedging instruments and hedged items match, the hedging relationship is considered to be highly effective. Prospective and retrospective assessments of the ineffectiveness of the hedge have been and will be made at the end

of each fiscal quarter. No ineffectiveness on the Swap was recognized during the three months end March 31, 2010 and March 31, 2009. During the three months ended March 31, 2010, $0.2 million was reclassified from accumulated other comprehensive loss into interest expense, and at March 31, 2010, $0.6 million is expected to be reclassified in the next twelve months.

Note 9. Members' Capital

On March 4, 2008, $50,000,000 of capital was contributed to CHF. Since inception, there have been no distributions to members.

Note 10. Fair Value

As described in Note 1, the Company uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. A description of the valuation methodologies used for assets and liabilities recorded at fair value, and for estimating fair value for financial and non-financial instruments not recorded at fair value, is set forth below.

Cash and cash equivalents and accrued interest receivable: The carrying amount is a reasonable estimate of fair value. These financial instruments are not recorded at fair value on a recurring basis.

Loans: For variable rate loans which re-price frequently and have no significant change in credit risk, carrying values are a reasonable estimate of fair values, adjusted for credit losses inherent in the portfolio. The fair value of fixed rate loans is estimated by discounting the future cash flows using the year end rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities, adjusted for credit losses inherent in the portfolio. The Company does not record loans at fair value on a recurring basis. However, from time to time, nonrecurring fair value adjustments to collateral-dependent impaired loans may be recorded to reflect partial write-downs based on the observable market price or current appraised value of collateral.

Warrants: The Company values its warrants using the Black-Scholes valuation model. The fair value of the Company's warrants held in publicly traded companies are determined based on inputs that are readily available in public markets or can be derived from information available in public markets. Therefore, the Company has categorized these warrants as Level 2 within the fair value hierarchy described in Note 2. The fair value of the Company's warrants held in private companies are determined using both observable and unobservable inputs and represents management's best estimate of what market participants would use in pricing the warrants at the measurement date. Therefore, the Company has categorized these warrants as Level 3 within the fair value hierarchy described in Note 2. These financial instruments are recorded at fair value on a recurring basis.

Borrowings: The carrying amount of borrowings under the revolving credit facility approximates its fair value due to the short duration and variable interest rate of this debt. These financial instruments are not recorded at fair value on a recurring basis. Additionally, the Company considers its creditworthiness in determining the fair value of such borrowings.

Interest rate swap derivatives: The fair value of the Company's interest rate swap derivative instruments is the estimated as the amount the Company would pay to terminate its swaps at the balance sheet date, taking into account current interest rates and the creditworthiness of the counterparty for assets and the credit worthiness of the Company for liabilities. The Company has categorized these derivative instruments as Level 2 within the fair value hierarchy described in Note 2. These financial instruments are recorded at fair value on a recurring basis.

Off-balance-sheet instruments: Fair values for off-balance-sheet lending commitments are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the

agreements and the counterparties' credit standings. Off-balance-sheet instruments are not recorded at fair value on a recurring basis.

The following table details the financial instruments that are carried at fair value and measured at fair value on a recurring basis as of March 31, 2010 and December 31, 2009, respectively, and indicates the fair value hierarchy of the valuation techniques utilized by the Company to determine the fair value:

	March 31, 2010			
	Balance as of March 31, 2010	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Warrant Assets	$ 2,935,154	$ —	$ 712,654	$ 2,222,500
Interest Rate Swap Liability	$ 668,247	$ —	$ 668,247	$ —

	December 31, 2009			
	Balance as of December 31, 2009	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Warrant Assets	$ 2,457,680	$ —	$ 447,417	$ 2,010,263
Interest Rate Swap Liability	$ 767,877	$ —	$ 767,877	$ —

The following table shows a reconciliation of the beginning and ending balances for Level 3 assets:

	The Three Months Ended March 31, 2010	The Three Months Ended March 31, 2009
Level 3 assets, beginning of period	$ 2,010,263	$ 556,753
Warrants received and classified as Level 3	275,709	135,670
Unrealized (loss) gains included in earnings	(63,472)	490,847
Level 3 assets, end of period	$ 2,222,500	$ 1,183,270

The Company discloses fair value information about financial instruments, whether or not recognized in the balance sheet, for which it is practicable to estimate that value. Certain financial instruments are excluded from the disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Company.

The estimated fair value amounts for 2010 and 2009 have been measured as of the year-end date, and have not been reevaluated or updated for purposes of these financial statements subsequent to that date. As such, the estimated fair values of these financial instruments subsequent to the reporting date may be different than amounts reported at year-end.

The information presented should not be interpreted as an estimate of the fair value of the entire Company since a fair value calculation is only required for a limited portion of the Company's assets and liabilities. Due to the wide range of valuation techniques and the degree of subjectivity used in making the estimates, comparisons between the Company's disclosures and those of other companies may not be meaningful.

As of March 31, 2010 and December 31, 2009, the recorded book balances and estimated fair values of the Company's financial instruments were as follows:

	March 31, 2010		December 31, 2009	
	Recorded Book Balance	Estimated Fair Value	Recorded Book Balance	Estimated Fair Value
Financial Assets:				
Cash & cash equivalents	$ 19,148,952	$ 19,148,952	$ 9,892,048	$ 9,892,048
Loans receivable, net	$113,365,123	$114,650,546	$109,496,205	$110,654,287
Warrants	$ 2,935,154	$ 2,935,154	$ 2,457,680	$ 2,457,680
Accrued interest receivable	$ 1,716,182	$ 1,716,182	$ 1,451,963	$ 1,451,963
Financial Liabilities:				
Borrowings	$ 75,230,251	$ 75,230,251	$ 64,166,412	$ 64,166,412
Interest rate swap liability	$ 668,247	$ 668,247	$ 767,877	$ 767,877

Off-balance-sheet instruments

The Company assumes interest rate risk (the risk that general interest rate levels will change) as a result of its normal operations. As a result, the fair values of the Company's financial instruments will change when interest rate levels change and that change may be either favorable or unfavorable to the Company. Management attempts to match maturities of assets and liabilities to the extent believed necessary to minimize interest rate risk. Management monitors rates and maturities of assets and liabilities and attempts to minimize interest rate risk by adjusting terms of new loans and by investing in securities with terms that mitigate the Company's overall interest rate risk.

Note 11: Related Party Transactions

Horizon Technology Finance Management LLC serves as Advisor for the Company under a Management and Services Agreement which provides for management fees payable monthly to the Advisor at a rate of 2.0% per annum of the gross assets of the Company. The Advisor also generates substantially all investment opportunities for the Company. Total management fee expense was $547,151 and $507,453 for the three months ended March 31, 2010 and March 31, 2009, respectively. Accrued management fees were $183,149 and $181,561 as of March 31, 2010 and December 31, 2009, respectively.

On March 3, 2010, the Company entered into a certain Indemnity Agreement with the Advisor whereby the Advisor agreed to indemnify the Company, solely in the event that the planned IPO (see Note 12) is not completed prior to June 30, 2011, for certain costs and expenses incurred by the Company in connection with the preparations for the IPO, up to a maximum amount of $1.2 million plus 8% annual interest accruing from the date the Company paid any indemnified amounts. Pursuant to an agreement among the members of the Advisor, each member agreed to make its proportional capital contributions to the Advisor, to the extent necessary, to fund payments required under the Indemnity Agreement.

Note 12: Subsequent Events

In 2010, the members of the Company intend to exchange their membership interests in the Company for shares of common stock of an entity formed by the Company and expected to be named Horizon Technology Finance Corporation (the “Share Exchange”). In conjunction with the Share Exchange, Horizon Technology Finance Corporation plans on completing an initial public offering (“IPO”). Immediately prior to the completion of an IPO, the Company, to the extent there is available cash on hand at the Company, expects to make a cash distribution (“Pre-IPO Distribution”) to its Class A Member from net income and as a return of capital. After the Pre-IPO Distribution and immediately prior to the completion of the IPO, all owners of the Company would exchange their membership interests in the Company for shares of common stock of Horizon Technology Finance Corporation. Horizon Technology Finance Corporation is expected to become the public corporation upon the completion of the IPO. Upon the completion of the Share Exchange and the IPO, the Company would become a wholly owned subsidiary of Horizon Technology Finance Corporation.

Note 13: Financial Highlights

Following is a schedule of financial highlights for the three months ended March 31, 2010 and 2009:

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
Members’ capital at beginning of period	$ 59,492,669	$ 49,784,808
Net investment income[1]	2,112,709	1,674,490
Credit (provision) for loan losses	303,224	(36,413)
Net unrealized gain (loss) on warrants	201,765	444,777
Net unrealized gain (loss) on interest rate swaps	99,630	(73,780)
Members’ capital at end of period	$ 62,209,997	$ 51,793,882
Ratios and Supplemental data:		
Average Members’ capital	$ 60,732,470	$ 50,739,004
Ratio of expenses to average Members’ capital	11.1%	12.5%
Ratio of net investment income to average Members’ capital	13.9%	13.2%

(1) Net investment income is computed as net income adjusted for (a) credit (provision) for loan losses and (b) the net realized and unrealized gain (loss) on warrants.

McGladrey & Pullen
Certified Public Accountants

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Members
Compass Horizon Funding Company LLC and Subsidiary
Farmington, Connecticut

We have audited the accompanying consolidated balance sheets of Compass Horizon Funding Company LLC and Subsidiary (the "Company") as of December 31, 2009 and 2008, and the related consolidated statements of operations, members' equity and cash flows for the year ended December 31, 2009 and the period from March 4, 2008 (inception) to December 31, 2008. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Compass Horizon Funding Company LLC and Subsidiary as of December 31, 2009 and 2008, and the results of their operations and their cash flows for the year ended December 31, 2009 and the period from March 4, 2008 (inception) to December 31, 2008, in conformity with accounting principles generally accepted in the United States of America.

/s/ McGladrey & Pullen, LLP

New Haven, Connecticut
March 19, 2010

McGladrey & Pullen, LLP is a member firm of RSM International,
an affiliation of separate and independent legal entities.

Compass Horizon Funding Company LLC

Consolidated Balance Sheets

	December 31, 2009	December 31, 2008
ASSETS		
Cash and cash equivalents	$ 9,892,048	$ 20,024,408
Loans receivable (Note 3)		
Venture loans (net of unearned income of: 2009 $1,134,146 and 2008 $773,125)	107,755,693	77,724,006
Revolving loans (net of unearned income of: 2009 $17,323 and 2008 $120,541)	3,664,546	15,405,685
Allowance for loan losses	(1,924,034)	(1,649,653)
Loans receivable, net	109,496,205	91,480,038
Warrants (Note 7)	2,457,680	693,644
Accrued interest receivable	1,451,963	502,915
Debt issuance costs (net of accumulated amortization of: 2009 $2,129,889 and 2008 $953,331)	1,355,386	2,478,667
Other assets	214,731	35,216
TOTAL ASSETS	$ 124,868,013	$ 115,214,888
LIABILITIES AND MEMBERS' CAPITAL		
Borrowings (Note 4)	$ 64,166,412	$ 63,673,016
Interest rate swap liability (Note 8)	767,877	1,162,563
Accrued management fees	181,561	159,594
Other accrued expenses	259,494	434,907
TOTAL LIABILITIES	65,375,344	65,430,080
Commitments and Contingencies (Notes 5 and 6)		
MEMBERS' CAPITAL		
Members' capital (Note 9)	60,260,546	50,947,371
Accumulated other comprehensive loss — Unrealized loss on interest rate swaps	(767,877)	(1,162,563)
TOTAL MEMBERS' CAPITAL	59,492,669	49,784,808
TOTAL LIABILITIES AND MEMBERS' CAPITAL	$ 124,868,013	$ 115,214,888

See Notes to Consolidated Financial Statements

Compass Horizon Funding Company LLC

Consolidated Statements of Operations

	Year Ended December 31, 2009	March 4, 2008 (Inception) through December 31, 2008
INCOME		
Interest income on loans	$ 14,987,322	$ 6,530,464
Other interest income	67,282	358,820
Net realized gains on warrants (Note 7)	137,696	21,571
Net unrealized gain (loss) on warrants (Note 7)	892,130	(72,641)
Other income	271,704	131,768
Total income	16,356,134	6,969,982
Provision for loan losses (Note 3)	(274,381)	(1,649,653)
Income after provision for loan losses	16,081,753	5,320,329
EXPENSES		
Management fee expense	2,202,268	1,073,083
Interest expense	4,244,804	2,747,540
Professional fees	131,234	61,008
General and administrative	190,272	150,184
Total expenses	6,768,578	4,031,815
NET INCOME	$ 9,313,175	$ 1,288,514

See Notes to Consolidated Financial Statements

Compass Horizon Funding Company LLC

Consolidated Statements of Members' Capital

	Members' Capital	Accumulated Other Comprehensive Loss	Total
Balance at March 4, 2008	$ —	$ —	$ —
Comprehensive income			
Net income	1,288,514		1,288,514
Unrealized loss on interest rate swaps (Note 8)		(1,162,563)	(1,162,563)
Total comprehensive income			125,951
Capital contribution (net of direct costs of $341,143)	49,658,857	—	49,658,857
Balance at December 31, 2008	$50,947,371	$ (1,162,563)	$49,784,808
Comprehensive income			
Net income	9,313,175		9,313,175
Unrealized gain on interest rate swaps (Note 8)		394,686	394,686
Total comprehensive income			9,707,861
Balance at December 31, 2009	$60,260,546	$ (767,877)	$59,492,669

See Notes to Consolidated Financial Statements

Compass Horizon Funding Company LLC

Consolidated Statements of Cash Flows

	Year Ended December 31, 2009	March 4, 2008 (Inception) through December 31, 2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 9,313,175	$ 1,288,514
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	274,381	1,649,653
Amortization of debt issuance costs	1,123,281	953,331
Net realized gain on settlement of warrants during the period	(137,696)	(21,571)
Net unrealized (appreciation) depreciation of warrants during the period	(892,130)	72,641
Changes in assets and liabilities:		
Increase in accrued interest receivable	(949,048)	(502,915)
(Decrease) increase in unearned loan income	(617,893)	117,455
Decrease (increase) in other assets	18,754	(35,216)
(Decrease) increase in other accrued expenses	(175,413)	434,907
Increase in accrued management fees	21,967	159,594
Net cash provided by operating activities	7,979,378	4,116,393
CASH FLOWS FROM INVESTING ACTIVITIES:		
Loans funded	(49,936,243)	(112,177,596)
Principal repayments on loans	31,189,623	18,154,236
Proceeds from settlement of warrants	141,486	31,500
Net cash used in investing activities	(18,605,134)	(93,991,860)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Capital contributions, net	—	49,658,857
Net increase in revolving borrowings	493,396	63,673,016
Debt issuance costs	—	(3,431,998)
Net cash provided by financing activities	493,396	109,899,875
Net (decrease) increase in cash and cash equivalents	(10,132,360)	20,024,408
CASH AND CASH EQUIVALENTS:		
Beginning of period	20,024,408	—
End of period	$ 9,892,048	$ 20,024,408
Cash paid for interest	$ 4,244,804	$ 2,747,540
Supplemental non-cash investing and financing activities:		
Warrants received & recorded as unearned loan income	$ 875,696	$ 776,215
Stock received in settlement of loan	$ 198,269	—
(Decrease) increase in interest rate swap liability	$ (394,686)	$ 1,162,563

See Notes to Consolidated Financial Statements

Compass Horizon Funding Company LLC

Notes to Consolidated Financial Statements

Note 1. Organization

Compass Horizon Funding Company LLC ("CHF") was formed as a Delaware limited liability company on January 23, 2008 by and between Compass Horizon Partners, LP, an exempted limited partnership registered in Bermuda ("Compass") and HTF-CHF Holdings LLC, a Delaware limited liability company ("Horizon"). Compass is the only Class A Member, Horizon is the only Class B Member and there are no other members of any type. CHF was formed to acquire and manage loans to, and warrants from, venture capital backed technology companies in the life sciences and information technology industries. The Company makes loans to companies in these industries which are at a range of life cycle stages including early stage, expansion stage and later stage.

Horizon Credit I LLC ("Credit I") was formed as a Delaware limited liability company on January 23, 2008, with CHF as the sole equity member. Credit I is a special purpose bankruptcy remote entity and is reported herein as a wholly owned subsidiary of CHF.

CHF and Credit I are collectively referred to herein as the "Company" which commenced operations on March 4, 2008. CHF sells certain portfolio transactions to Credit I ("Purchased Assets"). Credit I is a separate legal entity from CHF and the Purchased Assets have been conveyed to Credit I and are not available for creditors of CHF or any other entity other than its lenders.

Note 2. Summary of Significant Accounting Policies

Basis of Financial Statement Presentation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. In preparing the consolidated financial statements in accordance with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities, as of the date of the balance sheet and income and expenses for the period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses, and the valuation of warrants and interest rate swaps.

On July 1, 2009, the Accounting Standards Codification ("ASC") became the Financial Accounting Standards Board's ("FASB") single source of authoritative U.S. accounting and reporting standards applicable to all public and non-public non-governmental entities, superseding existing authoritative principles and related literature. The adoption of the ASC changed the applicable citations and naming conventions used when referencing generally accepted accounting principles in the Company's financial statements.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of CHF and Credit I. All inter-company accounts and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

Cash and cash equivalents as presented in the consolidated balance sheets and the consolidated statements of cash flows includes bank checking accounts and money market funds with an original maturity of less than 90 days.

Loans

Loans receivable are stated at current unpaid principal balances adjusted for the allowance for loan losses, unearned income and any unamortized deferred fees or costs. The Company has the ability and intent to hold its loans for the foreseeable future or until maturity or payoff.

Interest on loans is accrued and included in income based on contractual rates applied to principal amounts outstanding. Interest income on loans is determined using a method that results in a level rate of return on principal amounts outstanding. When a loan becomes 90 days or more past due, or if the Company otherwise does not expect to receive interest and principal repayments, the loan is placed on non-accrual status and the recognition of interest income is discontinued. Interest payments received on loans that are on non-accrual status are treated as reductions of principal until the principal is repaid. No loans were on non-accrual status as of December 31, 2009 and 2008.

The Company receives a variety of fees from borrowers in the ordinary course of conducting its business, including advisory fees, commitment fees, amendment fees, non-utilization fees and prepayment fees (collectively, the "Fees"). In a limited number of cases, the Company may also receive a non-refundable deposit earned upon the termination of a transaction. Loan origination fees, net of certain direct origination costs, are deferred, and along with unearned income, are amortized as a level yield adjustment over the respective term of the loan. Fees for counterparty loan commitments with multiple loans are allocated to each loan based upon each loan's relative fair value. When a loan is placed on non-accrual, the amortization of the related Fee and unearned income is discontinued until the loan is returned to accrual status.

Certain loan agreements also require the borrower to make an end-of-term payment that is accrued into income over the life of the loan to the extent such amounts are expected to be collected. The Company will generally cease accruing the income if there is insufficient value to support the accrual or the Company does not expect the borrower to be able to pay all principal and interest due.

Allowance for Loan Losses

The allowance for loan losses represents management's estimate of probable loan losses inherent in the loan portfolio as of the balance sheet date. The estimation of the allowance is based on a variety of factors, including past loan loss experience, the current credit profile of the Company's borrowers, adverse situations that have occurred that may affect individual borrowers' ability to repay, the estimated value of underlying collateral and general economic conditions. The loan portfolio is comprised of large balance loans that are evaluated individually for impairment and are risk-rated based upon a borrower's individual situation, current economic conditions, collateral and industry-specific information that management believes is relevant in determining the potential occurrence of a loss event and in measuring impairment. The allowance for loan losses is sensitive to the risk rating assigned to each of the loans and to corresponding qualitative loss factors that the Company uses to estimate the allowance. These factors are applied to the outstanding loan balances in estimating the allowance for loan losses. If necessary, based on performance factors related to specific loans, a specific allowance for loan losses is established for individual impaired loans. Increases or decreases to the allowance for loan losses are charged or credited to current period earnings through the provision (credit) for loan losses. Amounts determined to be uncollectible are charged against the allowance for loan losses, while amounts recovered on previously charged-off loans increase the allowance for loan losses.

A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan by loan basis by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's observable market price, or the fair value of the collateral, if the loan is collateral dependent.

Impaired loans also include loans modified in troubled debt restructurings where concessions have been granted to borrowers experiencing financial difficulties. These concessions could include a reduction in the interest rate on the loan, payment extensions, forgiveness of principal, forbearance or other actions intended to maximize collection. There have been no troubled debt restructurings during 2009 and 2008.

Warrants

In connection with substantially all lending arrangements, the Company receives warrants to purchase shares of stock from the borrower. Because the warrant agreements contain net exercise or "cashless" exercise provisions, the warrants qualify as derivative instruments. The warrants are recorded as assets at estimated fair value on the grant date using the Black-Scholes valuation model. The warrants are considered loan fees and are also recorded as unearned loan income on the grant date. The unearned income is recognized as interest income over the contractual life of the related loan in accordance with the Company's income recognition policy. As all the warrants held are deemed to be derivatives, they are periodically measured at fair value using the Black-Scholes valuation model. Any adjustment to fair value is recorded through earnings as net unrealized gain or loss on warrants. Gains from the disposition of the warrants or stock acquired from the exercise of warrants, are recognized as realized gains on warrants.

The Company values the warrant assets incorporating the following material assumptions:

- Underlying asset value of the issuer is estimated based on information available, including any information regarding the most recent rounds of borrower funding.
- Volatility, or the amount of uncertainty or risk about the size of the changes in the warrant price, is based on guideline publicly traded companies within indices similar in nature to the underlying company issuing the warrant. A total of seven such indices were used. The weighted average volatility assumptions used for the warrant valuation at December 31, 2009 and 2008 were 29% and 25%, respectively.
- The risk-free interest rates are derived from the U.S. Treasury yield curve. The risk-free interest rates are calculated based on a weighted average of the risk-free interest rates that correspond closest to the expected remaining life of the warrant.
- Other adjustments, including a marketability discount, are estimated based on management's judgment about the general industry environment.

Debt Issuance Costs

Debt issuance costs are fees and other direct incremental costs incurred by the Company in obtaining debt financing from its lender and are recognized as assets and are amortized as interest expense over the term of the related Credit Facility. The Company paid total debt issuance costs of $3,431,998 during the period ended December 31, 2008. The unamortized balance of debt issuance costs as of December 31, 2009 and 2008 was $1,355,386 and $2,478,667, respectively, and the amortization expense relating to debt issuance costs during the year ended December 31, 2009 and period ended December 31, 2008 was $1,123,281 and $953,331, respectively.

Income Taxes

The Company is a limited liability company treated as a partnership for U.S. federal income tax purposes and, as a result, all items of income and expense are passed through to, and are generally reportable on, the tax returns of the respective members of each limited liability company. Therefore, no federal or state income tax provision has been recorded.

The FASB issued new guidance on accounting for uncertainty in income taxes. The Company adopted this new guidance for the year ended December 31, 2009. Management evaluated the Company's tax positions and

concluded that the Company had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

Interest Rate Swaps and Hedging Activities

The Company recognizes its interest rate swap derivatives on the balance sheet as either an asset or liability measured at fair value. Changes in the derivatives' fair value are recognized currently in income unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the statement of operations and requires the Company to formally document, designate and assess effectiveness of transactions that receive hedge accounting. Derivatives that are not hedges are adjusted to fair value through earnings. If the derivative qualifies as a hedge, depending on the nature of the hedge, changes in the fair value of derivatives are either offset against the change in fair value of hedged assets, liabilities, or firm commitments through earnings, or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value, if any, is immediately recognized as interest expense.

In March 2008, the FASB issued guidance related to disclosures about derivative instruments and hedging activities. This guidance requires enhanced disclosures of an entity's derivative instruments and hedging activities and their effects on the entity's financial position, financial performance and cash flows. The Company adopted this guidance in 2009. See Note 8 for the enhanced disclosures required by this statement.

Comprehensive Income

Accounting principles generally require that recognized income, expenses, gains and losses be included in net income. Certain changes in assets and liabilities, such as unrealized appreciation or depreciation on interest rate swaps, are reported as a separate component of members' capital in the consolidated balance sheet, and such items, along with net income, are components of comprehensive income.

Fair Value

The Company uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in certain instances, there are no quoted market prices for certain assets or liabilities. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the asset or liability.

Fair value measurements focus on exit prices in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment.

The Company's fair value measurements are classified into a fair value hierarchy based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. The three categories within the hierarchy are as follows:

Level 1 Quoted prices in active markets for identical assets and liabilities.

Level 2 Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities in active markets, quoted prices in markets that are not active, and model-based valuation techniques for which all significant inputs are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

Prior to 2009, the fair value guidance only pertained to financial assets and liabilities. On January 1, 2009, the provisions of the fair value accounting guidance became effective for non-financial assets and liabilities. The Company adopted these provisions in 2009, and there was no impact on the financial statements as there were no non-financial assets or liabilities measured at fair value.

In April 2009, the FASB issued guidance which addressed concerns that fair value measurements emphasized the use of an observable market transaction even when that transaction may not have been orderly or the market for that transaction may not have been active. This guidance relates to the following: (a) determining when the volume and level of activity for the asset or liability has significantly decreased; (b) identifying circumstances in which a transaction is not orderly; and (c) understanding the fair value measurement implications of both (a) and (b). The Company adopted this new guidance in 2009, and the adoption had no impact on the Company's financial statements.

In February 2010, the FASB issued guidance which amends the existing guidance related to fair value measurements and disclosures. The amendments will require the following new fair value disclosures:

- Separate disclosure of the significant transfers in and out of Level 1 and Level 2 fair value measurements, and a description of the reasons for the transfers.
- In the roll forward of activity for Level 3 fair value measurements (significant unobservable inputs), purchases, sales, issuances, and settlements should be presented separately (on a gross basis rather than as one net number).

In addition, the amendments clarify existing disclosure requirements, as follows:

- Fair value measurements and disclosures should be presented for each class of assets and liabilities within a line item in the balance sheet.
- Reporting entities should provide disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements that fall in either Level 2 or Level 3.

The new disclosures and clarifications of existing disclosures are effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures included in the roll forward of activity for Level 3 fair value measurements, for which the effective date is for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years.

See Note 10 for additional information regarding fair value.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales, when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Company — put presumptively beyond the reach of the transferor and its creditors, even in bankruptcy or other receivership, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that

right) to pledge or exchange the transferred assets, and (3) the transferor does not maintain effective control over the transferred assets through either (a) an agreement that both entitles and obligates the transferor to repurchase or redeem the assets before maturity or (b) the ability to unilaterally cause the holder to return specific assets, other than through a cleanup call.

In June 2009, the FASB issued guidance which modifies certain guidance relating to transfers and servicing of financial assets. This guidance eliminates the concept of qualifying special purpose entities, provides guidance as to when a portion of a transferred financial asset can be evaluated for sale accounting, provides additional guidance with regard to accounting for transfers of financial assets and requires additional disclosures. This guidance is effective for the Company as of January 1, 2010, with adoption applied prospectively for transfers that occur on and after the effective date. The adoption of this guidance is not expected to have a material impact on the Company's financial statements.

Subsequent Events

In May 2009, the FASB issued guidance relating to accounting for, and disclosure of, events that occur after the balance sheet date but before financial statements are issued or available to be issued. This guidance defines (i) the period after the balance sheet date during which a reporting entity's management should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, (ii) the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements, and (iii) the disclosures an entity should make about events or transactions that occurred after the balance sheet date. The guidance became effective for the Company during the year ended December 31, 2009.

The Company has evaluated the subsequent events through March 19, 2010, the date on which the financial statements were issued.

Note 3. Loans Receivable

Loans receivable consist of term loans and revolving loans. The loans are payable in installments with final maturities ranging from 24 to 48 months and are generally collateralized by all assets of the borrower. As of December 31, 2009 and 2008, 96.7% and 83.4%, respectively, of the Company's loans are at fixed rates for their term. The weighted average interest rate of the loan portfolio was 12.64% and 12.04% as of December 31, 2009 and 2008, respectively. All loans were made to companies based in the United States of America.

The following is a summary of the changes in the allowance for loan losses:

	Year Ended December 31, 2009	March 4, 2008 (inception) through December 31, 2008
Balance at beginning of period	$ 1,649,653	$ —
Provision for loan losses	274,381	1,649,653
Charge offs, net of recoveries	—	—
Balance at end of period	$ 1,924,034	$ 1,649,653

Note 4. Borrowings

Credit I entered into a $150,000,000 Revolving Credit Facility (the "Credit Facility") with WestLB AG ("WestLB") effective March 4, 2008. The Credit Facility has a three year initial revolving term and is renewable on March 3, 2011, subject to agreement between the Company and WestLB. If the revolving term is not renewed, the

balance will be allowed to amortize over an additional four year term. The interest rate is based upon the one-month LIBOR (0.23% and 0.44% as of December 31, 2009 and 2008, respectively) plus a spread of 2.50%.

The Credit Facility is collateralized by loans held by Credit I and permits an advance rate of up to 75% of eligible loans held by Credit I. The Credit Facility contains covenants that, among other things, require the Company to maintain a minimum net worth and to restrict the loans securing the Credit Facility to certain criteria for qualified loans and includes portfolio company concentration limits as defined in the related loan agreement. At December 31, 2009 and 2008, based on assets of Credit I, the Company had borrowing capacity of approximately $72,160,000 and $65,800,000, respectively, and had actual borrowings outstanding of $64,166,412 and $63,673,016, respectively, on the Credit Facility.

Note 5. Financial Instruments with Off-Balance-Sheet Risk

In the normal course of business, the Company is party to financial instruments with off-balance-sheet risk to meet the financing needs of its borrowers. These financial instruments include commitments to extend credit and involve, to varying degrees, elements of credit risk in excess of the amount recognized in the consolidated balance sheet. The Company attempts to limit its credit risk by conducting extensive due diligence and obtaining collateral where appropriate.

The balance of unfunded commitments to extend credit was $5,400,000 and $18,200,000 at December 31, 2009 and 2008, respectively. Commitments to extend credit consist principally of the unused portions of commitments that obligate CHF to extend credit, such as revolving credit arrangements or similar transactions. Commitments may also include a financial or nonfinancial milestone that has to be achieved before the commitment can be drawn. Commitments generally have fixed expiration dates or other termination clauses. Since commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

Note 6. Concentrations of Credit Risk

The Company's loan portfolio consists primarily of loans to development-stage companies at various stages of development in the information technology and life science industries. Many of these companies may have relatively limited operating histories and also may experience variation in operating results. Many of these companies do business in regulated industries and could be affected by changes in government regulations. Most of the Company's borrowers will need additional capital to satisfy their continuing working capital needs and other requirements, and in many instances to service the interest and principal payments on the loans.

The largest loans may vary from year to year as new loans are recorded and repaid. The Company's five largest loans represented approximately 28% and 29% of total loans outstanding as of December 31, 2009 and 2008, respectively. No single loan represents more than 10% of the total loans as of December 31, 2009 and 2008. Loan income, consisting of interest and fees, can fluctuate significantly upon repayment of large loans. Interest income from the five largest loans accounted for approximately 23% and 21% of total loan interest and fee income for the year ended December 31, 2009 and the period from March 4, 2008 (inception) to December 31, 2008, respectively.

Note 7: Warrants

The Company receives warrants from borrowers in connection with the loans receivable. These warrants generally do not produce a current cash return, but are held for potential investment appreciation and capital gains. For the year ended December 31, 2009 and the period ended December 31, 2008, the Company reported realized gains of $137,696 and $21,571, respectively, and net unrealized appreciation and depreciation of $892,130 and $72,641, respectively, on the warrants.

Note 8: Interest Rate Swaps and Hedging Activities

On October 14, 2008, the Company entered into two interest rate swap agreements (collectively, the "Swap") with WestLB, fixing the rate of $10 million at 3.58% and $15 million at 3.2% on the first advances of a like amount of variable rate Credit Facility borrowings. The interest rate swaps expire in October 2011 and October 2010, respectively. The Swap is designated as a cash flow hedge and is anticipated to be highly effective.

The Company utilizes the Swap to manage risks related to interest rates on the first $25 million of borrowings on the Company's Credit Facility. Accounting for derivatives as hedges requires that, at inception and over the term of the arrangement, the hedged item and related derivative meet the requirements for hedge accounting.

The objective of the Swap is to hedge the risk of changes in cash flows associated with the future interest payments on the first $25 million of the variable rate Credit Facility debt with a combined notional amount of $25 million. This is a hedge of future specified cash flows. As a result, these interest rate swaps are derivatives and were designated as hedging instruments at the inception of the Swap, and the Company has applied cash flow hedge accounting. The Swap is recorded in the consolidated balance sheet at fair value, and any related increases or decreases in the fair value are recognized on the Company's consolidated balance sheet within accumulated other comprehensive income.

At December 31, 2009 and 2008, the Swap has been recorded as a liability on the consolidated balance sheet and the corresponding unrealized loss on the Swap is recorded in accumulated other comprehensive loss, totaling $767,877 and $1,162,563, respectively. The Swap does not contain any credit risk related contingent features.

The Company assesses the effectiveness of its Swap on a quarterly basis. The Company has considered the impact of the current credit crisis in the United States in assessing the risk of counterparty default. The Company believes that it is still likely that the counterparty for the Swap will continue to perform throughout the contract period, and as a result continues to deem the Swap an effective hedging instrument. As most of the critical terms of the hedging instruments and hedged items match, the hedging relationship is considered to be highly effective. Prospective and retrospective assessments of the ineffectiveness of the hedge have been and will be made at the end of each fiscal quarter.

No ineffectiveness on the Swap was recognized during the year ended December 31, 2009 and period ended December 31, 2008. During the year ended December 31, 2009, $756,038 was reclassified from accumulated other comprehensive loss into interest expense, and $571,293 is expected to be reclassified in the next twelve months.

Note 9. Members' Capital

On March 4, 2008, $50,000,000 of capital was contributed to CHF. Since inception, there have been no distributions to members.

Note 10. Fair Value

As described in Note 1, the Company uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. A description of the valuation methodologies used for assets and liabilities recorded at fair value, and for estimating fair value for financial and non-financial instruments not recorded at fair value, is set forth below.

Cash and cash equivalents and accrued interest receivable: The carrying amount is a reasonable estimate of fair value. These financial instruments are not recorded at fair value on a recurring basis.

Loans: For variable rate loans which re-price frequently and have no significant change in credit risk, carrying values are a reasonable estimate of fair values, adjusted for credit losses inherent in the portfolio. The fair value of fixed rate loans is estimated by discounting the future cash flows using the year end rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities,

adjusted for credit losses inherent in the portfolio. The Company does not record loans at fair value on a recurring basis. However, from time to time, nonrecurring fair value adjustments to collateral-dependent impaired loans may be recorded to reflect partial write-downs based on the observable market price or current appraised value of collateral.

Warrants: The Company values its warrants using the Black-Scholes valuation model. The fair value of the Company's warrants held in publicly traded companies are determined based on inputs that are readily available in public markets or can be derived from information available in public markets. Therefore, the Company has categorized these warrants as Level 2 within the fair value hierarchy described in Note 2. The fair value of the Company's warrants held in private companies are determined using both observable and unobservable inputs and represents management's best estimate of what market participants would use in pricing the warrants at the measurement date. Therefore, the Company has categorized these warrants as Level 3 within the fair value hierarchy described in Note 2. These financial instruments are recorded at fair value on a recurring basis.

Borrowings: The carrying amount of borrowings under the revolving credit facility approximates its fair value due to the short duration and variable interest rate of this debt. These financial instruments are not recorded at fair value on a recurring basis. Additionally, the Company considers its creditworthiness in determining the fair value of such borrowings.

Interest rate swap derivatives: The fair value of the Company's interest rate swap derivative instruments is the estimated as the amount the Company would pay to terminate its swaps at the balance sheet date, taking into account current interest rates and the creditworthiness of the counterparty for assets and the credit worthiness of the Company for liabilities. The Company has categorized these derivative instruments as Level 2 within the fair value hierarchy described in Note 2. These financial instruments are recorded at fair value on a recurring basis.

Off-balance-sheet instruments: Fair values for off-balance-sheet lending commitments are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties' credit standings. Off-balance-sheet instruments are not recorded at fair value on a recurring basis.

The following table details the financial instruments that are carried at fair value and measured at fair value on a recurring basis as of December 31, 2009 and 2008, respectively, and indicates the fair value hierarchy of the valuation techniques utilized by the Company to determine the fair value:

	December 31, 2009			
	Balance as of December 31, 2009	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Warrant Assets	$ 2,457,680	$ —	$ 447,417	$ 2,010,263
Interest Rate Swap Liability	$ 767,877	$ —	$ 767,877	$ —

	December 31, 2008			
	Balance as of December 31, 2008	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Warrant Assets	$ 693,644	$ —	$ 136,891	$ 556,753
Interest Rate Swap Liability	$ 1,162,563	$ —	$ 1,162,563	$ —

The following table shows a reconciliation of the beginning and ending balances for Level 3 assets:

	Year Ended December 31, 2009	March 4, 2008 through December 31, 2008
Level 3 assets, beginning of period	$ 556,753	$ —
Warrants received and classified as Level 3	535,034	515,037
Unrealized gains included in earnings	918,476	41,716
Level 3 assets, end of period	$ 2,010,263	$ 556,753

The Company discloses fair value information about financial instruments, whether or not recognized in the balance sheet, for which it is practicable to estimate that value. Certain financial instruments are excluded from the disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Company.

The estimated fair value amounts for 2009 and 2008 have been measured as of the year-end date, and have not been reevaluated or updated for purposes of these financial statements subsequent to that date. As such, the estimated fair values of these financial instruments subsequent to the reporting date may be different than amounts reported at year-end.

The information presented should not be interpreted as an estimate of the fair value of the entire Company since a fair value calculation is only required for a limited portion of the Company's assets and liabilities. Due to the wide range of valuation techniques and the degree of subjectivity used in making the estimates, comparisons between the Company's disclosures and those of other companies may not be meaningful.

As of December 31, 2009 and 2008, the recorded book balances and estimated fair values of the Company's financial instruments were as follows:

	December 31, 2009		December 31, 2008	
	Recorded Book Balance	Estimated Fair Value	Recorded Book Balance	Estimated Fair Value
Financial Assets:				
Cash & cash equivalents	$ 9,892,048	$ 9,892,048	$ 20,024,408	$ 20,024,408
Loans receivable, net	$ 109,496,205	$ 110,654,287	$ 91,480,038	$ 92,100,589
Warrants	$ 2,457,680	$ 2,457,680	$ 693,644	$ 693,644
Accrued interest receivable	$ 1,451,963	$ 1,451,963	$ 502,915	$ 502,915
Financial Liabilities:				
Borrowings	$ 64,166,412	$ 64,166,412	$ 63,673,016	$ 63,673,016
Interest rate swap liability	$ 767,877	$ 767,877	$ 1,162,563	$ 1,162,563

Off-balance-sheet instruments

The Company assumes interest rate risk (the risk that general interest rate levels will change) as a result of its normal operations. As a result, the fair values of the Company's financial instruments will change when interest rate levels change and that change may be either favorable or unfavorable to the Company. Management attempts to match maturities of assets and liabilities to the extent believed necessary to minimize interest rate risk. Management monitors rates and maturities of assets and liabilities and attempts to minimize interest rate risk by adjusting terms of new loans and by investing in securities with terms that mitigate the Company's overall interest rate risk.

Note 11: Related Party Transactions

Horizon Technology Finance Management LLC serves as Advisor for the Company under a Management and Services Agreement which provides for management fees payable monthly to the Advisor at a rate of 2.0% per annum of the gross assets of the Company. The Advisor also generates substantially all investment opportunities for the Company. Total management fee expense was $2,202,268 and $1,073,083 for the year ended December 31, 2009 and the period from March 4, 2008 to December 31, 2008, respectively. Accrued management fees were $181,561 and $159,594 as of December 31, 2009 and 2008, respectively.

Note 12: Subsequent Events

In 2010, the members of the Company intend to exchange their membership interests in the Company for shares of common stock of an entity formed by the Company and expected to be named Horizon Technology Finance Corporation (the "Share Exchange"). In conjunction with the Share Exchange, Horizon Technology Finance Corporation plans on completing an initial public offering ("IPO"). Immediately prior to the completion of an IPO, the Company, to the extent there is available cash on hand at the Company, expects to make a cash distribution ("Pre-IPO Distribution") to its Class A Member from net income and as a return of capital. After the Pre-IPO Distribution and immediately prior to the completion of the IPO, all owners of the Company would exchange their membership interests in the Company for shares of common stock of Horizon Technology Finance Corporation. Horizon Technology Finance Corporation is expected to become the public corporation upon the completion of the IPO. Upon the completion of the Share Exchange and the IPO, the Company would become a wholly owned subsidiary of Horizon Technology Finance Corporation.

Compass Horizon Funding Company LLC

Notes to Consolidated Financial Statements — (Continued)

Note 13: Financial Highlights

Following is a schedule of financial highlights for the year ended December 31, 2009 and the period ended December 31, 2008:

	Year Ended December 31, 2009	Period Ended December 31, 2008
Members’ capital at beginning of period	$ 49,784,808	$ —
Net investment income(1)	8,557,730	2,989,237
Provision for loan losses	(274,381)	(1,649,653)
Net realized gain on warrants	137,696	21,571
Net unrealized gain (loss) on warrants	892,130	(72,641)
Capital contribution	—	49,658,857
Net unrealized gain (loss) on interest rate swaps	394,686	(1,162,563)
Members’ capital at end of period	$ 59,492,669	$ 49,784,808
Ratios and Supplemental data:		
Average Members’ capital	$ 53,937,746	$ 50,184,871
Ratio of expenses to average Members’ capital	12.5%	9.6%
Ratio of net investment income to average Members’ capital	15.9%	7.1%

(1) Net investment income is computed as net income adjusted for (a) provision for loan losses and (b) the net realized and unrealized gain (loss) on warrants.

Through and including , 2010 (the 25th day after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscription.

Horizon Technology Finance

Part C

OTHER INFORMATION

Item 25. ***Financial statements and exhibits***

1. *Financial Statements*

The following financial statements of Horizon Technology Finance Corporation (the "Registrant" or the "Company") are included in Part A of this Registration Statement.

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2. *Exhibits*

Exhibit No.	Description
(a)	Amended and Restated Certificate of Incorporation(2)
(b)	Amended and Restated Bylaws(2)
(d)	Form of Specimen Certificate(1)
(e)	Form of Dividend Reinvestment Plan(2)
(f)(1)	Credit and Security Agreement by and among Horizon Credit I LLC, WestLB AG, New York Branch, U.S. Bank National Association, as custodian and paying agent, and WestLB AG, New York Branch, as agent, dated as of March 4, 2008(3)
(f)(2)	First Amendment of Transaction Documents by and among Horizon Credit I LLC, West LB AG, New York Branch, U.S. Bank National Association, as custodian and paying agent, West LB AG, New York Branch, as agent, Horizon Technology Finance Management LLC, and Lyon Financial Services, Inc., dated as of September 30, 2008.(3)
(f)(3)	Second Amendment of Transaction Documents by and among Horizon Credit I LLC, West LB AG, New York Branch, as the lender and agent, and U.S. Bank National Association, as custodian, dated as of October 7, 2008.(3)

Exhibit No.	Description
(f)(4)	Third Amendment of Transaction Documents by and among Horizon Credit I LLC, Compass Horizon Financing Company LLC, West LB AG, New York Branch, as the lender and agent, and U.S. Bank National Association, as custodian, dated as of June 25, 2010.(2)
(f)(5)	Sale and Contribution Agreement by and between Compass Horizon Funding Company LLC and Horizon Credit I LLC, dated as of March 4, 2008(2)
(g)	Form of Investment Management Agreement(2)
(h)	Form of Underwriting Agreement(2)
(j)(1)	Form of Custody Agreement(1)
(k)(1)	Form of Administration Agreement(2)
(k)(2)	Form of License Agreement by and between the Registrant and Horizon Technology Finance Management LLC(2)
(k)(3)	Form of Registration Rights Agreement among Compass Horizon Partners, LP, HTF-CHF Holdings LLC and the Company(2)
(l)	Opinion and Consent of Counsel to the Company(1)
(n)	Consent of Independent Registered Public Accounting Firm(2)
(r)(1)	Code of Ethics of the Company(1)
(r)(2)	Code of Ethics of our Advisor(1)

(1) To be filed by amendment.

(2) Filed herewith.

(3) Previously filed.

Item 26. ***Marketing arrangements***

The information contained under the heading "Underwriters" in this Registration Statement is incorporated herein by reference.

Item 27. ***Other expenses of issuance and distribution***

The following table sets forth the estimated expenses to be incurred in connection with the offering described in this registration statement:

SEC registration fee	$ 8,912.50
FINRA filing fee	13,000
NASDAQ Global Market listing fee	125,000
Printing (other than certificates)	*
Engraving and printing certificates	*
Accounting fees and expenses	*
Legal fees and expenses	*
Transfer agent fees	*
Miscellaneous fees and expenses	*
Total	$1,500,000

* To be furnished by amendment.

All of the expenses set forth above shall be borne by the Registrant.

Item 28. ***Persons controlled by or under common control with the registrant***

Immediately following the completion of the Share Exchange, we will own 100% of the outstanding equity interests of Compass Horizon Funding Company LLC, a Delaware limited liability company.

Item 29. ***Number of holders of shares***

The following table sets forth the approximate number of record holders of the Company's common stock as of , 2010:

Title of Class	Number of Record Holders
Common Stock, $0.001 par value	

Item 30. ***Indemnification***

The information contained under the heading "Description of Capital Stock" is incorporated herein by reference.

Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended, which we refer to as the "Securities Act," may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is again public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The Registrant carries liability insurance for the benefit of its directors and officers (other than with respect to claims resulting from the willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his or her office) on a claims-made basis.

The Registrant has agreed to indemnify the underwriters against specified liabilities for actions taken in their capacities as such, including liabilities under the Securities Act.

Item 31. ***Business and Other Connections of Investment Advisor***

A description of any other business, profession, vocation or employment of a substantial nature in which Horizon Technology Finance Management LLC, which we refer to as our "Advisor," and each managing director, director or executive officer of our Advisor, is or has been during the past two fiscal years, engaged in for his or her own account or in the capacity of director, officer, employee, partner or trustee, is set forth in Part A of this Registration Statement in the section entitled "Our Advisor." Additional information regarding our Advisor and its executive officers and directors is set forth in its Form ADV, as filed with the Securities and Exchange Commission (SEC File No. 801-71141), and is incorporated herein by reference. See "Management."

Item 32. ***Location of accounts and records***

The Registrant's accounts, books and other documents are currently located at the offices of the Registrant, c/o Advisor, 76 Batterson Park Road, Farmington, Connecticut 06032, and at the offices of the Registrant's Custodian and Transfer Agent, .

Item 33. ***Management services***

Not Applicable.

Item 34. ***Undertakings***

(1) The Registrant hereby undertakes to suspend the offering of its common stock until it amends its prospectus if (a) subsequent to the effective date of its Registration Statement, the net asset value declines more than 10% from its net asset value as of the effective date of the Registration Statement or (b) the net asset value increases to an amount greater than its net proceeds as stated in the prospectus.

(2) Not applicable.

(3) Not applicable.

(4) Not applicable.

(5) (a) For the purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of a registration statement in reliance upon Rule 430A and contained in the form of prospectus filed by the Registrant under Rule 497(h) under the Securities Act of 1933 shall be deemed to be part of the Registration Statement as of the time it was declared effective.

(b) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of the securities at that time shall be deemed to be the initial bona fide offering thereof.

(6) Not applicable.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Farmington, and State of Connecticut, on the 2nd day of July, 2010.

Horizon Technology Finance Corporation

By: /s/ Robert D. Pomeroy, Jr.
Name: Robert D. Pomeroy, Jr.
Title: Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Robert D. Pomeroy, Jr. as true and lawful attorney-in-fact and agent with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities to sign any and all amendments to this Registration Statement (including post-effective amendments, or any abbreviated registration statement and any amendments thereto filed pursuant to Rule 462(b) and otherwise), and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission granting unto said attorney-in-fact and agent the full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the foregoing, as to all intents and purposes as either of them might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, or his substitute, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities set forth below on July 2, 2010. This document may be executed by the signatories hereto on any number of counterparts, all of which constitute one and the same instrument.

Name	Title
/s/ Robert D. Pomeroy, Jr. Robert D. Pomeroy, Jr.	Chief Executive Officer and Chairman of the Board of Directors
* Gerald A. Michaud	President and Director
* David P. Swanson	Director
/s/ James J. Bottiglieri James J. Bottiglieri	Director
/s/ Edmund V. Mahoney Edmund V. Mahoney	Director
/s/ Brett N. Silvers Brett N. Silvers	Director

Name	Title
/s/ Christopher B. Woodward Christopher B. Woodward	Director
/s/ Christopher M. Mathieu Christopher M. Mathieu	Senior Vice President and Chief Financial Officer

*By: /s/ Robert D. Pomeroy, Jr.
Attorney-in-fact

Exhibit (a)

AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION
OF
HORIZON TECHNOLOGY FINANCE CORPORATION

ARTICLE I

Section 1.1 Name. The name of the Corporation is Horizon Technology Finance Corporation (the “Corporation”).

ARTICLE II

Section 2.1 Registered Office and Agent. The address of the registered office of the Corporation in the State of Delaware is 1209 Orange Street, in the City of Wilmington, County of New Castle. The name of its registered agent at that address is The Corporation Trust Company.

ARTICLE III

Section 3.1 Purpose. The purpose of the Corporation is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of the State of Delaware as set forth in Title 8 of the Delaware Code (the “DGCL”).

ARTICLE IV

Section 4.1 Authorized Stock. The total number of shares of stock which the Corporation shall have authority to issue is 101,000,000 consisting of 100,000,000 shares of common stock (the “Common Shares”), each having a par value of one one-thousandth of a dollar ($0.001), and 1,000,000 shares of preferred stock (the “Preferred Shares”), each having a par value of one one-thousandth of a dollar ($0.001).

Section 4.2 Common Shares.

(a) Voting Rights. Except as otherwise required by law or this Certificate of Incorporation, holders of record of Common Shares shall have one vote in respect of each Common Share held by such holder of record on the books of the Corporation for the election of directors and on all other matters submitted to a vote of stockholders of the Corporation.

(b) Dividends. Holders of Common Shares shall be entitled to receive proportionately, when, as and if declared by the Board of Directors, out of the assets of the Corporation legally available therefor, dividends payable either in cash, in property or in shares of capital stock.

(c) Liquidation, Dissolution, or Winding Up. In the event of a dissolution, liquidation or winding up of the affairs of the Corporation (“Liquidation”), holders of Common Shares shall be entitled, unless otherwise provided by law or this Certificate of Incorporation, to receive, after payment of all of the liabilities of the Corporation and redemption or other

retirement of all of the Preferred Shares of the Corporation, or after money sufficient therefore shall have been set aside, all of the remaining assets of the Corporation of whatever kind available for distribution to stockholders ratably in proportion to the number of Common Shares held by them respectively.

Section 4.3 Preferred Shares.

(a) The Board of Directors is expressly authorized to provide for the issuance of all or any of the Preferred Shares in one or more series, and to fix for each such series such voting powers, full or limited, or no voting powers, and such distinctive designations, preferences and relative, participating, optional or other special rights and such qualifications, limitations or restrictions thereof, as shall be stated and expressed in the resolution or resolutions adopted by the Board of Directors providing for the issuance of such series and as may be permitted by the DGCL, including, without limitation, the authority to provide that any such series may be (i) subject to redemption at such time or times and at such price or prices; (ii) entitled to receive dividends (which may be cumulative or non-cumulative) at such rates, on such conditions, and at such times, and payable in preference to, or in such relation to, the dividends payable on any other class or classes or any other series; (iii) entitled to such rights upon the dissolution of, or upon any distribution of the assets of, the Corporation; or (iv) convertible into, or exchangeable for, shares of any other class or classes of stock, or of any other series of the same or any other class or classes of stock, of the Corporation at such price or prices or at such rates of exchange and with such adjustments; all as may be stated in such resolution or resolutions. Any of the foregoing provisions shall be consistent with the requirements of the Investment Company Act of 1940 (the "1940 Act") to the extent applicable.

(b) Each share of each series of the Preferred Shares shall have the same relative rights and be identical in all respects with all the other shares of the same series, except that shares of any one series issued at different times may differ as to the dates, if any, from which dividends thereon shall be cumulative. Except as otherwise provided by law or specified in this ARTICLE IV, any series of the Preferred Shares may differ from any other series with respect to any one or more of the voting powers, designations, powers, preferences and relative, participating, optional and other special rights, if any, and the qualifications, limitations and restrictions thereof.

(c) Before any dividends on any class of stock of the Corporation ranking junior to the Preferred Shares (other than dividends payable in shares of any class of stock of the Corporation ranking junior to the Preferred Shares) shall be declared or paid or set apart for payment, the holders of shares of each series of the Preferred Shares shall be entitled to such cash dividends, but only if, when and as declared by the Board of Directors out of funds legally available therefor, as they may be entitled to in accordance with the resolution or resolutions adopted by the Board of Directors providing for the issuance of such series, payable on such dates as may be fixed by or under direction of the Board of Directors or a committee thereof.

(d) In the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, before any payment or distribution of the assets of the Corporation shall be made to or set apart for the holders of shares of any class of stock of the Corporation ranking junior to the Preferred Shares, the holders, or to have set apart, of the

shares of each series of the Preferred Shares shall be entitled to receive payment of the amount per share fixed in the resolution or resolutions adopted by the Board of Directors providing for the issuance of the shares of such series, plus an amount equal to all dividends accumulated and not yet paid thereon to the date of final distribution to such holders. If, upon any liquidation, dissolution or winding up of the Corporation, the assets of the Corporation, or proceeds thereof, distributable among the holders of the shares of the Preferred Shares shall be insufficient to pay in full the preferential amount aforesaid, then such assets, or the proceeds thereof, shall be distributed among such holders ratably in accordance with the respective amounts which would be payable on such shares if all amounts payable thereon were paid in full. For the purposes of this paragraph (d), the sale, conveyance, exchange or transfer (for cash, shares of stock, securities or other consideration) of all or substantially all of the property or assets of the Corporation or a consolidation or merger of the Corporation with one or more corporations shall not be deemed to be a dissolution, liquidation or winding up, voluntary or involuntary.

(e) The term "junior stock," as used in relation to the Preferred Shares, shall mean the Common Shares and any other class of stock of the Corporation hereafter authorized which by its terms shall rank junior to the Preferred Shares as to dividend rights and as to the distribution of assets upon liquidation, dissolution or winding up of the Corporation.

(f) Before the Corporation shall issue any Preferred Shares of any series authorized as hereinbefore provided, a certificate setting forth a copy of the resolution or resolutions with respect to such series adopted by the Board of Directors of the Corporation pursuant to the foregoing authority vested in said Board of Directors shall be made, filed and recorded in accordance with the then applicable requirements, if any, of the laws of the State of Delaware, or, if no certificate is then so required, such certificate shall be signed and acknowledged on behalf of the Corporation by its president or a vice-president and its corporate seal shall be affixed thereto and attested by its secretary or an assistant secretary and such certificate shall be filed and kept on file at the registered office of the Corporation in the State of Delaware and in such other place or places as the Board of Directors shall designate.

Section 4.4 Shares of any series of the Preferred Shares which shall be issued and thereafter acquired by the Corporation through purchase, redemption, conversion or otherwise, shall return to the status of authorized but unissued shares of the Preferred Shares, undesignated as to series, unless otherwise provided in any resolution or resolutions of the Board of Directors. Unless otherwise provided in the resolution or resolutions of the Board of Directors providing for the issuance thereof, the number of authorized shares of stock of any such series may be increased or decreased (but not below the number of shares thereof then outstanding) by resolution or resolutions of the Board of Directors and the filing of a certificate complying with the requirements referred to in subparagraph 4.3(f) above.

ARTICLE V

Section 5.1 Classified Board. The Board of Directors shall be divided into three classes, designated Class I, Class II and Class III, as nearly equal in number as possible, and the term of office of directors of one class shall expire at each annual meeting of stockholders, and in all cases as to each director when such director's successor shall be elected and shall qualify or upon such director's earlier resignation, removal from office, death or incapacity. Additional

directorships resulting from an increase in number of directors shall be apportioned among the classes as equally as possible. The initial term of office of directors of Class I shall expire at the first annual meeting of stockholders; that of Class II shall expire at the second annual meeting; and that of Class III shall expire at the third annual meeting; and in all cases as to each director when such director's successor shall be elected and shall qualify or upon such director's earlier resignation, removal from office, death or incapacity. Beginning at the first annual meeting and thereafter at each annual meeting, the number of directors equal to the number of directors of the class whose term expires at the time of such meeting (or, if more or less, the number of directors properly nominated and qualified for election) shall be elected to hold office until the third succeeding annual meeting of stockholders after their election.

Section 5.2 Changes. The Board of Directors, by amendment to the Corporation's Bylaws, is expressly authorized to change the number of directors without the consent of the stockholders to any number between three or nine and to allocate such number of directors among the classes as evenly as practicable.

Section 5.3 Elections. Elections of directors need not be by written ballot unless otherwise provided in the Corporation's Bylaws.

Section 5.4 Removal of Directors. Subject to the rights of the shares of any series of Preferred Shares then outstanding, any director may be removed for cause from office by the action of the holders of at least seventy-five percent (75%) of the then outstanding shares of the Corporation's capital stock entitled to vote for the election of the respective director.

Section 5.5 Vote Required to Amend or Repeal. The affirmative vote of the holders of at least seventy-five percent (75%) of the then outstanding shares of the Corporation's capital stock entitled to vote generally in the election of directors, voting together as a single class, shall be required to amend in any respect or repeal this ARTICLE V; provided, however, that if at least sixty-six and two-thirds percent (66 2/3%) of the continuing directors (as defined in Section 9.1) have approved such amendment or repeal, the affirmative vote required for such amendment or repeal shall be a majority of such shares.

Section 5.6 Vacancies. Subject to the rights of the holders of any series of Preferred Shares, and unless the Board of Directors otherwise determines, all vacancies on the Board of Directors and newly created directorships resulting from any increase in the authorized number of directors shall be filled exclusively by a majority of the directors then in office, although less than a quorum, or by a sole remaining director, and shall not be filled by the stockholders.

ARTICLE VI

Section 6.1 The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors.

Section 6.2 Limitation on Liability. No director shall be personally liable to the Corporation or any of its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) pursuant to Section 174 of the Delaware General

Corporation Law or (iv) for any transaction from which the director derived an improper personal benefit. Any repeal or modification of this Section 6.2 by the stockholders of the Corporation shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification with respect to acts or omissions occurring prior to such repeal or modification.

Section 6.3 In addition to the powers and authority hereinbefore or by statute expressly conferred upon them, the directors are hereby empowered to exercise all such powers and do all such acts and things as may be exercised or done by the Corporation, subject, nevertheless, to the provisions of the DGCL and this Certificate of Incorporation

ARTICLE VII

Section 7.1 Special Meetings of Stockholders. Special meetings of the stockholders may be called for any purpose or purposes, unless otherwise prescribed by statute or this Certificate of Incorporation, only by the chairman, chief executive officer or president or by a resolution duly adopted by the affirmative vote of a majority of the members of the Board of Directors.

Section 7.2 Vote Required to Amend or Repeal. The affirmative vote of the holders of at least seventy-five percent (75%) of the then outstanding shares of the Corporation's capital stock entitled to vote generally in the election of directors, voting together as a single class, shall be required to amend in any respect or repeal this ARTICLE VII.

ARTICLE VIII

Section 8.1 Amend or Repeal Bylaws. The Board of Directors is expressly empowered to adopt, amend or repeal the Bylaws of the Corporation; provided, however, that any adoption, amendment or repeal of the Bylaws by the Board of Directors shall require the approval of at least sixty-six and two-thirds percent (66 2/3%) of the continuing directors (as defined in Section 9.1). The stockholders shall not have the right to adopt, amend or repeal the Bylaws of the Corporation.

Section 8.2 Vote Required to Amend or Repeal. The affirmative vote of the holders of at least seventy-five percent (75%) of the then outstanding shares of the Corporation's capital stock entitled to vote generally in the election of directors, voting together as a single class, shall be required to amend in any respect or repeal this ARTICLE VIII.

ARTICLE IX

Section 9.1 The conversion of the Corporation from a business development company to a closed-end investment company or an open-end investment company, the liquidation and dissolution of the Corporation, the merger or consolidation of the Corporation with any entity in a transaction as a result of which the governing documents of the surviving entity do not contain substantially the same provisions as described in Sections 5.1, 5.4, 5.5, 5.6, 7.1, 7.2, 8.1, 8.2, and 9.1 of this Certificate of Incorporation or the amendment of any of the provisions discussed herein shall require the approval of (i) the holders of at least eighty percent (80%) of the then outstanding Shares of the Corporation's capital stock, voting together as a single class, or (ii) at least (A) a

majority of the “continuing directors” and (B) the holders of at least seventy-five percent (75%) of the then outstanding Shares of each affected class or series of the Corporation’s capital stock, voting separately as a class or series. For purposes of this Certificate of Incorporation, a “continuing director” is a director who (x) (A) has been a director of the corporation for at least twelve months and (B) is not a person or an affiliate of a person who enters into, or proposes to enter into, a business combination with the Corporation or (y) (A) is a successor to a continuing director, (B) who was appointed to the Board of Directors by at least a majority of the continuing directors and (C) is not a person or an affiliate of a person who enters into, or proposes to enter into, a business combination with the Corporation.

ARTICLE X

Section 10.1 Meetings of stockholders may be held within or without the State of Delaware, as the Bylaws may provide. The books of the Corporation may be kept (subject to any provision contained in the DGCL) outside the State of Delaware at such place or places as may be designated from time to time by the Board of Directors or in the Bylaws of the Corporation.

ARTICLE XI

Section 11.1 The Corporation is to have perpetual existence.

ARTICLE XII

Section 12.1 The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by statute or by this Certificate of Incorporation, and all rights conferred upon stockholders herein are granted subject to this reservation.

ARTICLE XIII

Section 13.1 The Corporation shall indemnify its directors and officers to the fullest extent authorized or permitted by law, as now or hereafter in effect, and such right to indemnification shall continue as to a person who has ceased to be a director or officer of the Corporation and shall inure to the benefit of his or her heirs, executors and personal and legal representatives; provided, however, that, except for proceedings to enforce rights to indemnification, the Corporation shall not be obligated to indemnify any director or officer (or his or her heirs, executors or personal or legal representatives) in connection with a proceeding (or part thereof) initiated by such person unless such proceeding (or part thereof) was authorized or consented to by the Board of Directors. The right to indemnification conferred by this ARTICLE XIII shall include the right to be paid by the Corporation the expenses incurred in defending or otherwise participating in any proceeding in advance of its final disposition.

Section 13.2 The Corporation may, to the extent authorized from time to time by the Board of Directors, provide rights to indemnification and to the advancement of expenses to employees and agents of the Corporation similar to those conferred in this ARTICLE XIII to directors and officers of the Corporation.

Section 13.3 The rights to indemnification and to the advance of expenses conferred in this ARTICLE XIII shall not be exclusive of any other right which any person may have or hereafter acquire under this Certificate of Incorporation, the Bylaws of the Corporation, any statute, agreement, vote of stockholders or disinterested directors or otherwise.

Section 13.4 The liability of the directors for monetary damages shall be eliminated to the fullest extent under the 1940 Act and other applicable law. Subject to Section 13.5, if the DGCL is amended to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the corporation shall be eliminated to the fullest extent permitted by the DGCL, as so amended.

Section 13.5 Notwithstanding anything in this ARTICLE XIII to the contrary, the rights to indemnification and to the advance of expenses conferred in this ARTICLE XIII shall be subject to the requirements of the 1940 Act to the extent applicable.

Section 13.6 Any repeal or modification of this ARTICLE XIII by the stockholders of the Corporation shall not adversely affect any rights to indemnification and to the advancement of expenses of a director or officer of the Corporation existing at the time of such repeal or modification with respect to any acts or omissions occurring prior to such repeal or modification.

Exhibit (b)

AMENDED AND RESTATED
BYLAWS
OF
HORIZON TECHNOLOGY FINANCE CORPORATION
(A DELAWARE CORPORATION)

These Amended and Restated Bylaws (these “Bylaws”) amend and restate the Bylaws of Horizon Technology Finance Corporation (hereinafter the “Corporation”), dated as of March 16, 2010, are made and adopted as of this day of , 2010 pursuant to the Certificate of Incorporation establishing Horizon Technology Finance Corporation, dated as of March 16, 2010, as from time to time amended (hereinafter the “Certificate of Incorporation”). All words and terms capitalized in these Bylaws shall have the meaning or meanings set forth for such words or terms in the Certificate of Incorporation.

ARTICLE I

OFFICES

1.1 Registered Office. The registered office of the Corporation in the State of Delaware shall be established and maintained at c/o The Corporation Trust Company, 1209 Orange Street, City of Wilmington, County of New Castle, Delaware 19801 and The Corporation Trust Company shall be the registered agent of the corporation in charge thereof.

1.2 Other Offices. The Corporation may also have offices at such other places both within and without the State of Delaware as the board of directors of the Corporation (the “Board of Directors”) may from time to time determine or the business of the Corporation may require.

ARTICLE II

STOCKHOLDER MEETINGS

2.1 Place of Meetings. All meetings of the stockholders shall be held at such time and place, either within or without the State of Delaware, as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting or in a duly executed waiver of notice thereof.

2.2 Annual Meeting. The annual meeting of stockholders shall be held on such date and at such time as may be fixed by the Board of Directors and stated in the notice of the meeting, for the purpose of electing Directors and for the transaction of only such other business as is properly brought before the meeting in accordance with these bylaws (the “Bylaws”).

Written notice of an annual meeting stating the place, date and hour of the meeting, shall be given to each stockholder entitled to vote at such meeting not less than ten (10) nor more than sixty (60) days before the date of the annual meeting.

To be properly brought before the annual meeting, business must be (i) brought before the annual meeting by or at the direction of the Board of Directors, (ii) pursuant to the notice of meeting or (iii) otherwise properly brought before the annual meeting by a stockholder

who is entitled to vote at the meeting and who has complied with the advance notice procedures of these Bylaws. In addition to any other applicable requirements, for business to be properly brought before an annual meeting by a stockholder, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, the stockholder's notice must be delivered by a nationally recognized courier service or mailed by first class United States mail, postage or delivery charges prepaid, and received at the principal executive offices of the Corporation addressed to the attention of the Secretary of the Corporation not earlier than ninety (90) days nor more than one hundred twenty (120) days in advance of the anniversary of the date the Corporation's proxy statement was released to the stockholders in connection with the previous year's annual meeting of stockholders; provided, however, that in the event that no annual meeting was held in the previous year or the date of the annual meeting has been changed by more than thirty (30) days from the date contemplated at the time of the previous year's proxy statement, notice by the stockholder must be received by the Secretary of the Corporation not later than the close of business on the later of (x) the ninetieth (90th) day prior to such annual meeting and (y) the seventh (7th) day following the day on which public announcement of the date of such meeting is first made. A stockholder's notice to the Secretary shall set forth (i) as to each matter the stockholder proposes to bring before the annual meeting (a) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting and (b) any material interest of the stockholder in such business, and (ii) as to the stockholder giving the notice (a) the name and record address of the stockholder and (b) the class, series and number of shares of capital stock of the Corporation which are beneficially owned by the stockholder. Notwithstanding anything in these Bylaws to the contrary, no business shall be conducted at the annual meeting except in accordance with the procedures set forth in this Section 2.2. The officer of the Corporation presiding at an annual meeting shall, if the facts warrant, determine and declare to the annual meeting that business was not properly brought before the annual meeting in accordance with the provisions of this Section 2.2, and, if such officer should so determine, such officer shall so declare to the annual meeting and any such business not properly brought before the meeting shall not be transacted.

2.3 Special Meetings. Special meetings of the stockholders may be called for any purpose or purposes, unless otherwise prescribed by statute or by the Certificate of Incorporation, as amended and/or restated from time to time, by the Secretary only at the request of the Chairman of the Board, the Chief Executive Officer or the President or by a resolution duly adopted by the affirmative vote of a majority of the Board. Such request shall state the purpose or purposes of the proposed meeting. Business transacted at any special meeting shall be limited to matters relating to the purpose or purposes stated in the notice of meeting.

Unless otherwise provided by law, written notice of a special meeting of stockholders, stating the time, place and purpose or purposes thereof, shall be given to each stockholder entitled to vote at such meeting, not less than ten (10) or more than sixty (60) days before the date fixed for the meeting. Business transacted at any special meeting of stockholders shall be limited to the purposes stated in the notice.

Nominations of persons for election to the Board of Directors at a special meeting may be made only (1) by or at the direction of the Board of Directors, (2) provided that the Board of Directors has determined that Directors will be elected at the meeting, by a stockholder

who is entitled to vote at the meeting and who has complied with the advance notice provisions of the bylaws.

2.4 Quorum. The holders of a majority of the capital stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business except as otherwise provided by statute or by the Certificate of Incorporation. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the holders of a majority of the votes entitled to be cast by the stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally noticed. If the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder entitled to vote at the meeting.

2.5 Organization. The Chairman of the Board of Directors shall act as chairman of meetings of the stockholders. The Board of Directors may designate any other officer or Director of the Corporation to act as chairman of any meeting in the absence of the Chairman of the Board of Directors, and the Board of Directors may further provide for determining who shall act as chairman of any stockholders meeting in the absence of the Chairman of the Board of Directors and such designee.

The Secretary of the Corporation shall act as secretary of all meetings of the stockholders, but, in the absence of the Secretary, the presiding officer may appoint any other person to act as secretary of any meeting.

2.6 Voting. A plurality of all the votes cast at a meeting of stockholders duly called and at which a quorum is present shall be sufficient to elect a director. Each share may be voted for as many individuals as there are directors to be elected and for whose election the share is entitled to be voted. Unless otherwise required by law, the Certificate of Incorporation or these Bylaws, any question (other than the election of Directors) properly brought before any meeting of stockholders shall be decided by the affirmative vote of the holders of a majority of the votes cast by stockholders present in person or by proxy at an annual or special meeting duly called for such purpose and entitled to vote thereat. Each stockholder represented at a meeting of stockholders shall be entitled to cast one vote for each share of the capital stock entitled to vote thereat held by such stockholder, unless otherwise provided by the Certificate of Incorporation. Each stockholder entitled to vote at a meeting of stockholders or to express consent or dissent to corporate action in writing without a meeting may authorize any person or persons to act for him, her or it by proxy. All proxies shall be executed in writing and shall be filed with the Secretary of the Corporation not later than the day on which exercised. No proxy shall be voted or acted upon after three (3) years from its date, unless the proxy provides for a longer period. The Board of Directors, in its discretion, or the officer of the Corporation presiding at a meeting of stockholders, in his or her discretion, may require that any votes cast at such meeting shall be cast by written ballot.

2.7 Action of Stockholders Without Meeting. Except as may otherwise be required by law or in the Certificate of Incorporation, any action required or permitted to be taken by stockholders at an annual meeting or special meeting of stockholders may only be taken if it is properly brought before such meeting and may not be taken by written action in lieu of a meeting.

2.8 Voting List. The officer who has charge of the stock ledger of the Corporation shall prepare and make, at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten (10) days prior to the election, either at a place within the city, town or village where the election is to be held, which place shall be specified in the notice of the meeting, or, if not specified, at the place where said meeting is to be held. The list shall be produced and kept at the time and place of election during the whole time thereof and may be inspected by any stockholder of the Corporation who is present.

2.9 Stock Ledger. The stock ledger of the Corporation shall be the only evidence as to who are the stockholders entitled to examine the stock ledger, the list required by Section 2.8 or the books of the Corporation, or to vote in person or by proxy at any meeting of stockholders.

2.10 Adjournment. Any meeting of the stockholders, including one at which Directors are to be elected, may be adjourned for such periods as the presiding officer of the meeting or the stockholders present in person or by proxy and entitled to vote shall direct.

2.11 Ratification. Any transaction questioned in any stockholders' derivative suit, or any other suit to enforce alleged rights of the Corporation or any of its stockholders, on the ground of lack of authority, defective or irregular execution, adverse interest of any Director, officer or stockholder, nondisclosure, miscomputation or the application of improper principles or practices of accounting may be approved, ratified and confirmed before or after judgment by the Board of Directors or by the holders of common stock and, if so approved, ratified or confirmed, shall have the same force and effect as if the questioned transaction had been originally duly authorized, and said approval, ratification or confirmation shall be binding upon the Corporation and all of its stockholders and shall constitute a bar to any claim or execution of any judgment in respect of such questioned transaction.

2.12 Inspectors of Election. The Corporation shall, in advance of any meeting of stockholders, appoint one or more inspectors to act at the meeting and make a written report thereof. The Corporation may designate one or more persons as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate is able to act at a meeting of stockholders, the person presiding at the meeting shall appoint one or more inspectors to act at the meeting. Each inspector, before entering upon the discharge of his duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his ability. The inspector shall: (1) decide upon the qualifications of voters; (2) ascertain the number of shares outstanding and the voting power of each; (3) determine the shares represented at a meeting and the validity of the proxies of ballots; (4) count all votes and ballots;

(5) declare the results; (6) determine and retain for a reasonable period a record of the disposition of any challenges made to any determination by the inspectors; and (7) certify their determination of the number of shares represented at the meeting, and their count of all votes and ballots. The inspectors may appoint or retain other persons or entities to assist the inspectors in the performance of the duties of the inspectors.

ARTICLE III

DIRECTORS

3.1 Powers; Number; Qualifications. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors, except as may be otherwise provided by law or in the Certificate of Incorporation. The number of Directors which shall constitute the Board of Directors shall be not less than three (3) nor more than nine (9). The exact number of Directors shall be fixed from time to time, within the limits specified in this Section 3.1 or in the Certificate of Incorporation, by a majority of the Board of Directors. Directors need not be stockholders of the Corporation. The Board of Directors shall be divided into classes as more fully set forth in the Certificate of Incorporation.

3.2 Nominations. Nominations of persons for election to the Board of Directors of the Corporation at a meeting of stockholders of the Corporation may be made only (i) by or at the direction of the Board of Directors, (ii) pursuant to the notice of meeting or (iii) by a stockholder who is entitled to vote at the meeting and who has complied with the advance notice procedures of these Bylaws. Such nominations by any stockholder shall be made pursuant to timely notice in writing to the Secretary of the Corporation. To be timely, the stockholder's notice must be delivered by a nationally recognized courier service or mailed by first class United States mail, postage or delivery charges prepaid, and received at the principal executive offices of the Corporation addressed to the attention of the Secretary of the Corporation not earlier than ninety (90) days nor more than one hundred twenty (120) days in advance of the anniversary of the date the Corporation's proxy statement was released to the stockholders in connection with the previous year's annual meeting of stockholders; provided, however, that in the event that no annual meeting was held in the previous year or the date of the annual meeting has been changed by more than thirty (30) days from the date contemplated at the time of the previous year's proxy statement, notice by the stockholder must be received by the Secretary of the Corporation not later than the close of business on the later of (x) the ninetieth (90th) day prior to such annual meeting and (y) the seventh (7th) day following the day on which public announcement of the date of such meeting is first made. Such stockholder's notice to the Secretary shall set forth (i) as to each person whom the stockholder proposes to nominate for election or reelection as a Director, (a) the name, age, business address and residence address of the person, (b) the principal occupation or employment of the person, (c) the class and number of shares of capital stock of the Corporation which are beneficially owned by the person and (d) any other information relating to the person that is required to be disclosed in solicitations for proxies for election of Directors pursuant to the rules and regulations of the Securities and Exchange Commission under Section 14 of the Securities Exchange Act of 1934, as amended, and (ii) as to the stockholder giving the notice (a) the name and record address of the stockholder and (b) the class and number of shares of capital stock of the Corporation which are beneficially owned by the stockholder. The Corporation may require any proposed nominee to furnish such other

information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as a Director of the Corporation. No person shall be eligible for election as a Director of the Corporation unless nominated in accordance with the procedures set forth herein. The officer of the Corporation presiding at an annual meeting shall, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the foregoing procedure, and if he or she should so determine, he or she shall so declare to the meeting and the defective nomination shall be disregarded.

3.3 Meetings. The Board of Directors may hold meetings, both regular and special, either within or without the State of Delaware. The first meeting of each newly elected Board of Directors shall be held immediately after and at the same place as the meeting of the stockholders at which it is elected and no notice of such meeting shall be necessary to the newly elected Directors in order to legally constitute the meeting, provided a quorum shall be present. Regular meetings of the Board of Directors may be held without notice at such time and place as shall from time to time be determined by the Board of Directors. Special meetings of the Board of Directors, or of the Directors who have been determined by the Board of Directors to be "independent directors" (any such Director, an "Independent Director"), may be called by the Chief Executive Officer, the Lead Director or a majority of the entire Board of Directors. Notice of a special meeting of the Board of Directors stating the place, date and hour of such meeting shall be given to each Director either by mail not less than forty-eight (48) hours before the date of the meeting, by telephone, facsimile, telegram or e-mail on twenty-four (24) hours' notice, or on such shorter notice as the person or persons calling such meeting may deem necessary or appropriate in the circumstances.

3.4 Quorum. Except as may be otherwise specifically provided by law, the Certificate of Incorporation or these Bylaws, at all meetings of the Board of Directors or any committee thereof, a majority of the entire Board of Directors or such committee, as the case may be, shall constitute a quorum for the transaction of business and the act of a majority of the Directors present at any meeting at which there is a quorum shall be the act of the Board of Directors. If a quorum shall not be present at any meeting of the Board of Directors or of any committee thereof, a majority of the Directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

3.5 Organization of Meetings. The Board of Directors shall elect one of its members to be Chairman of the Board of Directors. The Chairman of the Board of Directors shall lead the Board of Directors in fulfilling its responsibilities as set forth in these Bylaws, including its responsibility to oversee the performance of the Corporation, and shall determine the agenda and perform all other duties and exercise all other powers which are or from time to time may be delegated to him or her by the Board of Directors.

Meetings of the Board of Directors shall be presided over by the Chairman of the Board of Directors, or in his or her absence, by the Lead Director, or in the absence of the Chairman of the Board of Directors and the Lead Director, by such other person as the Board of Directors may designate or the members present may select.

3.6 Actions of Board of Directors Without Meeting. Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, any action required or permitted to be taken at

any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if all members of the Board of Directors or of such committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board of Directors or committee.

3.7 Resignations. Any Director may resign at any time by submitting his or her written resignation to the Board of Directors or Secretary of the Corporation. Such resignation shall take effect at the time of its receipt by the Corporation unless another time be fixed in the resignation, in which case it shall become effective at the time so fixed. The acceptance of a resignation shall not be required to make it effective.

3.8 Committees. The Board of Directors may designate one or more committees, each committee to consist of one or more of the Directors of the Corporation. In the absence or disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he, she or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided by law and in the resolution of the Board of Directors establishing such committee, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it; but no such committee shall have the power or authority in reference to amending the Certificate of Incorporation, adopting an agreement of merger or consolidation, recommending to the stockholders the sale, lease or exchange of all or substantially all of the Corporation's property and assets, recommending to the stockholders a dissolution of the Corporation or a revocation of a dissolution or amending the Bylaws of the Corporation; and, unless the resolution expressly so provides, no such committee shall have the power or authority to declare a dividend or to authorize the issuance of stock or to adopt a certificate of ownership and merger. Each committee shall keep regular minutes of its meetings and report the same to the Board of Directors when required.

3.9 Lead Director. The Board of Directors may include a Lead Director. The Lead Director shall preside at all meetings of the Board of Directors at which the Chairman of the Board of Directors is not present, shall preside over the executive sessions of the Independent Directors, shall serve as a liaison between the Chairman of the Board of Directors and the Board of Directors and shall exercise and perform such other powers and duties as may be assigned to the Lead Director by these Bylaws or the Board of Directors. If the Board of Directors determines to have a Lead Director, the Lead Director shall be an Independent Director and shall be elected by a majority of the Independent Directors.

3.10 Compensation. Unless restricted by the Certificate of Incorporation or these Bylaws, the Directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors and may be paid a fixed amount (in cash or other form of consideration) for attendance at each meeting of the Board of Directors or a stated salary as Director, as determined by the Board of Directors from time to time. No such payment shall preclude any Director from serving the Corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for attending committee meetings, as determined by the Board of Directors from time to time.

3.11 Interested Directors. No contract or transaction between the Corporation and one or more of its Directors or officers, or between the Corporation and any other corporation, partnership, association, or other organization in which one or more of its Directors or officers are Directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because the Director or officer is present at or participates in the meeting of the Board of Directors or committee thereof which authorizes the contract or transaction, or solely because his, her or their votes are counted for such purpose, if (i) the material facts as to his, her or their relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors or the committee, and the Board of Directors or committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested Directors, even though the disinterested Directors be less than a quorum, (ii) the material facts as to his, her or their relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the stockholders or (iii) the contract or transaction is fair as to the Corporation as of the time it is authorized, approved or ratified, by the Board of Directors, a committee thereof or the stockholders. Common or interested Directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee which authorizes the contract or transaction.

3.12 Meetings by Means of Conference Telephone. Members of the Board of Directors or any committee designed by the Board of Directors may participate in a meeting of the Board of Directors or of a committee of the Board of Directors by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this Section 3.12 shall constitute presence in person at such meeting.

ARTICLE IV

OFFICERS

4.1 General. The officers of the Corporation shall be elected by the Board of Directors and may consist of: a Chief Executive Officer, President, Chief Financial Officer, Chief Compliance Officer, Secretary and Treasurer. The Board of Directors, in its discretion, may also elect one or more Vice Presidents (including Executive Vice Presidents and Senior Vice Presidents), Assistant Secretaries, Assistant Treasurers, a Controller and such other officers as in the judgment of the Board of Directors may be necessary or desirable. Any number of offices may be held by the same person and more than one person may hold the same office, unless otherwise prohibited by law, the Certificate of Incorporation or these Bylaws. The officers of the Corporation need not be stockholders of the Corporation, nor need such officers be Directors of the Corporation.

4.2 Election. The Board of Directors at its first meeting held after each annual meeting of stockholders shall elect the officers of the Corporation who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board of Directors; and all officers of the Corporation shall hold office until their successors are chosen and qualified, or until their earlier resignation or removal. Any vacancy occurring in any office of the Corporation shall be filled by the Board of Directors. The

salaries of all officers who are Directors of the Corporation shall be fixed by the Board of Directors or a committee thereof.

4.3 Voting Securities Owned by the Corporation. Powers of attorney, proxies, waivers of notice of meeting, consents and other instruments relating to securities owned by the Corporation may be executed in the name of and on behalf of the Corporation by the Chief Executive Officer, the President, Chief Financial Officer or any Vice President, and any such officer may, in the name and on behalf of the Corporation, take all such action as any such officer may deem advisable to vote in person or by proxy at any meeting of security holders of any corporation in which the Corporation may own securities and at any such meeting shall possess and may exercise any and all rights and powers incident to the ownership of such securities and which, as the owner thereof, the Corporation might have exercised and possessed if present. The Board of Directors may, by resolution, from time to time confer like powers upon any other person or persons.

4.4 Chief Executive Officer. Subject to the provisions of these Bylaws and to the control of the Board of Directors, the Chief Executive Officer shall have general supervision, direction and control of the business and the officers of the Corporation. He or she shall have the general powers and duties of management usually vested in the chief executive officer of a Corporation, including general supervision, direction and control of the business and supervision of other officers of the Corporation, and shall have such other powers and duties as may be prescribed by the Board of Directors.

4.5 President. In the absence or disability of the Chief Executive Officer, the President shall perform all the duties of the Chief Executive Officer and when so acting shall have all the powers of, and be subject to all the restrictions upon, the Chief Executive Officer. The President shall have such other powers and perform such other duties as from time to time may be prescribed for him or her by the Board of Directors, these Bylaws, the Chief Executive Officer or the Chairman of the Board of Directors.

4.6 Chief Compliance Officer. The Chief Compliance Officer shall have general responsibility for the compliance matters of the Corporation and shall perform such other duties and exercise such other powers which are or from time to time may be delegated to him or her by the Board of Directors or these Bylaws, all in accordance with policies as established by and subject to oversight of the Board of Directors. Additionally, the Chief Compliance Officer shall, no less than annually, (i) provide a written report to the Board of Directors, the content of which shall comply with Rule 38a-1 of the Investment Company Act of 1940, as amended (the “1940 Act”), and meet separately with the Corporation’s independent directors.

4.7 Chief Financial Officer. The Chief Financial Officer shall have general supervision, direction and control of the financial affairs of the Corporation and shall perform such other duties and exercise such other powers which are or from time to time may be delegated to him or her by the Board of Directors or these Bylaws, all in accordance with policies as established by and subject to the oversight of the Board of Directors. In the absence of either a named Treasurer or Controller, the Chief Financial Officer shall also have the powers and duties of the Treasurer or Controller, as applicable, as hereinafter set forth and shall be

authorized and empowered to sign as Treasurer or Controller, as applicable, in any case where such officer's signature is required.

4.8 Vice Presidents. In the absence or disability of the President, the Vice Presidents, if any, in order of their rank as fixed by the Board of Directors, or, if not ranked, a vice president designated by the Board of Directors, shall perform all the duties of the chief executive officer and when so acting shall have all the powers of, and be subject to all the restrictions upon, the Chief Executive Officer. The Vice Presidents shall have such other powers and perform such other duties as from time to time may be prescribed for them respectively by the Board of Directors, these Bylaws, the Chief Executive Officer, the President or the Chairman of the Board of Directors.

4.9 Secretary. The Secretary shall attend all meetings of the Board of Directors and all meetings of stockholders and record all the proceedings thereat in a book or books to be kept for that purpose; the Secretary shall also perform like duties for the standing committees when required. The Secretary shall give, or cause to be given, notice of all meetings of the stockholders and special meetings of the Board of Directors, and shall perform such other duties as may be prescribed by the Board of Directors or the Chief Executive Officer, under whose supervision the Secretary shall be. If the Secretary shall be unable or shall refuse to cause to be given notice of all meetings of the stockholders and special meetings of the Board of Directors, then any Assistant Secretary shall perform such actions. If there is no Assistant Secretary, then the Board of Directors or the Chief Executive Officer may choose another officer to cause such notice to be given. The Secretary shall have custody of the seal of the Corporation and the Secretary or any Assistant Secretary, if there is one, shall have authority to affix the same to any instrument requiring it and when so affixed, it may be attested by the signature of the Secretary or by the signature of any such Assistant Secretary. The Board of Directors may give general authority to any other officer to affix the seal of the Corporation and to attest the affixing by his signature. The Secretary shall see that all books, reports, statements, certificates and other documents and records required by law to be kept or filed are properly kept or filed, as the case may be.

4.10 Treasurer. The Treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors. The Treasurer shall disburse the funds of the Corporation as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the Chief Executive Officer and the Board of Directors, at its regular meetings, or when the Board of Directors so requires, an account of all his transactions as Treasurer and of the financial condition of the Corporation.

4.11 Assistant Secretaries. Except as may be otherwise provided in these Bylaws, Assistant Secretaries, if there are any, shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors, the Chief Executive Officer, the President, any Vice President, if there is one, or the Secretary, and in the absence of the Secretary or in the event of his or her disability or refusal to act, shall perform the duties of the

Secretary, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Secretary.

4.12 Assistant Treasurers. Assistant Treasurers, if there are any, shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors, the Chief Executive Officer, the President, any Vice President, if there is one, or the Treasurer, and in the absence of the Treasurer or in the event of his or her disability or refusal to act, shall perform the duties of the Treasurer, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Treasurer. If required by the Board of Directors, an Assistant Treasurer shall give the Corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of his or her office and for the restoration to the Corporation, in case of his or her death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his or her possession or under his or her control belonging to the Corporation.

4.13 Controller. The Controller, if there is any, shall establish and maintain the accounting records of the Corporation in accordance with generally accepted accounting principles applied on a consistent basis, maintain proper internal control of the assets of the Corporation and shall perform such other duties as the Board of Directors, the Chief Executive Officer, the President or the Chief Financial Officer of the Corporation may prescribe.

4.14 Other Officers. Such other officers as the Board of Directors may choose shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors. The Board of Directors may delegate to any other officer of the Corporation the power to choose such other officers and to prescribe their respective duties and powers.

4.15 Vacancies. The Board of Directors shall have the power to fill any vacancies in any office occurring from whatever reason.

4.16 Resignations. Any officer may resign at any time by submitting his or her written resignation to the Corporation. Such resignation shall take effect at the time of its receipt by the Corporation, unless another time be fixed in the resignation, in which case it shall become effective at the time so fixed. The acceptance of a resignation shall not be required to make it effective.

4.17 Removal. Subject to the provisions of any employment agreement approved by the Board of Directors, any officer of the Corporation may be removed at any time, with or without cause, by the affirmative vote of a majority of the Board of Directors.

ARTICLE V

CAPITAL STOCK

5.1 Form of Certificates. Shares of the capital stock of the corporation may be certificated or uncertificated, as provided under the laws of the State of Delaware. Any stockholder, upon written request to the transfer agent of the Corporation, shall be entitled to have a certificate signed, in the name of the Corporation (i) by the Chairman of the Board, the Chief Executive Officer, the President, the Chief Financial Officer or any Vice-President and (ii) by the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary of the Corporation, certifying the number of shares owned by him, her or it in the Corporation.

5.2 Signatures. Any or all of the signatures on a certificate representing shares of stock may be a facsimile, including signatures of officers of the Corporation, but each such certificate authenticated by a facsimile of a signature must be countersigned by the transfer agent of the Corporation and be registered by an incorporated bank or trust company, either domestic or foreign, as registrar of transfers, before issuance. In case an officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he or she were such officer, transfer agent or registrar at the date of issue.

5.3 Lost Certificates. The Board of Directors may direct a new certificate or certificates or uncertificated shares to be issued in place of any certificate or certificates theretofore issued by the Corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate or uncertificated shares, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate, or his, her or its legal representative, to advertise the same in such manner as the Board of Directors shall require and/or to give the Corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the Corporation with respect to the certificate alleged to have been lost, stolen or destroyed.

5.4 Transfers. Stock of the Corporation shall be transferable in the manner prescribed by law and in these Bylaws. Transfers of stock shall be made on the books of the Corporation only by the holder of record thereof, or by the holder's attorney lawfully constituted in writing and either (a) in the case of stock represented by a certificate, upon surrender for cancellation of any such certificate for such shares, duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, or (b) in the case of uncertificated stock, upon proper instructions from the holder of record of such shares or the holder's attorney lawfully constituted in writing, and with such proof of the authenticity of the signatures as the Corporation or its agents may reasonably require and with all required stock transfer tax stamps affixed thereto and cancelled or accompanied by sufficient funds to pay such taxes. Upon surrender to the Corporation or the transfer agent of the Corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, it shall be the duty of the Corporation to issue a new certificate or uncertificated shares

to the person entitled thereto, cancel the old certificate and record the transactions upon its books, unless the Corporation has a duty to inquire as to adverse claims with respect to such transfer which has not been discharged. The Corporation shall have no duty to inquire into adverse claims with respect to such transfer unless (i) the Corporation has received a written notification of an adverse claim at a time and in a manner which affords the Corporation a reasonable opportunity to act on it prior to the issuance of a new, reissued or re-registered share certificate or new, reissued or re-registered uncertificated shares, and the notification identifies the claimant, the registered owner and the issue of which the share or shares is a part and provides an address for communications directed to the claimant or (ii) the Corporation has required and obtained, with respect to a fiduciary, a copy of a will, trust, indenture, articles of co-partnership, bylaws or other controlling instruments, for a purpose other than to obtain appropriate evidence of the appointment or incumbency of the fiduciary, and such documents indicate, upon reasonable inspection, the existence of an adverse claim. The Corporation may discharge any duty of inquiry by any reasonable means, including notifying an adverse claimant by registered or certified mail at the address furnished by him, her or its, if there be no such address, at his, her or its residence or regular place of business that the security has been presented for registration of transfer by a named person, and that the transfer will be registered unless within thirty days from the date of mailing the notification, either (i) an appropriate restraining order, injunction or other process issues from a court of competent jurisdiction or (ii) an indemnity bond, sufficient in the Corporation's judgment to protect the Corporation and any transfer agent, registrar or other agent of the Corporation involved from any loss which it or they may suffer by complying with the adverse claim, is filed with the Corporation.

5.5 Fixing Record Date. In order that the Corporation may determine the stockholders entitled to notice or to vote at any meeting of stockholders or any adjournment thereof, or to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record is adopted by the Board of Directors, and which record date shall not be more than sixty (60) nor less than ten (10) days before the date of such meeting, nor more than ten (10) days after the date upon which the resolution fixing the record date of action with a meeting is adopted by the Board of Directors, nor more than sixty (60) days prior to any other action. If no record date is fixed:

(a) The record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held; or

(b) The record date for determining stockholders for any other purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

5.6 Stock Ledger. The Corporation shall maintain at its principal office or at the office of its counsel, accountants or transfer agent, an original or duplicate share ledger containing the name and address of each stockholder and the number of shares of each class held by such stockholder.

5.7 Fractional Shares. The Board of Directors may issue fractional stock or provide for the issuance of scrip, all on such terms and under such conditions as they may determine. Notwithstanding any other provision of the charter or these Bylaws, the Board of Directors may issue units consisting of different securities of the Corporation. Any security issued in a unit shall have the same characteristics as any identical securities issued by the Corporation, except that the Board of Directors may provide that for a specified period securities of the Corporation issued in such unit may be transferred on the books of the Corporation only in such unit.

5.8 Registered Stockholders. Prior to due presentment for transfer of any share or shares, the Corporation shall treat the registered owner thereof as the person exclusively entitled to vote, to receive notifications and to all other benefits of ownership with respect to such share or shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of the State Delaware.

ARTICLE VI

NOTICES

6.1 Form of Notice. Notices to Directors and stockholders other than notices to Directors of special meetings of the Board of Directors which may be given by any means stated in Section 3.3, shall be in writing and delivered personally or mailed to the Directors or stockholders at their addresses appearing on the books of the Corporation. Notice by mail shall be deemed to be given at the time when the same shall be mailed. Notice to Directors may also be given by telegram.

6.2 Waiver of Notice. Whenever any notice is required to be given under the provisions of law or the Certificate of Incorporation or by these Bylaws, a written waiver, signed by the person or persons entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular, or special meeting of the stockholders, Directors, or members of a committee of Directors need be specified in any written waiver of notice unless so required by the Certificate of Incorporation.

ARTICLE VII

INDEMNIFICATION OF DIRECTORS AND OFFICERS

7.1 The Corporation shall indemnify to the fullest extend permitted by the Delaware General Corporation Law, as may be amended from time to time (the "DGCL"), any person who

was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that he or she is or was a Director or officer of the Corporation against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually incurred by him or her in connection with such action, suit or proceeding if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his or her conduct was unlawful.

7.2 The Corporation shall indemnify to the fullest extend permitted by the DGCL any person who was or is a party, or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he or she is or was a Director or officer of the Corporation against expenses (including attorneys' fees) actually incurred by him or her in connection with the defense or settlement of such action or suit if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

7.3 To the extent that a present or former Director or officer of the Corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Sections 7.1 or 7.2, or in defense of any claim, issue or matter therein, he or she shall be indemnified to the fullest extend permitted by the DGCL against expenses (including attorneys' fees) actually incurred by him or her in connection therewith.

7.4 Any indemnification under Sections 7.1 or 7.2 (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the Director or officer is proper in the circumstances because he or she has met the applicable standard of conduct set forth in such section. Such determination shall be made:

(a) by the Board of Directors by a majority vote of a quorum consisting of Directors who were not parties to such action, suit or proceeding, even though less than a quorum;

(b) by a committee of such Directors designated by majority vote of such Directors, even though less than a quorum;

(c) by independent legal counsel in a written opinion, if there are no such Directors, or such Directors so direct; or

(d) by the stockholders.

7.5 Without the necessity of entering into an express contract, all rights to indemnification and advances to Directors under these Bylaws shall be deemed to be contractual rights and shall be effective to the same extent and as if provided for in a contract between the Corporation and the applicable Director. Any right to indemnification or advances granted by this section to a Director shall be enforceable by or on behalf of the person holding such right in any court of competent jurisdiction if (i) the claim for indemnification or advances is denied, in whole or in part, or (ii) no disposition of such claim is made within ninety (90) days of request therefor. To the extent permitted by applicable law, the claimant in such enforcement action, if successful in whole or in part, shall be entitled to be paid also the expense of prosecuting the claim. In connection with any action arising from or in respect of a claim for indemnification, the Corporation shall be entitled to raise as a defense to such action that the claimant has not met the standards of conduct that make it permissible under the DGCL or any other applicable law for the Corporation to indemnify the claimant for the amount claimed. Neither the failure of the Corporation (including the Board of Directors, its independent legal counsel or its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because such claimant has met the applicable standard of conduct set forth in the DGCL or any other applicable law, nor an actual determination by the Corporation (including the Board of Directors, its independent legal counsel or its stockholders) that such claimant has not met such applicable standard of conduct, shall be a defense to such action or create a presumption that such claimant has not met the applicable standard of conduct. In any suit brought by a Director to enforce a right to indemnification or to an advancement of expenses hereunder, the burden of proving that the Director or is not entitled to be indemnified, or to such advancement of expenses, under this section or otherwise shall be on the Corporation.

7.6 Expenses (including attorneys' fees) incurred by an officer or Director in defending any civil, criminal, administrative or investigative action, suit or proceeding shall, to the fullest extend permitted by the DGCL, be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such Director or officer to repay such amount if it shall ultimately be determined that he or she is not entitled to be indemnified by the Corporation as authorized in this ARTICLE VII. Such expenses (including attorneys' fees) incurred by other employees and agents may be so paid upon such terms and conditions, if any, as the Board of Directors deems appropriate.

7.7 The Corporation may, to the extent authorized from time to time by the Board of Directors, provide rights to indemnification and to the advancement of expenses to employees and agents of the Corporation and persons who are or were serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, similar to those conferred in this ARTICLE VII to Directors and officers of the Corporation.

7.8 The indemnification and advancement of expenses provided by, or granted pursuant to the other sections of this ARTICLE VII shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any bylaw, agreement, vote of stockholders or disinterested Directors or otherwise, both as to action in his or her official capacity and as to action in another capacity while holding such office.

7.9 The Corporation shall have power to purchase and maintain insurance on behalf of any person who is or was a Director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a Director, officer, employee or agent of another Corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the Corporation would have the power to indemnify him or her against such liability under the provisions of this ARTICLE VII.

7.10 For purposes of this ARTICLE VII, references to “the Corporation” shall include, in addition to the resulting Corporation, any constituent Corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its Directors, officers, and employees or agents, so that any person who is or was a Director, officer, employee or agent of such constituent Corporation, or is or was serving at the request of such constituent Corporation as a Director, officer, employee or agent of another Corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under this ARTICLE VII with respect to the resulting or surviving Corporation as he or she would have with respect to such constituent Corporation of its separate existence had continued.

7.11 For purposes of this ARTICLE VII, references to “other enterprises” shall include employee benefit plans; references to “fines” shall include any excise taxes assessed on a person with respect to any employee benefit plan; and references to “serving at the request of the Corporation” shall include any service as a Director, officer, employee or agent of the Corporation which imposes duties on, or involves services by, such Director, officer, employee or agent with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner he or she reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner “not opposed to the best interests of the Corporation” as referred to in this ARTICLE VII.

7.12 The indemnification and advancement of expenses provided by, or granted pursuant to, this ARTICLE VII shall continue as to a person who has ceased to be a Director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

7.13 No Director or officer of the Corporation shall be personally liable to the Corporation or to any stockholder of the Corporation for monetary damages for breach of fiduciary duty as a Director or officer, provided that this provision shall not:

(a) limit the liability of a Director or officer (i) for any breach of the Director's or the officer's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the DGCL or (iv) for any transaction from which the Director or officer derived an improper personal benefit; or

(b) otherwise be effective to protect any Director or officer against liability to the Corporation or its stockholders to which such Director or officer would otherwise be subject by reason of willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of such Director's or officer's office.

ARTICLE VIII

GENERAL PROVISIONS

8.1 Reliance on Books and Records. Each Director, each member of any committee designated by the Board of Directors, and each officer of the Corporation, shall, in the performance of his or her duties, be fully protected in relying in good faith upon the books of account or other records of the Corporation, including reports made to the Corporation by any of its officers, by an independent certified public accountant or by an appraiser selected with reasonable care.

8.2 Maintenance and Inspection of Records. The Corporation shall, either at its principal executive office or at such place or places as designated by the Board of Directors, keep a record of its stockholders listing their names and addresses and the number and class of shares held by each stockholder, a copy of these Bylaws, as may be amended to date, minute books, accounting books and other records.

Any such records maintained by the Corporation may be kept on, or by means of, or be in the form of, any information storage device or method, provided that the records so kept can be converted into clearly legible paper form within a reasonable time. The Corporation shall so convert any records so kept upon the request of any person entitled to inspect such records pursuant to the provisions of the DGCL. When records are kept in such manner, a clearly legible paper form produced from or by means of the information storage device or method shall be admissible in evidence, and accepted for all other purposes, to the same extent as an original paper form accurately portrays the record.

Any stockholder of record, in person or by attorney or other agent, shall, upon written demand under oath stating the purpose thereof, have the right during the usual hours for business to inspect for any proper purpose the Corporation's stock ledger, a list of its stockholders and its other books and records and to make copies or extracts therefrom. A proper purpose shall mean a purpose reasonably related to such person's interest as a stockholder. In every instance where an attorney or other agent is the person who seeks the right to inspection, the demand under oath shall be accompanied by a power of attorney or such other writing that authorizes the attorney or other agent to so act on behalf of the stockholder. The demand under

oath shall be directed to the Corporation at its registered office in Delaware or at its principal executive office.

8.3 Inspection by Directors. Any Director shall have the right to examine the Corporation's stock ledger, a list of its stockholders and its other books and records for a purpose reasonably related to his or her position as a Director.

8.4 Dividends. Subject to the provisions of the Certificate of Incorporation, if any, dividends upon the capital stock of the Corporation may be declared by the Board of Directors at any regular or special meeting, pursuant to law. Dividends may be paid in cash, in property, or in shares of the capital stock, subject to the provisions of the Certificate of Incorporation. Before payment of any dividend, there may be set aside out of any funds of the Corporation available for dividends such sum or sums as the Directors from time to time, in their absolute discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the Corporation, or for such other purpose as the Directors shall think conducive to the interest of the Corporation, and the Directors may modify or abolish any such reserve in the manner in which it was created.

8.5 Annual Statement. The Board of Directors shall present at each annual meeting, and at any special meeting of the stockholders when called for by vote of the stockholders, a full and clear statement of the business and condition of the Corporation.

8.6 Checks. All checks or demands for money and notes of the Corporation shall be signed by such officer or officers or such other persons as the Board of Directors may from time to time designate.

8.7 Fiscal Year. The fiscal year of the Corporation shall be as determined by the Board of Directors. If the Board of Directors shall fail to do so, the Chief Executive Officer shall fix the fiscal year.

8.8 Seal. The corporate seal shall have inscribed thereon the name of the Corporation, the year of its organization and the words "Corporate Seal, Delaware." The seal may be used by causing it or a facsimile thereof to be impressed or affixed or in any manner reproduced.

8.9 Amendments. The original or other bylaws may be adopted, amended or repealed by the stockholders entitled to vote thereon at any regular or special meeting or, if the Certificate of Incorporation so provides, by the Board of Directors. The fact that such power has been so conferred upon the Board of Directors shall not divest the stockholders of the power nor limit their power to adopt, amend or repeal bylaws.

8.10 Interpretation of Bylaws. All words, terms and provisions of these Bylaws shall be interpreted and defined by and in accordance with the DGCL.

8.11 Conflict with 1940 Act. If and to the extent that any provision of the DGCL or any provision of these Bylaws shall conflict with any provision of the 1940 Act, the applicable provision of the 1940 Act shall control.

Exhibit (e)

FORM OF
DIVIDEND REINVESTMENT PLAN
OF
HORIZON TECHNOLOGY FINANCE CORPORATION

Horizon Technology Finance Corporation, a Delaware corporation (the "Corporation"), hereby adopts the following plan (the "Plan") with respect to dividends and distributions (collectively, "dividends") declared by its Board of Directors on shares of its Common Stock:

1. Unless a stockholder specifically elects to receive cash as set forth below, all dividends hereafter declared by the Board of Directors shall be payable in shares of the Common Stock of the Corporation, and no action shall be required on such stockholder's part to receive a dividend in stock.

2. Such dividends shall be payable on such date or dates as may be fixed from time to time by the Board of Directors to stockholders of record at the close of business on the record date(s) established by the Board of Directors for the dividend involved.

3. The Corporation shall primarily use newly-issued shares of its Common Stock to implement the Plan, whether its shares are trading at a premium or at a discount to net asset value. However, the Corporation reserves the right to direct the Plan Administrator to purchase shares of its Common Stock in the open market in connection with the implementation of the Plan. The number of newly-issued shares to be issued to a stockholder shall be determined by dividing the total dollar amount of the dividend payable to such stockholder by the market price per share of the Corporation's Common Stock at the close of regular trading on the NASDAQ Global Market on the valuation date fixed by the Board of Directors for such dividend. Market price per share on that date shall be the closing price for such shares on the NASDAQ Global Market or, if no sale is reported for such day, at the average of their electronically-reported bid and asked prices. Shares purchased in open market transactions by (the "Plan Administrator") shall be allocated to each Participant (as defined below) based upon the average purchase price, excluding any brokerage charges or other charges, of all shares of Common Stock purchased with respect to the applicable dividend.

4. A stockholder who has not yet reinvested dividends may, however, elect to receive his, her or its dividends in cash. To exercise this option, such stockholder shall notify the Plan Administrator, so that such notice is received by the Plan Administrator no later than 10 days prior to the record date for the dividend fixed by the Board of Directors for the dividend involved. Such election shall remain in effect until the stockholder shall notify the Plan Administrator of such stockholder's withdrawal of the election, which notice shall be delivered to the Plan Administrator no later than 10 days prior to the record date for the payment fixed by the Board of Directors for the next dividend by the Corporation. If the request is received after the record date then that dividend will be reinvested and all subsequent dividends will be paid out in cash.

5. The Plan Administrator will set up an account for shares acquired pursuant to the Plan for each stockholder who has not so elected to receive dividends in cash (each a

“Participant”). The Plan Administrator may hold each Participant’s shares, together with the shares of other Participants, in non-certificated form in the Plan Administrator’s name or that of its nominee. Upon request by a Participant, received no later than 10 days prior to the record date, the Plan Administrator will, instead of crediting shares to and/or carrying shares in a Participant’s account, issue, without charge to the Participant, a certificate registered in the Participant’s name for the number of whole shares payable to the Participant and a check for any fractional share. Requests received less than 10 days prior to a record date will have that dividend reinvested. However, all subsequent dividends will be paid out in cash on all balances.

6. The Plan Administrator will confirm to each Participant each acquisition made pursuant to the Plan as soon as practicable but not later than 10 business days after the date thereof. Although each Participant may from time to time have an undivided fractional interest (computed to four decimal places) in a share of Common Stock of the Corporation, no certificates for a fractional share will be issued. However, dividends on fractional shares will be credited to each Participant’s account. In the event of termination of a Participant’s account under the Plan, the Plan Administrator will adjust for any such undivided fractional interest in cash at the market value of the Corporation’s shares at the time of termination.

7. The Plan Administrator will forward to each Participant any Corporation related proxy solicitation materials and each Corporation report or other communication to stockholders, and will vote any shares held by it under the Plan in accordance with the instructions set forth on proxies returned by Participants to the Corporation.

8. In the event that the Corporation makes available to its stockholders rights to purchase additional shares or other securities, the shares held by the Plan Administrator for each Participant under the Plan will be added to any other shares held by the Participant in certificated form in calculating the number of rights to be issued to the Participant.

9. The Plan Administrator’s service fee, if any, and expenses for administering the Plan will be paid for by the Corporation.

10. Each Participant may terminate his, her or its account under the Plan by so notifying the Plan Administrator via its website at , by filling out the transaction request form located at the bottom of such Participant’s statement and sending it to the Plan Administrator c/o or by calling the Plan Administrator at . Such termination will be effective immediately if the Participant’s notice is received by the Plan Administrator not less than 10 days prior to any dividend record date; otherwise, such termination will be effective only with respect to any subsequent dividend. If the request is received less than 10 days prior to the record date then that dividend will be reinvested and all subsequent dividends will be paid out in cash. The Plan may be terminated by the Corporation upon notice in writing mailed to each Participant at his or her address of record. Upon any termination, the Plan Administrator will continue to hold each Participant’s shares in book-entry form unless s/he requested them to be sold or issued. Upon receipt of the Participant’s instruction, a certificate or certificates will be issued for the full shares held for the Participant under the Plan and a cash adjustment for any fractional share to be delivered to the Participant without charge to the Participant. If a Participant elects by his, her or its written or telephonic notice to the Plan Administrator in advance of termination to have the

Plan Administrator sell part or all of his, her or its shares and remit the proceeds to the Participant, the Plan Administrator is authorized to deduct a $15.00 transaction fee plus a $0.10 per share trading fee from the proceeds.

11. These terms and conditions may be amended or supplemented by the Corporation at any time but, except when necessary or appropriate to comply with applicable law or the rules or policies of the Securities and Exchange Commission or any other regulatory authority, only by mailing to each Participant appropriate written notice. The amendment or supplement shall be deemed to be accepted by each Participant unless, prior to the effective date thereof, the Plan Administrator receives notice of the termination of his, her or its account under the Plan. Any such amendment may include an appointment by the Plan Administrator in its place and stead of a successor agent under these terms and conditions, with full power and authority to perform all or any of the acts to be performed by the Plan Administrator under these terms and conditions. Upon any such appointment of any agent for the purpose of receiving dividends, the Corporation will be authorized to pay to such successor agent, for each Participant's account, all dividends payable on shares of the Corporation held in the Participant's name or under the Plan for retention or application by such successor agent as provided in these terms and conditions.

12. The Plan Administrator will at all times act in good faith and use its best efforts within reasonable limits to ensure its full and timely performance of all services to be performed by it under this Plan and to comply with applicable law, but assumes no responsibility and shall not be liable for loss or damage due to errors unless such error is caused by the Plan Administrator's negligence, bad faith, or willful misconduct or that of its employees or agents.

13. These terms and conditions shall be governed by the laws of the State of New York, without regard to the conflicts of law principles thereof, to the extent such principles would require or permit the application of the laws of another jurisdiction.

, 2010

Exhibit (f)(4)

Execution Version

CONSENT AND THIRD AMENDMENT OF TRANSACTION DOCUMENTS

THIS CONSENT AND THIRD AMENDMENT OF TRANSACTION DOCUMENTS (this "**Amendment**"), made as of June 25, 2010, by and among HORIZON CREDIT I LLC, a Delaware limited liability company, as the Borrower (in such capacity, the "**Borrower**"), and as the Purchaser (in such capacity, the "**Purchaser**") COMPASS HORIZON FUNDING COMPANY LLC (the "**Seller**"), WESTLB AG, NEW YORK BRANCH, as the Lender (in such capacity, together with its successors and assigns, the "**Lender**") and as the Agent for the Lender (in such capacity, together with its successors and assigns, the "**Agent**"), and U.S. BANK NATIONAL ASSOCIATION, as the Custodian (in such capacity, the "**Custodian**"), and as the Paying Agent (in such capacity, the "**Paying Agent**"). All capitalized terms used in this Amendment and not otherwise defined herein shall have the meanings ascribed thereto in the Credit Agreement (as defined below).

WITNESSETH:

WHEREAS, the Borrower, the Lender, the Agent, the Custodian and the Paying Agent entered into that certain Credit and Security Agreement, dated as of March 4, 2008 (as amended, the "**Credit Agreement**");

WHEREAS, the Seller and the Purchaser entered into that certain Sale and Contribution Agreement, dated as of March 4, 2008 (as amended, the "**Sale and Contribution Agreement**");

WHEREAS, certain owners of the Seller intend to enter into an exchange transaction (the "**Exchange Transaction**"), more fully described in the Registration Statement (the "**HRZN Registration Statement**") of Horizon Technology Finance Corporation ("**HRZN**") attached hereto as Exhibit A;

WHEREAS, the Exchange Transaction would constitute a Change of Control of the Seller under the Credit Agreement;

WHEREAS, the Borrower, the Seller and the Servicer have requested that the Lender consent to any Change of Control of the Seller that would result from the Exchange Transaction; and

WHEREAS, the parties to the Credit Agreement have agreed to amend certain provisions of the Credit Agreement as more fully set forth herein;

WHEREAS, the parties to the Sale and Contribution Agreement have agreed to amend certain provisions of the Sale and Contribution Agreement as more fully set forth herein.

NOW, THEREFORE, in consideration of the covenants and agreements herein contained, the parties hereto amend the Credit Agreement, and covenant and agree, as follows:

1. Consent. Upon the effectiveness of this Amendment pursuant to Section 4 hereof, the Lender and the Agent hereby consent to the consummation of the Exchange Transaction and any Change of Control of Seller that would result therefrom.

2. Modification of the Credit Agreement. Upon the effectiveness of this Amendment pursuant to Section 4 hereof, the following modifications to the Credit Agreement shall hereby be made:

(a) Section 3.1(l) of the Credit Agreement is replaced in its entirety with the following:

"(l) Not an Investment Company. The Borrower is not an "investment company" within the meaning of the "1940 Act." The Borrower is not otherwise subject to regulation under the 1940 Act, except to the extent described in the HRZN Registration Statement. The business and other activities of the Borrower, including but not limited to, the making of the Advances by the Lender, the application of the proceeds and repayment thereof by the Borrower and the consummation of the transactions contemplated by the Transaction Documents to which the Borrower is a party do not result in any violations, with respect to the Borrower, of the provisions of the 1940 Act or any rules, regulations or orders issued by the SEC thereunder."

(b) a new Section 5.1(t) of the Credit Agreement is inserted as follows:

"(t) Investment Company Act. Notwithstanding the provisions of Section 3.1(l), if the Borrower operates in such a manner as to be an "investment company" within the meaning of the 1940 Act, the Borrower will register as an "investment company" under the 1940 Act immediately upon being required to do so under the 1940 Act and will conduct its business and other activities in compliance with the provisions of the 1940 Act and any rules, regulations or orders issued by the SEC thereunder.

(c) a new Section 7.1(x) of the Credit Agreement is inserted as follows:

"(x) the business and other activities of the Borrower or the Seller including but not limited to, the acceptance of the Advances by the Borrower made by the Lender, the application and use of the proceeds thereof by the Borrower and the consummation and conduct of the transactions contemplated by the Transaction Documents to which the Borrower or the Seller is a party result in a violation by the Borrower, the Seller, or any other Person of the 1940 Act or any rules, regulations or orders issued by the SEC thereunder;

(d) the definition of "1940 Act" is hereby added to Exhibit I to the Credit Agreement in the proper alphabetical order:

""***1940 Act***" means the Investment Company Act of 1940, as amended, or any successor statute."

(e) the definition of "Facility Limit" in Exhibit I to the Credit Agreement is replaced in its entirety by the following new definition:

""***Facility Limit***" means One Hundred Twenty-Five Million Dollars ($125,000,000)."

(f) the definition of "SEC" is hereby added to Exhibit I to the Credit Agreement in the proper alphabetical order:

""***SEC***" means the Securities and Exchange Commission, or any Governmental Authority succeeding to its principal functions."

3. Modification of the Sale and Contribution Agreement. Upon the effectiveness of this Amendment pursuant to Section 4 hereof, the following modifications to the Sale and Contribution Agreement shall hereby be made:

(a) Section 4.1(n) of the Sale and Contribution Agreement is replaced in its entirety with the following:

"(n) Not an Investment Company. The Seller is not an "investment company" within the meaning of the 1940 Act. The Seller is not otherwise subject to regulation under the 1940 Act, except to the extent described in the HRZN Registration Statement. The business and other activities of the Seller, including but not limited to, the sale of Venture Loans to the Purchaser and the consummation of the transactions contemplated by the Transaction Documents to which the Seller is a party do not result in any violations, with respect to the Seller, of the provisions of the 1940 Act or any rules, regulations or orders issued by the SEC thereunder."

(b) a new Section 5.1(y) of the Sale and Contribution Agreement is inserted as follows:

"(y) Investment Company Act. Notwithstanding the provisions of Section 4.1(n), if the Seller operates in such a manner as to be an "investment company" within the meaning of the 1940 Act, the Seller will register as an "investment company" under the 1940 Act immediately upon being required to do so under the 1940 Act and will conduct its business and other activities in compliance with the provisions of the 1940 Act and any rules, regulations or orders issued by the SEC thereunder.

4. Effective Date; Conditions Precedent to Effectiveness. The consent and modifications contained in Sections 1, 2 and 3 of this Amendment shall become effective on the date on which the following conditions precedent have been satisfied or waived by the Agent (the "**Effective Date**"):

(a) no Material Adverse Effect has occurred or would result from the transactions contemplated by this Amendment or the consummation of the transactions described in the HRZN Registration Statement;

(b) no event has occurred and is continuing, or would result from Borrower's execution and delivery of this Amendment, that would constitute an Early Amortization Event, an Event of Default or an Unmatured Event of Default;

(c) the representations and warranties contained in Section 3.1 of the Credit Agreement and Section 4.1 of the Sale and Contribution Agreement (in each case, after giving effect to this Amendment) are true and correct;

(d) each of the Borrower, the Seller and the Purchaser shall have delivered to the Agent and the Lender such other documents reasonably requested by the Agent in connection with the transactions contemplated by this Amendment including, without limitation, copies of documents relating to the Exchange Transaction and the other transactions contemplated by the HRZN Registration Statement;

(e) each of the Borrower, the Seller and the Purchaser shall have delivered to the Agent a certificate of its Secretary, certifying (i) as to the names and true signatures of the incumbent officers of such party authorized to sign this Amendment and (ii) the resolutions of such party's board of managers approving and authorizing the execution, delivery and performance of this Amendment; and

(f) the transactions described in the HRZN Registration Statement shall have closed and Compass Horizon Partners LP shall own and control, directly or indirectly, not less than Twenty Million Dollars ($20,000,000) of the voting shares of HRZN (as calculated on the market value of HRZN on the Effective Date) as a result of such transactions.

5. Ratification. The Transaction Documents (as amended by this Amendment) are hereby ratified and remain in full force and effect as of the date hereof and as of the Effective Date.

6. Representations and Warranties. The Borrower hereby represents and warrants to the Agent and the Lender that as of the date hereof the representations and warranties contained in Section 3.1 of the Credit Agreement are true and correct. The Seller hereby represents and warrants to the Purchaser that as of the date hereof the representations and warranties contained in Section 4.1 of the Sale and Contribution Agreement are true and correct.

7. Effect of Amendment. On and after the Effective Date, each reference in the Credit Agreement, to "this Agreement", "hereof", "hereunder" or words of like import referring to the Credit Agreement shall mean and be a reference to the Credit Agreement as modified, confirmed and ratified hereby. On and after the Effective Date, each reference in the Sale and Contribution Agreement, to "this Agreement", "hereof", "hereunder" or words of like import referring to the Sale and Contribution Agreement shall mean and be a reference to the Sale and Contribution Agreement as modified, confirmed and ratified hereby.

8. Termination. This Amendment shall terminate and be of no further force or effect in the event that the Effective Date has not occurred on or before December 31, 2010.

9. Successors and Assigns. This Amendment shall inure to the benefit of the Agent, the Lender and their respective successors and assigns, and bind the parties hereto and their respective successors and permitted assigns.

10. Counterparts. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

11. Governing Law. This Amendment shall, in accordance with section 5-1401 of the General Obligations Law of the State of New York, be governed by the laws of the State of New York, without regard to any conflicts of law principles thereof that would call for the application of the laws of any other jurisdiction.

12. Severability. In the event any term or provision of this Amendment or the application thereof to any person or entity or circumstance, shall, for any reason or to any extent be invalid or unenforceable, the remaining terms and provisions of this Amendment, or the application of any such provision to persons, entities or circumstances other than those as to whom or which it has been determined to be invalid or unenforceable, shall not be affected thereby, and every provision of this Amendment shall be valid and enforceable to the fullest extent permitted by law.

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IN WITNESS WHEREOF, each of the parties hereto have caused this CONSENT AND THIRD AMENDMENT OF TRANSACTION DOCUMENTS to be executed by its duly authorized signatories, as of the date first above written.

HORIZON CREDIT I LLC, as the Borrower
By: COMPASS HORIZON PARTNERS, LP, its Manager
By: Navco Management Ltd., its General Partner

By: /s/ Cora Lee Starzomski
Name: Cora Lee Starzomski
Title: Director/Treasurer

Address: 76 Batterson Park Road
Farmington, CT 06032
Attention: Robert D. Pomeroy, Jr.
Fax: (860) 676-8655
Telephone: (860) 676-8656
Email: rob@horizontechfinance.com

HORIZON CREDIT I LLC, as the Purchaser
By: COMPASS HORIZON PARTNERS, LP, its Manager
By: Navco Management Ltd., its General Partner

By: /s/ Cora Lee Starzomski
Name: Cora Lee Starzomski
Title: Director/Treasurer

Address: 76 Batterson Park Road
Farmington, CT 06032
Attention: Robert D. Pomeroy, Jr.
Fax: (860) 676-8655
Telephone: (860) 676-8656
Email: rob@horizontechfinance.com

COMPASS HORIZON FUNDING COMPANY LLC, as the Seller
By: COMPASS HORIZON PARTNERS, LP, its Manager
By: Navco Management Ltd., its General Partner

By: /s/ Cora Lee Starzomski
Name: Cora Lee Starzomski
Title: Director/Treasurer

Address: 76 Batterson Park Road
Farmington, CT 06032
Attention: Robert D. Pomeroy, Jr.
Fax: (860) 676-8655
Telephone: (860) 676-8656
Email: rob@horizontechfinance.com

Signature Page to Consent and
Third Amendment of Transaction Documents

WESTLB AG, NEW YORK BRANCH, as the Lender

By: /s/ Michael O'Connor
Name: Michael O'Connor
Title: Executive Director

By: /s/ Steven Berman
Name: Steven Berman
Title: Director

Address: 250 Greenwich Street
New York, New York 10007
Attention: Portfolio Exit Group
Fax: 212-789-0087

WESTLB AG, NEW YORK BRANCH, as the Agent

By: /s/ Michael O'Connor
Name: Michael O'Connor
Title: Executive Director

By: /s/ Steven Berman
Name: Steven Berman
Title: Director

Address: 250 Greenwich Street
New York, New York 10007
Attention: Portfolio Exit Group
Fax: 212-789-0087

U.S. BANK NATIONAL ASSOCIATION,
as the Custodian

By: /s/ Melissa A. Rosal
Name: Melissa A. Rosal
Title: Vice President

Address:	1133 Rankin Street St. Paul, Minnesota 55116
Attention:	Receiving Group — Horizon Credit I LLC
Fax:	(651) 695-6102
Telephone:	(651) 695-5867
	For all notices send copies to:
	U.S. Bank National Association 209 S. LaSalle Street, Ste. 300, Chicago, Illinois, 60604 Attn: Structured Finance, Horizon Credit I LLC Fax: (312) 325-8905 Tel.: (312) 325-8904

U.S. BANK NATIONAL ASSOCIATION,
as the Paying Agent

By: /s/ Melissa A. Rosal
Name: Melissa A. Rosal
Title: Vice President

Address:	209 S. LaSalle Street, Ste. 300 Chicago, Illinois, 60604
Attention:	Structured Finance, Horizon Credit I LLC
Fax:	(312) 325-8905
Telephone:	(312) 325-8904

Exhibit (f)(5)

EXECUTION COPY

SALE AND CONTRIBUTION AGREEMENT

by and between

COMPASS HORIZON FUNDING COMPANY LLC

as Seller,

and

HORIZON CREDIT I LLC

as Purchaser

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dated as of

March 4, 2008

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SALE AND CONTRIBUTION AGREEMENT

SALE AND CONTRIBUTION AGREEMENT, dated as of March 4, 2008, by and between COMPASS HORIZON FUNDING COMPANY LLC, a Delaware limited liability company (the "Seller") and HORIZON CREDIT I LLC, a Delaware limited liability company (the "Purchaser").

W I T N E S S E T H:

WHEREAS, the Purchaser desires to purchase certain Eligible Venture Loans and related Warrants owned by the Seller;

WHEREAS, the Seller desires to sell certain Eligible Venture Loans and related Warrants to the Purchaser;

WHEREAS, it is contemplated that the Eligible Venture Loans and related Warrants purchased hereunder will be pledged by the Purchaser to the Agent, as defined below, for the benefit of the Secured Parties, as defined below;

WHEREAS, the Seller agrees that all representations, warranties, covenants and agreements made by the Seller herein with respect to the Eligible Venture Loans and related Warrants shall also be for the benefit of the Agent for the benefit of the Secured Parties;

NOW, THEREFORE, it is hereby agreed by and between the Purchaser and the Seller as follows:

ARTICLE I

DEFINITIONS

Section 1.1 Incorporation of Defined Terms. Capitalized terms used and not otherwise defined herein shall have the meanings assigned to such terms in the Credit and Security Agreement referred to below, or, if not defined therein, then in the Servicing Agreement referred to below.

Section 1.2 Additional Definitions. The following words and phrases shall have the following meanings:

"Agent" means WestLB AG, New York Branch, in its capacity as agent under the Credit and Security Agreement, and any successor thereto in such capacity and permitted assigns.

"Agreement" means this Sale and Contribution Agreement and all amendments hereof and supplements hereto.

"Approved Sectors" means the industry sectors to which the Seller may make Venture Loans, which sectors shall include initially the following industries: software, telecommunications, networking equipment, semi-conductors, computers and peripherals,

electronics, IT services, media and entertainment, biotechnology, medical devices and equipment, healthcare services, business products and services, consumer products and services, industrial/energy, financial services, and retailing/distribution, and such other industry sectors as the Agent may agree in writing.

"Business" with respect to each Venture Loan, means the business operations being conducted by the related Obligor, which is described in the Venture Investment Summary.

"Credit and Security Agreement" means the Credit and Security Agreement, dated as of the Closing Date, among the Purchaser, as borrower, WestLB AG, New York Branch, as lender and as agent, and the Custodian, as custodian, as amended, restated, supplemented or otherwise modified from time to time in accordance with its terms.

"Cure Period" has the meaning as set forth in Section 2.3(a).

"Debt Service Reduction" means any reduction of the Scheduled Payments which an Obligor is obligated to pay with respect to a Venture Loan, as a result of any proceeding under the Federal Bankruptcy Code or any other similar state law or other proceeding.

"Default Rate" means LIBO Rate plus 4.50% per annum.

"Governmental Authority" means any court, board, agency, commission, office or other authority of any nature whatsoever for any governmental unit (foreign, federal, state, county, district, municipal, city, or otherwise) whether now or hereafter in existence.

"Indemnified Amounts" has the meaning specified in Section 6.1.

"Indemnified Party" has the meaning specified in Section 6.1.

"Officer's Certificate" means a certificate signed by the Chief Executive Officer, President, an Executive Vice President, a Senior Vice President, a Vice President, the Treasurer, Assistant Treasurer, the Secretary, an Assistant Secretary or any other authorized officer or manager of the Seller, as the case may be, and delivered to the Purchaser and the Agent.

"Purchased Assets" has the meaning specified in Section 2.1(a).

"Purchase Price" means the purchase price to be paid by the Purchaser for the Purchased Assets corresponding to the Eligible Venture Loans and related Warrants, or Subsequent Seller Advances, as set forth in Section 3.1.

"Purchaser" has the meaning specified in the preamble to this Agreement.

"Scheduled Payment" means, with respect to a Venture Loan, the scheduled periodic payment on such Venture Loan due on any Due Date allocable to principal and/or interest and, unless otherwise specified herein, as adjusted pursuant to any Debt Service Reduction that affects the amount of such periodic payment due on such Venture Loan.

"Securities Laws" means all federal, state and local statutes, regulations, rules, requirements or other laws that are applicable to the offer, sale, issuance, registration, marketing, assignment, pledge, ownership and other activities involving securities, including without limitation, the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, the Investment Company Act of 1940, as amended, and the Trust Indenture Act of 1939, as amended.

"Seller" has the meaning specified in the preamble to this Agreement.

"Seller Material Adverse Effect" means any material adverse effect on (i) the financial condition or operations of the Seller or (ii) the ability of the Seller to perform its obligations under this Agreement.

"Servicing Agreement" means that certain Servicing Agreement, dated the Closing Date, by and among the Purchaser, as owner, Horizon Technology Finance Management LLC, as Servicer, WestLB AG, New York Branch, as the Agent, and Lyon Financial Services, Inc. (d/b/a U.S. Bank Portfolio Services), as Back-up Servicer, as such agreement may be amended, restated, supplemented or otherwise modified from time to time in accordance with its terms.

"Subsequent Seller Advance" means a subsequent advance of funds to an Obligor under an existing Venture Loan agreement which Venture Loan has already been transferred to Purchaser hereunder as a Purchased Asset. For purposes of this Agreement and the Transaction Documents, a Subsequent Seller Advance shall constitute a Subsequent Venture Loan.

"Substitute Venture Loan" means a loan that is an Eligible Venture Loan as of the related Transfer Date, that is tendered to the Purchaser pursuant to Section 2.5 of this Agreement, and: (i) which has a Principal Balance as of the related Transfer Date not greater than, nor materially less than, the Principal Balance as of the related Transfer Date of the Eligible Venture Loan for which it is to be substituted; (ii) which has an Interest Rate as of the related Transfer Date not less than, and not materially greater than, the Interest Rate as of the related Transfer Date for the Venture Loan for which it is to be substituted; (iii) which has a maturity date not materially earlier or later than the Venture Loan for which it is to be substituted and not later than the latest maturity date of any Eligible Venture Loan; (iv) which is of the same classification type and Loan Type as the Venture Loan for which it is to be substituted; (v) which is current in payment of principal and interest as of the date of its substitution hereunder; and (vi) as to which the payment terms do not vary in any material respect from the payment terms of the Venture Loan for which it is to be substituted.

"Transfer" means any sale, transfer, assignment or conveyance to the Purchaser pursuant to this Agreement and/or a Subsequent Transfer Instrument.

"Transfer Papers" means this Agreement, each Subsequent Transfer Instrument and any other document or instrument delivered pursuant hereto and thereto.

"Venture Investment Summary" means a final summary of the investment in the Venture Loans and the related Warrants, in a format that has been reasonably approved by the Agent, and which has been duly completed by the Seller and delivered to the Agent.

Section 1.3 Other Definitional Provisions.

(a) All terms defined in this Agreement shall have the same meanings defined when used in any Subsequent Transfer Instrument, certificate, or other document made or delivered pursuant hereto or thereto unless otherwise defined therein.

(b) When used in this Agreement, the words "hereof", "herein" and "hereunder" and words of similar import shall refer to this Agreement as a whole and not to any particular provision of this Agreement; and Section, Subsection, Schedule and Exhibit references contained in this Agreement are references to Sections, Subsections, Schedules and Exhibits in or to this Agreement unless otherwise specified.

(c) All determinations of the principal or finance charge balance of the Venture Loan, and of any collections thereof, shall be made in accordance with the Servicing Agreement.

ARTICLE II

AGREEMENT TO SELL AND PURCHASE THE PURCHASED ASSETS

Section 2.1 Contribution; Purchases and Sales.

(a) The Seller, concurrently with the execution and delivery of this Agreement with respect to the Initial Eligible Venture Loans, and concurrently with the execution and delivery of the related Subsequent Transfer Instrument with respect to the Subsequent Venture Loans, and as applicable Subsequent Seller Advances, does hereby sell, transfer, assign, set over and otherwise convey to the Purchaser, without recourse, except as otherwise set forth herein, all of its right, title and interest in, to and under the following property and the Purchaser agrees to purchase: (i) each such Eligible Venture Loan, any related Warrant, and all collateral related thereto, but specifically excluding the obligations to make Subsequent Seller Advances (or any other payments) under any such Eligible Venture Loans, (ii) all payments in respect of interest and principal received, collected or otherwise recovered and all other proceeds received with respect to each such Eligible Venture Loan, any related Warrant, and all collateral related thereto, but excluding any Excluded Amounts, (iii) all documents required to be included in the Loan Files and other Records relating to each such Eligible Venture Loan, any related Warrants, and all collateral related thereto, including without limitation all monies due or to become due thereunder or in connection therewith, (iv) all guaranties, letters of credit, letter-of-credit rights, supporting obligations and other agreements or arrangements of whatever character from time to time supporting or securing payment of each such Eligible Venture Loan, whether pursuant to a document contained in the Loan File related to such Eligible Venture Loan or otherwise, (v) all Transaction Documents to which the Seller is a party (including without limitation, all rights of indemnification arising thereunder and all UCC financing statements filed pursuant thereto), (vi) all other rights and payments relating to the Venture Loans and related Warrants and all other Collateral, (vii) all bank and similar accounts relating to collections on and proceeds of the Venture Loans, Transferred hereunder (whether now existing or hereafter established), and all cash, investment property, instruments, financial

assets and other property that are held or required to be deposited in such accounts, and all investments in and income from the investment of funds in such accounts related to such Venture Loans, and (viii) all proceeds (including, without limitation, "proceeds" as defined in Article 9 of the UCC as in effect in the State of New York) of any of the foregoing, including without limitation interest, dividends, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for or on account of the sale or other disposition of any or all of such items (collectively, the "Purchased Assets"). Each reference to a Venture Loan or Subsequent Venture Loan shall include all Subsequent Seller Advances made thereunder, as the case may be, which are identified in a Subsequent Transfer Instrument. For the avoidance of doubt, the Purchaser shall not assume hereunder any obligation to make Subsequent Seller Advances (or any other payments) under any Venture Loan or Subsequent Venture Loan. Notwithstanding anything to the contrary, the term "Purchased Asset" shall not include any agreement between an Obligor and the Seller (or any other originator of a Venture Loan) for the Seller (or any other originator of a Venture Loan) to participate in purchases of Obligor's equity relating to an equity financing of such Obligor.

(b) The parties hereto intend that each Transfer shall constitute an absolute sale, conveying good title to the relevant Purchased Assets from the Seller to the Purchaser free and clear of any Adverse Claims (other than Permitted Liens), and that the Purchased Assets shall not be part of the Seller's estate in the event of the insolvency of the Seller or a conservatorship, receivership or similar event with respect to the Seller and that neither Purchaser nor Seller intends the transactions contemplated hereunder to be, or for any purpose to be characterized as, loans from Purchaser to Seller. In the event that, notwithstanding such intention, any Transfer is characterized by a court of competent jurisdiction as a pledge or a financing rather than a sale, or any Transfer shall for any reason be ineffective or unenforceable, then (i) this Agreement shall constitute a security agreement under applicable law, (ii) the Seller shall be deemed to have granted to the Purchaser, and the Seller hereby does grant to the Purchaser, a first priority security interest in all of the Seller's right, title and interest in, to and under the related Purchased Assets, whether now owned or hereafter acquired or arising, in order to secure all of the Seller's obligations hereunder, (iii) the possession by the Custodian of Venture Notes, Warrant certificates, and such other items of property as constitute "instruments", "money", "negotiable documents" or "chattel paper" or "securities" as applicable (each as defined in the applicable UCC) shall be deemed to be "possession by the secured party" for purposes of perfecting the security interest in such item of property pursuant to Section 9-313 (or comparable provision) of the applicable UCC, and (iv) notifications to persons holding such property, and acknowledgments, receipts or confirmations from persons holding such property, shall be deemed notifications to, or acknowledgments, receipts or confirmations from, financial intermediaries, bailees or agents (as applicable) of the Purchaser for the purpose of perfecting such security interest under applicable law. Any assignment of the interest of the Purchaser pursuant to any provision hereof or pursuant to the Credit and Security Agreement shall also be deemed to be an assignment of any security interest created hereby. The Seller and the Purchaser shall, to the extent consistent with this Agreement, take such actions as may be reasonably necessary to ensure that, if this Agreement were deemed to create a security interest in the Purchased Assets, such security interest would be deemed to be a perfected security interest of first priority (subject to Permitted Liens) under applicable law and will be maintained as such throughout the term of the Credit and Security Agreement.

(c) In connection with the Transfers, the Seller agrees (i) to record and file, at its own expense, any financing statements (and continuation statements with respect to such financing statements, when applicable) with respect to the Purchased Assets, as to which financing statements can be filed meeting the requirements of applicable state law in such manner and in such jurisdictions as are necessary to perfect (by filing of a financing statement) the Purchaser's and the Agent's right, title and interest in the Transfers of such Purchased Assets from the Seller to the Purchaser, and as are necessary to maintain the perfection of such filings, (ii) that such financing statements shall name the Seller, as seller/debtor, the Purchaser, as buyer/assignor/secured party, and the Agent, as assignee/secured party, of the Purchased Assets and (iii) to deliver a file-stamped copy of such financing statements or other evidence of such filings to the Purchaser and the Agent promptly upon becoming available after the related Transfer Date.

(d) Seller and Purchaser shall keep customary computer records by which the Seller and the Purchaser record the ownership of Eligible Venture Loans. Therefore, in connection with the Transfers hereunder, the Seller further agrees that it will, at its own expense, on or prior to the related Transfer Date, (i) note in its computer files that the applicable Purchased Assets have been sold to the Purchaser and that the Purchaser has granted to the Agent a first priority (subject to Permitted Liens) perfected security interest in such Purchased Assets on such date, by including an appropriate code for such Venture Loans and related Warrants, if any, in such computer file and (ii) deliver to the Purchaser and the Agent a computer file or electronic or magnetic tape list containing a true and complete list of all such (x) Venture Loans, specifying for each such Venture Loan the items required to be included in the Venture Loan Schedule and (y) Warrants. The Seller further agrees not to, and to not allow the Servicer to, alter the code referenced in clause (i) of this paragraph with respect to any of the Venture Loans or Warrants purchased by the Purchaser during the term of this Agreement unless and until such Venture Loan has been reconveyed to the Seller in accordance with this Agreement. In addition, the Seller shall maintain in its internal written records documents which indicate that the related Purchased Assets have been sold to the Purchaser pursuant to this Agreement and that the Purchaser has granted a first priority (subject to Permitted Liens) perfected security interest in such Purchased Assets in favor of the Agent under the Credit and Security Agreement.

(e) The Seller, promptly following the transfer of a Defective Venture Loan, Delinquent Venture Loan or Defaulted Venture Loan, and related Warrants, if any, from the Purchaser to the Seller in accordance with Section 2.4, or the replacement of a Defective Venture Loan, and related Warrants, if any, with a Substitute Venture Loan upon the transfer thereof by the Seller to the Purchaser in accordance with Section 2.5, or any sale or distribution of any Venture Loan or related Warrant permitted pursuant to the terms of the Credit and Security Agreement, shall cause the Servicer to amend the Venture Loan Schedule and deliver a copy of such amended Venture Loan Schedule to the Purchaser and the Agent, and each of the Seller and Purchaser shall make, and the Seller shall cause the Servicer to make, appropriate entries in their respective general account records to reflect such transfer.

Section 2.2 Loan Files.

(a) On or prior to the second (2nd) Business Day prior to the related Transfer Date, the Seller shall deliver to the Custodian (as agent on behalf of the Purchaser and the Agent)

each of the documents and instruments in the related Loan Files, as listed in Schedule 4 hereto, with respect to each Venture Loan and Warrant to be transferred by the Seller to the Purchaser on such date.

(b) The Seller hereby represents and warrants to the Purchaser, the Agent and the Lender, as of the Initial Funding Date with respect to the Initial Eligible Venture Loans and related Warrants and if applicable, Subsequent Seller Advances, and hereby agrees and acknowledges that on each Subsequent Transfer Date and (with respect to Substitute Venture Loans) on each related Transfer Date it shall be deemed to have represented and warranted, as of such date with respect to the related Subsequent Venture Loans and related Warrants and Substitute Venture Loans and related Warrants (as the case may be), that: (i) the Custodian is in possession of all Loan Files with respect to the Venture Loans and Warrants sold or transferred by it hereunder and under the related Subsequent Transfer Instrument, as the case may be, on such date, and each such Loan File contains all documents composing such Loan File as set forth in Section 2.2(a); and (ii) the Seller has made (and has caused the Servicer to make) the appropriate entries in its general accounting records to indicate that the related Venture Loans and Warrants have been transferred to the Purchaser on such date and constitute part of the Purchased Assets in accordance with the terms of this Agreement.

(c) Each of the Purchaser and the Agent is hereby appointed as the attorney in-fact of the Seller with the power to prepare, execute and record assignments of the Venture Loans and the assignments of any related Warrants, and to otherwise act as set forth in Section 9.14(b), in the event that the Seller fails to do so on a timely basis as provided in this Section 2.2.

(d) No later than two (2) Business Days prior to the related Transfer Date, the Seller covenants that it will make the related Loan Files available to the Purchaser or its agent for examination. The fact that the Purchaser or its agent has conducted or has failed to conduct any partial or complete examination of the Loan Files shall not affect the Purchaser's rights to demand cure, repurchase, substitution or other relief as provided in this Agreement. In furtherance of the foregoing, the Seller shall make the Loan Files available to the Purchaser and the Agent and their respective agents from time to time during normal business hours so as to permit the Purchaser and the Agent to confirm the Seller's compliance with the delivery and recordation requirements of this Agreement. In addition, upon the reasonable request of the Purchaser or the Agent, the Seller agrees to provide to the Purchaser and the Agent (as the case may be) written information regarding the Venture Loans and related Warrants and their origination, processing, administration and servicing, to make the documents required to be included in the Loan Files available to the Purchaser and the Agent and to make available personnel knowledgeable about the Venture Loans and related Warrants and their origination, processing, administration and servicing for discussions with the Purchaser and the Agent, and to otherwise permit the Purchaser and the Agent to conduct such due diligence with respect to the Seller and the Venture Loans and related Warrants as any such party believes is appropriate.

Section 2.3 Defective Venture Loans.

(a) If at any time, either the Custodian, the Purchaser, the Seller, the Servicer, the Back-up Servicer, the Agent or the Lender discovers a Defective Venture Loan, the party so discovering the breach shall give prompt written notice to the other Persons set forth in this sentence. The Seller shall have a period of thirty (30) days to correct or cure any such defect or omission from the earlier of either (i) receipt by the Purchaser or the Seller of a notice to correct or cure any such defect or omission, or (ii) the discovery by the Seller of a Defective Venture Loan *provided that*, in the case of any omission or defect that the Seller has determined is susceptible to cure but cannot be cured through the exercise of reasonable diligence within thirty (30) days and the Seller commences such cure within the thirty 30 days and diligently prosecutes same to completion, then such thirty (30) day period shall be extended for such additional period of time as may be reasonably necessary to cure same, but in no event shall such cure period exceed forty-five (45) days in total (the "*Cure Period*").

(b) If the Seller fails to correct or cure such defect or omission with respect to the Defective Venture Loan prior to the expiration of the relevant Cure Period pursuant to Section 2.3(a), the Seller shall either (x) repurchase such Defective Venture Loan at the related Repurchase Price pursuant to Section 2.4 or (y) replace such Venture Loan with a Substitute Venture Loan pursuant to Section 2.5.

Section 2.4 Repurchase of Defective Venture Loans.

(a) The Repurchase Price for any Defective Venture Loan and related Warrant that is to be purchased by the Seller pursuant to this Article II shall be remitted to the Custodian for deposit in the Collection Account as soon as practicable following the expiration of the Cure Period relating thereto, but in any event no later than two (2) Business Days prior to the next succeeding Settlement Date after the expiration of the Cure Period. Upon receipt by the Purchaser and the Agent of a certificate of an Authorized Officer of the Custodian confirming that such Repurchase Price has been so remitted and deposited, the documents included in the related Venture Loan File shall be released to the Seller, and the Purchaser shall execute such documents and instruments of transfer or assignment (and shall cause the Agent, at the Purchaser's expense, to execute such documents as shall be prepared by the Purchaser and necessary to release the Agent's security interest in such Defective Venture Loan and related Warrant) as shall be prepared by, and take such other actions (in each case at the sole expense of the Seller) as shall reasonably be requested by, the Seller to effect the conveyance from the Purchaser to the Seller of such Defective Venture Loan and related Warrant pursuant to this Article II. The Seller, promptly following the transfer of a Defective Venture Loan and related Warrant from the Purchaser to the Seller in accordance with this Article II, shall cause the Servicer to amend the Loan Schedule and deliver a copy of such amended Loan Schedule to the Purchaser, the Lender, the Seller, the Custodian, the Back-up Servicer and the Agent, and each of the Seller and the Purchaser shall make (and the Seller shall cause the Servicer to make) appropriate entries in its general account records to reflect such transfer.

Section 2.5 Substitution of Venture Loans.

(a) Notwithstanding anything to the contrary in this Agreement (but subject to the provisions of paragraph (b) below), in lieu of purchasing a Defective Venture Loan pursuant to Section 2.4 of this Agreement, the Seller may, no later than the date by which such purchase by the Seller would otherwise be required, tender to the Purchaser a Substitute Venture Loan and related Warrants, accompanied by the Loan File related to such Substitute Venture Loan and an Officer's Certificate of the Seller, delivered to the Purchaser and the Agent, that such Substitute Venture Loan conforms to the requirements set forth in the definition of "Substitute Venture Loan" herein. Simultaneous with such tender, the Seller shall provide to the Custodian for deposit in the Collection Account the amount, if any, by which (x) the Venture Loan Principal Balance as of the next preceding Due Date of the Venture Loan for which substitution is being made (after giving effect to Scheduled Payments due on such Defective Venture Loan on such date) exceeds (y) the Venture Loan Principal Balance as of such date of the related Substitute Venture Loan (after giving effect to Scheduled Payments due on such Substitute Venture Loan on such date), which amount shall be treated for the purposes of this Agreement as if it was the payment by the Seller to the Purchaser of the Repurchase Price for the purchase of a Defective Venture Loan, and related Warrant, if any, by the Seller. After the delivery of such certification to the Purchaser and the Agent and, if there exists any such excess amount as set forth in the preceding sentence, then following receipt by the Agent and the Purchaser of a certificate of an Authorized Officer of the Custodian confirming that an amount equal to such excess has been so deposited in the Collection Account, the Purchaser shall accept such Substitute Venture Loan, and related Warrants and the related Loan File and shall cause such Venture Loan, and related Warrants and Loan File to be delivered to the Custodian, and thereafter such Venture Loan (and related Warrant) and Loan File shall be deemed to be a Venture Loan (and related Warrant) and a Loan File hereunder and under the other Transaction Documents. In the event of such a substitution, the Scheduled Payments on a Substitute Venture Loan due on its related Due Date in the month of substitution shall be the property of the Purchaser, and the Scheduled Payments on the Defective Venture Loan for which the substitution is made due on its related Due Date in such month of substitution shall be the property of the Seller.

(b) Upon acceptance of a Substitute Venture Loan, and related Warrant (and delivery to the Purchaser and the Custodian of a request to release the Loan File relating to the Venture Loan for which such substitution was made), the Purchaser shall release (and shall cause the Custodian to release) to the Seller such Loan File, and the Purchaser shall execute and deliver all instruments of transfer or assignment, without recourse, in form as provided to it at the Seller's expense by the Seller as are necessary to vest in the Seller title to and rights under any such released Venture Loan and related Warrant. The representations and warranties set forth in this Agreement with respect to a Venture Loan and related Warrant, shall be deemed to have been made (as applicable) by the Seller with respect to each Substitute Venture Loan and related Warrant as of the related date of acceptance of such Venture Loan and related Warrants, by the Purchaser and the Custodian. The Purchaser and the Seller, promptly following the release of a Defective Venture Loan and related Warrant, and substitution of a Substitute Venture Loan and related Warrant, in accordance with this Section 2.5, shall cause the Servicer to (i) amend the Venture Loan Schedule to reflect the release of the related Defective Venture Loan and related Warrant, by the Purchaser to the Seller and the transfer of the related Substitute Venture Loan

and related Warrant, by the Seller to the Purchaser, and (ii) provide a copy of such amended Venture Loan Schedule to the Purchaser, the Seller, the Agent, the Lender and the Custodian.

ARTICLE III

CONSIDERATION AND PAYMENT

Section 3.1 Purchase Price.

(a) Following the satisfaction in full of all conditions set forth in Section 7.1, the Purchaser shall pay to the Seller the Purchase Price for the Purchased Assets relating to each Initial Eligible Venture Loan and related Warrant to be conveyed hereunder on the Initial Funding Date. The "Purchase Price" for the Initial Eligible Venture Loans shall be an amount equal to the aggregate Venture Loan Principal Balance of such Initial Eligible Venture Loan plus an amount equal to the accrued and unpaid interest, if any, on each such Initial Eligible Venture Loan as of the Initial Funding Date (which amount the Purchaser and the Seller hereby acknowledge represents the fair value of each such Initial Eligible Venture Loan).

(b) Following the satisfaction in full of all conditions set forth in Section 7.2, the Purchaser shall pay to the Seller the Purchase Price for the Purchased Assets relating to each Subsequent Venture Loans and related Warrants, to be conveyed hereunder and pursuant to the related Subsequent Transfer Instrument on the related Subsequent Transfer Date. The "Purchase Price" for the Subsequent Venture Loans shall be an amount equal to the aggregate Venture Loan Principal Balance of such Subsequent Venture Loans plus an amount equal to the accrued and unpaid interest on such Subsequent Venture Loan as of the related Subsequent Transfer Date plus the fair market value of any related Warrant (which amount the Purchaser and the Seller acknowledge represents the fair value of such Subsequent Venture Loan and related Warrant).

(c) The Purchaser shall pay to the Seller the Purchase Price for each Subsequent Seller Advance with respect to a Venture Loan on the date on which such Subsequent Seller Advance arises. The "Purchase Price" for a Subsequent Seller Advance shall be an amount equal to the principal amount of such Subsequent Seller Advance and shall be paid to the Seller (i) by delivery of immediately available funds to the extent of funds made available to the Purchaser under the Credit and Security Agreement on such date or other cash on hand, and (ii) the balance, accepting such Subsequent Seller Advance as a contribution to the Purchaser's capital in an amount equal to the remaining unpaid balance of such Purchase Price.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

Section 4.1 Seller Representations and Warranties. The Seller hereby represents and warrants to, and agrees with, the Purchaser as of the Closing Date, the Initial Funding Date and each other Transfer Date that:

(a) Existence and Power. The Seller's jurisdiction of organization is correctly set forth in the preamble to this Agreement. The Seller is duly organized under the laws of that jurisdiction and no other state or jurisdiction. The Seller is validly existing and in good standing under the laws of its state of organization. The Seller is duly qualified to do business and is in good standing as a foreign entity, and has and holds all organizational power and all licenses, authorizations, consents and approvals of Governmental Authorities and tax, regulatory, accounting and licensing bodies required to carry on its business, and to originate, administer, process, acquire, own and sell the Venture Loans and related Warrants, and to perform its obligations under this Agreement and the other Transaction Documents, in each jurisdiction in which its business is conducted except where the failure to so qualify or so hold would not reasonably be expected to have a Seller Material Adverse Effect.

(b) Power and Authority; Due Authorization, Execution and Delivery. The execution and delivery by the Seller of this Agreement, each Subsequent Transfer Instrument and each other Transfer Paper to which it is a party, and the performance of its obligations hereunder and thereunder and the Seller's use of proceeds of purchases made hereunder, are within its organizational powers and authority and have been duly authorized by all necessary organizational action on its part. This Agreement, each Subsequent Transfer Instrument and each other Transfer Paper to which the Seller is a party has been and will be, as the case may be, duly executed and delivered by the Seller.

(c) No Conflict. The execution and delivery by the Seller of this Agreement, each Subsequent Transfer Instrument and each other Transfer Paper to which it is a party, and the performance of its obligations hereunder and thereunder, do not and will not contravene or violate (i) any of its organization documents, (ii) any law, rule or regulation applicable to it, (iii) any restrictions under any material agreement, contract or instrument to which it is a party or by which it or any of its property or assets is bound, or (iv) any order, writ, judgment, award, injunction or decree of any Governmental Authority, court, arbitrator or tax, accounting, regulatory or licensing body or other body binding on or affecting it or its property or assets, or result in the creation or imposition of any Adverse Claim on assets of the Seller (except as created hereunder); and no transaction contemplated hereby requires compliance with any bulk sales act or similar law.

(d) Governmental Authorization. Other than the filing of the financing statements required hereunder, no authorization or approval or other action by, and no notice to or filing or registration with, any Governmental Authority or regulatory, tax, licensing or accounting body is required for the due execution and delivery by the Seller of this Agreement, any Subsequent Transfer Instrument and each other Transfer Paper to which it is a party and the performance of its obligations hereunder and thereunder, except for such authorizations, approvals, notice or filings, if any, that have been obtained prior to the date hereof.

(e) Actions; Suits. There are no actions, suits or proceedings pending or, to the Seller's knowledge, threatened in writing against or affecting the Seller, or any of its properties or assets, in or before any court, arbitrator, Governmental Authority, or any tax, licensing, accounting or regulatory body or other body that have had, or would reasonably be expected to have, a Seller Material Adverse Effect. The Seller is not in default with respect to any order, writ, judgment, award, injunction or decree of any Governmental Authority, court or

arbitrator or any tax, accounting, regulatory or licensing body or other body binding on or affecting it or any of its properties or assets to the extent that any such default has had, or could reasonably be expected to have, a Seller Material Adverse Effect.

(f) Binding Effect. This Agreement and each Subsequent Transfer Instrument to which the Seller is a party constitute the legal, valid and binding obligations of the Seller, enforceable against the Seller in accordance with their respective terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium, or other laws affecting creditors' rights generally, subject to general principles of equity (regardless of whether considered in a proceeding in equity or at law), and subject to state laws that restrict the enforcement of remedies.

(g) Accuracy of Information. All information heretofore, or hereafter furnished in writing by the Seller (or any of its Affiliates) to the Purchaser, the Lender and the Agent for purposes of or in connection with this Agreement, any Subsequent Transfer Instrument, or any of the other Transaction Documents or any transaction contemplated hereby or thereby is, and all such written information hereafter furnished by the Seller (or any of its Affiliates, agents, representatives, members, consultants, accountants, legal counsel, managers, employees, or officers) to the Purchaser, the Lender or the Agent is or will be, as the case may be, true and accurate in all material respects on the date such information is stated or certified and does not and will not contain any material misstatement of a material fact or be otherwise misleading in light of the circumstances under which such information was furnished. There is no material fact that the Seller has not disclosed to the Purchaser and the Agent in writing which would reasonably be expected to have a Seller Material Adverse Effect.

(h) Compliance with Law. The Purchaser has fully complied with all applicable laws, rules, regulations, orders, writs, judgments, injunctions, decrees or awards to which it may be subject, other than to the extent that any such non-compliance has not had, and could not reasonably be expected to have, a Seller Material Adverse Effect.

(i) Use of Proceeds. No proceeds of any purchase hereunder will be used by Seller (i) for a purpose that violates, or would be inconsistent with, Regulation T, U or X promulgated by the Board of Governors of the Federal Reserve System from time to time or (ii) to acquire any security in any transaction which is subject to Section 12, 13 or 14 of the Securities Exchange Act of 1934, as amended.

(j) Good Title; Perfection of Security Interest. Immediately prior to the purchase of any Venture Loans or related Warrants by the Purchaser from the Seller, such Venture Loans and related Warrants are free and clear of any Adverse Claim and are not subject to any rights of setoff, any prior sale, transfer, assignment, or participation by any Person or any agreement by the Seller (subject to the rights of the related Participant under a Permitted Participation Arrangement) to assign, convey, transfer or participate, in whole or in part, such Venture Loans and related Warrants, and the Seller is the sole legal record and beneficial owner of and owns and (subject to the rights of the related Participant under a Permitted Participation Arrangement) has the right to sell and transfer such Venture Loans and related Warrants to the Purchaser. There are (A) no outstanding rights, options, warrants or agreements on the part of the Seller for a purchase, sale or issuance, in connection with any Venture Loan conveyed by the

Seller to the Purchaser hereunder, and (B) no agreements on the part of the Seller to issue, sell or distribute any Venture Loan or related Warrants conveyed by the Seller to the Purchaser hereunder except pursuant to the Transaction Documents. After giving effect to each Transfer hereunder or under each Subsequent Transfer Instrument, as the case may be, the Purchaser shall be the legal and beneficial owner of the related Venture Loans and any related Warrants and other related Purchased Assets, free and clear of any Adverse Claim. With respect to each Initial Eligible Venture Loan and related Warrant, there has been, as of the Initial Funding Date, and with respect to each Subsequent Venture Loan and related Warrant, and each Substitute Venture Loan and related Warrant, and if applicable, Subsequent Seller Advances, there will be, as of the related Transfer Date, duly filed all financing statements or other similar instruments or documents necessary under the UCC (or any comparable law) of all appropriate jurisdictions to perfect the Purchaser's ownership interest in each related Venture Loan, any related Warrants, and if applicable, Subsequent Seller Advances, and the other related Purchased Assets.

(k) Places of Business and Locations of Records. The principal places of business and chief executive office of the Seller and the offices where it keeps all of its Records are and shall be located at 76 Batterson Park Road, Farmington, Ct., 06032, or such other locations of which the Purchaser and the Agent have been and shall be notified in accordance with Section 5.1. The Seller agrees to provide prior written notice to the Purchaser and the Agent of any change to such address in accordance with the terms of this Agreement. The Seller's Federal Employer Identification Number and its Delaware state organizational identification number are **26-1971727** and **4493270**, respectively.

(l) Seller Material Adverse Effect. As to the initial Transfer hereunder, since December 31, 2007 and to each subsequent Transfer, since the most recent Transfer Date, no event relating to the Seller has occurred that could have a Seller Material Adverse Effect.

(m) Names. The name in which the Seller has executed this Agreement and each related Transfer Paper and the name in which the Seller shall execute the related Subsequent Transfer Instrument shall be identical to the name of the Seller as indicated on the public record of the state in which the Seller was organized. Since the date of its organization, the Seller has not changed its form of organization or its jurisdiction of organization and has not used any corporate names, trade names, fictious names, "doing business as", or assumed names other than the name in which it has executed this Agreement.

(n) Not an Investment Company. With respect to the Closing Date and the Initial Funding Date the Seller is not, and with respect to the related Transfer Date the Seller shall not be an "investment company" or a company "controlled by an investment company" within the meaning of the Investment Company Act of 1940, as amended, or any successor statute, and is not otherwise subject to regulation thereunder.

(o) Compliance with Law. The Seller has fully complied with all applicable laws, rules, regulations, orders, writs, judgments, injunctions, decrees or awards to which it may be subject, other than to the extent that any such non-compliance has not had, and would not reasonably be expected to have, a Seller Material Adverse Effect.

(p) Compliance with the Underwriting Guidelines and the Collection Policy. The Seller has complied in all material respects with the Underwriting Guidelines attached hereto as Exhibit C and the Collection Policy with regard to each Venture Loan and related Warrant.

(q) Accounting. The manner in which the Seller accounts for the transactions contemplated by this Agreement is consistent with the assumptions set forth in the true sale and non-consolidation analyses set forth in the opinion letters of Morrison Cohen LLP, counsel to the Seller, dated the Initial Funding Date and delivered to the Purchaser and the Agent on the Initial Funding Date.

(r) No Fraudulent Transfer. The Seller has, as of the related Transfer Date, adequate capital for the normal obligations reasonably foreseeable in a business of its size and character and in light of its contemplated business operations. The Seller has been solvent at all relevant times prior to, and will not be rendered insolvent by, the Transfer of the Purchased Assets on or after the related Transfer Date. As of the related Transfer Date, the Seller does not intend that it will incur debts or obligations beyond its ability to pay as such debts and obligations mature. The Seller is generally able to pay, and as of the related Transfer Date is paying, its debts as they come due. The Seller is not presently financially insolvent nor will the Seller be made insolvent within the meaning of the Federal Bankruptcy Code or the insolvency laws of any jurisdiction, or be left with unreasonably small assets of capital (as of, and immediately following, the related Transfer Date) with which to conduct its business, by virtue of the Seller's execution of or performance under any of the Transaction Documents. The Seller has not entered into any Transaction Document in contemplation of insolvency or with intent to hinder, delay or defraud any creditor. The Transfer of the Purchased Assets by the Seller to the Purchaser does not and will not constitute a transfer of property in connection with any pre-existing indebtedness.

(s) Taxes. The Seller has filed all tax returns which would be delinquent if they had not been filed on or before the related Transfer Date and has paid all taxes, fees or other charges imposed on it or any of its assets by any Governmental Authority or tax, accounting, regulatory or licensing body, in each case due and payable on or before the related Transfer Date except for those taxes being contested in good faith by appropriate proceedings and in respect of which it has notified in writing Purchaser and Agent and has established proper reserves on its books. The Seller is not liable for the taxes payable by any other Person. No tax lien or similar adverse claim has been filed, and no claim is being asserted, with respect to any tax, assessment, fee or other governmental charge paid or payable by the Seller or any Affiliate thereof. Any taxes, assessments, fees and other governmental charges payable by the Seller in connection with the execution and delivery of this Agreement and the other Transaction Documents and the transactions contemplated hereby or thereby have been paid, except for taxes not yet due. There is no agreement or understanding among any of or all of the Servicer, the Purchaser, and the Seller, providing for the allocation or sharing of obligations to make payments or otherwise in respect of any taxes, fees, assessments or other governmental charges, except (i) as provided under the Transaction Documents, and (ii) tax sharing agreements among any or all of the Servicer, the Purchaser, the Seller and any of the Seller's Affiliates, under which appropriate and customary allocation of tax sharing responsibilities has been made which reflects economic realities.

Section 4.2 Representations and Warranties of the Seller Relating to the Venture Loans and Warrants.

The Seller hereby represents and warrants to the Purchaser as of each Transfer Date relating to such Venture Loan and Warrant (and, to the extent expressly stated on Schedule 3 hereto, at such other time) the accuracy and completeness of the representations and warranties set forth on Schedule 3 hereto.

Section 4.3 Representations and Warranties of the Purchaser. The Purchaser hereby represents and warrants to the Seller as of the Closing Date, the Initial Funding Date and the related Transfer Date that:

(a) Existence and Power. The Purchaser's jurisdiction of organization is correctly set forth in the preamble to this Agreement. The Purchaser is duly organized under the laws of that jurisdiction and no other state or jurisdiction. The Purchaser is validly existing and in good standing under the laws of its state of organization. The Purchaser is duly qualified to do business and is in good standing as a foreign entity, and has and holds all organizational power and all licenses, authorizations, consents and approvals from Governmental Authorities and tax, regulatory, accounting and licensing bodies required to carry on its business, acquire and own the Venture Loans, and related Warrants, and perform its obligations under this Agreement and the other Transaction Documents, in each jurisdiction in which its business is conducted except where the failure to so qualify or so hold individually or in the aggregate could not reasonably be expected to have a Material Adverse Effect.

(b) Power and Authority; Due Authorization, Execution and Delivery. The execution and delivery by the Purchaser of this Agreement and each Subsequent Transfer Instrument to which it is a party, and the performance of its obligations hereunder and thereunder, are within its limited liability company powers and authority and have been duly authorized by all necessary limited liability company action on its part. This Agreement and each Subsequent Transfer Instrument to which the Purchaser is a party has been and will be, as the case may be, duly executed and delivered by the Purchaser.

(c) No Conflict. The execution and delivery by the Purchaser of this Agreement and the related Subsequent Transfer Instrument to which it is a party, and the performance of its obligations hereunder and thereunder, do not contravene or violate (i) any of its organizational documents, (ii) any law, rule or regulation applicable to it, (iii) any restrictions under any material agreement, contract or instrument to which it is a party or by which it or any of its property or assets is bound, or (iv) any order, writ, judgment, award, injunction or decree of any Governmental Authority, court or arbitrator or tax, accounting, regulatory or licensing body or other body binding on or affecting it or its property or assets or result in the creation or imposition of any Adverse Claim on assets of the Purchaser. No transaction contemplated hereby requires compliance with any bulk sales act.

(d) Government Authorization. No authorization or approval or other action by, and no notice to or filing with, any Governmental Authority or regulatory, tax, accounting, licensing or other body is required for the due execution and delivery by the Purchaser of this Agreement and any related Subsequent Transfer Instrument to which it is a party and the

performance of its obligations hereunder and thereunder, except for such authorizations, approvals, notice or filings, if any, which have been obtained prior to the date hereof.

(e) Actions; Suits. There are no actions, suits or proceedings pending or to the Purchaser's knowledge, threatened in writing against or affecting the Purchaser, or any of its properties or assets, in or before any court, arbitrator or Governmental Authority or any regulatory, tax, accounting or licensing body or other body that have had, or would reasonably be expected to have, a Material Adverse Effect. The Purchaser is not in default with respect to any order, writ, judgment, award, injunction or decree of any Governmental Authority, court or arbitrator or any regulatory, tax, accounting or licensing body or other body binding on or affecting it or any of its properties or assets to the extent that any such default has had, or would reasonably be expected to have, a Material Adverse Effect.

(f) Binding Effect. This Agreement, each Subsequent Transfer Instrument and each other Transfer Paper to which the Purchaser is a party constitute the legal, valid and binding obligations of the Purchaser enforceable against the Purchaser in accordance with their respective terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium, or other laws affecting creditors' rights generally, subject to general principles of equity (regardless of whether considered in a proceeding in equity or at law), and subject to state laws that restrict the enforcement of remedies.

(g) Accuracy of Information. All information heretofore furnished in writing by the Purchaser (or any of its Affiliates) to the Seller, the Lender and the Agent for purposes of or in connection with this Agreement, the related Subsequent Transfer Instrument, or any of the other Transaction Documents or any transaction contemplated hereby or thereby is, and all such written information hereafter furnished by the Purchaser (or any of its Affiliates, agents, representatives, members, consultants, accountants, legal counsel, managers, or employees) to the Seller, the Lender or the Agent will be, true and accurate on the date such information is stated or certified and does not and will not contain any untrue statement of a material fact or be otherwise misleading in light of the circumstances under which such information was furnished. There is no material fact that the Purchaser has not disclosed to the Seller and the Agent in writing which would reasonably be expected to have a Material Adverse Effect.

(h) Compliance with Law. The Purchaser has fully complied with all applicable laws, rules, regulations, orders, writs, judgments, injunctions, decrees or awards to which it may be subject, other than to the extent that any such non-compliance has not had, and would not reasonably be expected to have, a Material Adverse Effect.

(i) No Fraudulent Transfer. The Purchaser has, as of the related Transfer Date, adequate capital for the normal obligations reasonably foreseeable in a business of its size and character and in light of its contemplated business operations. The Purchaser is generally able to pay, and as of the related Transfer Date is paying, its debts as they come due. The Purchaser is not presently financially insolvent nor will the Purchaser be made insolvent by virtue of the Purchaser's execution of or performance under any of the Transaction Documents within the meaning of the Federal Bankruptcy Code or the insolvency laws of any jurisdiction. The Purchaser has not entered into any Transaction Document in contemplation of insolvency or with intent to hinder, delay or defraud any creditor.

The representations and warranties set forth in this Article IV shall survive the Transfer of the Venture Loans and related Warrants to the Purchaser and the termination of the rights and obligations of the Purchaser and the Seller under this Agreement, any Subsequent Transfer Instrument and any other Transaction Document.

ARTICLE V

COVENANTS OF THE SELLER

Section 5.1 Seller Covenants. The Seller hereby covenants and agrees with the Purchaser as follows:

(a) Financial Statements. The Seller will maintain and consistently apply, for itself, a system of accounting established and administered in accordance with GAAP, and furnish or cause to be furnished to the Purchaser and the Agent:

(i) Annual Financial Statements. As soon as available and in any case no later than one hundred eighty (180) days after the close of each of its fiscal years occurring during the term of this Agreement, audited, unqualified financial statements (which shall include balance sheets of the Seller as of the end of such fiscal year, and statements of income, stockholders' equity and cash flow of the Seller and any consolidated Subsidiaries for such fiscal year, in each case) setting forth in comparative form the figures for the related previous fiscal year and accompanied by an opinion of (A) Grant Thornton, LLP or (B) another firm of Independent certified public accountants of nationally recognized standing reasonably acceptable to the Purchaser and the Agent, in each instance stating that such financial statements present fairly the financial condition of the Seller and have been prepared in accordance with GAAP, consistently applied.

(ii) Quarterly Financial Statements. As soon as available and in any case no later than forty-five (45) days after the close of the first three (3) quarterly periods of each of its fiscal years occurring during the term of this Agreement, balance sheets and statements of cash flows of the Seller and its consolidated Subsidiaries as at the close of each such period and statements of income and retained earnings for the period from the beginning of such fiscal year to the end of such quarter, setting forth in comparative form the corresponding figures for the comparable period one year prior thereto, which balance sheets and statements shall be prepared and presented in accordance with, and provide all necessary disclosure required by, GAAP (but without footnotes, and subject to normal year-end audit adjustments) and shall be accompanied by a certificate signed by an Authorized Officer of the applicable party stating that such balance sheets and statements present fairly the financial condition and results of operations of the such party and have been prepared in accordance with GAAP, consistently applied (but without footnotes, and subject to normal year-end audit adjustments).

(b) Reporting. The Seller will furnish or cause to be furnished to the Purchaser, the Lender and the Agent:

(i) At least ten (10) days prior to the effectiveness of any material change in, or material amendment to, the Underwriting Guidelines or the Collection Policy, a

copy of the Underwriting Guidelines or the Collection Policy (as the case may be) then in effect and a notice (1) indicating such change or amendment, and (2) if such proposed change or amendment would reasonably be expected to adversely affect the collectibility of a Venture Loan or related Warrant, or materially change the credit criteria set forth therein in a manner that will materially and adversely affect the overall credit quality of the portfolio of Venture Loans, requesting the Purchaser's and the Agent's written consent thereto.

(ii) Promptly, from time to time, such other information, documents, records or reports relating to the Venture Loans and related Warrants or the condition or operations, financial or otherwise, of the Seller as the Purchaser or the Agent may from time to time reasonably request in order to protect the interests of the Purchaser, the Lender or the Agent under or as contemplated by the Transaction Documents.

(iii) Promptly upon its receipt of (A) any management letter submitted to the Seller by its accountants and (B) any notice, request for consent, financial statements, certification, report or other material communication under or in connection with any Transaction Document from any Person other than the Agent or the Lender, copies of the same.

(iv) On each anniversary of the date of this Agreement, following the Lender's or the Agent's written request with respect thereto, a UCC search report against the Seller, issued by the state of its organization.

(c) Notices. The Seller will notify the Purchaser and the Agent in writing, by means of an Officer's Certificate, promptly upon (and in any event no later than five (5) days after) an Authorized Officer of the Seller obtaining actual knowledge of the occurrence of any of the following, describing the same and, if applicable, the steps being taken with respect thereto:

(i) Any event or condition that has had, or would reasonably be expected to have, a Material Adverse Effect.

(ii) The entry of any judgment or decree or the institution of any litigation, arbitration proceeding or proceeding of any Governmental Authority or any regulatory, accounting, tax or licensing body or other body by or against the Seller to the extent the same has had or would reasonably be expected to have a Material Adverse Effect.

(iii) Each Early Amortization Event, each Event of Default and each Unmatured Event of Default.

(iv) A default or an event of default under any other financing arrangement for borrowed money which leads to the acceleration of the maturity thereof pursuant to which the Seller is a debtor or obligor in a principal amount in excess of One Million U.S. Dollars ($1,000,000).

(v) Any change in the accountants of the Seller, or any change in the Seller's accounting policy which could reasonably be expected to have a Material Adverse Effect.

(d) Compliance with Laws and Preservation of Corporate Existence. The Seller will fully comply with all applicable laws, rules, regulations, orders, writs, judgments, injunctions, decrees or awards to which it may be subject, other than to the extent that any such non-compliance has not had, and would not reasonably be expected to have, a Material Adverse Effect. The Seller will comply with all material procedures required by its organizational documents, other than to the extent that any such non-compliance has not had, and would not reasonably be expected to have, a Material Adverse Effect. The Seller will preserve and maintain its licenses, limited liability company existence, rights, franchises and privileges in the jurisdiction of its formation, and qualify and remain qualified in good standing as a foreign limited liability company in each other jurisdiction where its business is conducted, except where the failure to so preserve and maintain or qualify would not reasonably be expected to have a Servicer Material Adverse Effect.

(e) Audits. The Seller will, from time to time as requested by the Purchaser and at the sole cost of (1) the Purchaser (prior to the occurrence and continuation of an Event of Default) and (2) the Seller (upon and following the occurrence and continuation of an Event of Default), permit or cause to be permitted the Purchaser and the Agent, and their respective agents or representatives, during normal business hours and upon reasonable notice to Seller:

(i) to examine and make copies of and abstracts from all Records in the possession or under the control of the Seller relating to the Purchased Assets, including, without limitation, the documents included in the related Loan Files;

(ii) to examine the systems used in the origination, processing, administration and servicing of the Venture Loans and related Warrants, including, without limitation, the Seller's record-keeping, accounting, auditing and other internal control systems related thereto; and

(iii) to visit the offices and properties of the Seller for the purpose of examining such materials described in clauses (i) and (ii) above, and to discuss matters relating to the Seller's financial condition, the Purchased Assets, the Seller's performance under the Transaction Documents and any of the Transfer Papers or the Seller's performance under the documents comprising the Loan Files;

in each case, with any of the officers, managers, accountants, representatives, auditors, legal advisors and employees of the Seller or the Custodian having knowledge of such matters; provided, however, that if there is no Early Amortization Event such audit shall occur only on an annual basis, which may coincide with the audit performed pursuant to the control procedures set out in the Credit and Security Agreement, but shall not replace such procedures. Expenses of the Agent under all Transaction Documents associated with such audit shall not exceed $20,000 in the aggregate.

The Seller agrees to provide its accountants and auditors with a copy of this Agreement promptly after the execution hereof and will instruct its accountants and auditors to cooperate in good faith in answering any and all questions that any authorized representative of the Purchaser, the Agent or the Lender may address to them from time to time, in reference to the financial condition or affairs of the Seller.

(f) Keeping and Marking of Records and Books.

(i) The Seller will maintain and implement administrative and operating procedures (including, without limitation, an ability to recreate records evidencing Venture Loans and Warrants in the event of the destruction of the originals thereof), and keep and maintain all documents, books, records and other information reasonably necessary or advisable for the collection of all amounts owed under the Venture Loans (including, without limitation, records adequate to permit the immediate identification of all adjustments to each Venture Loan) with no less a degree of prudence than if the Venture Loans and Warrants were held by the Seller for its own account. The Seller will give the Purchaser and the Agent notice of any material change in the administrative and operating procedures referred to in the previous sentence.

(ii) The Seller will, on or prior to the related Transfer Date, mark its master data processing records and other books and records relating to the Venture Loans and Warrants being sold or transferred to the Purchaser on such Transfer Date with a legend, which shall read in substantially the form of the following: "The [loan/warrant/participation agreement] evidenced by this document/listed herein has been sold to Horizon Credit I LLC and is subject to a security interest in favor of WestLB AG, New York Branch, as Agent under that certain Credit and Security Agreement, dated as of March 4, 2008, by and among Horizon Credit I LLC, as Borrower, WestLB AG, New York Branch, as Lender and Agent, and U.S. Bank National Association, as Custodian and Paying Agent thereunder", or such other legend as is reasonably acceptable to the Agent, describing the security interest of the Agent for the benefit of the Secured Parties in the related Collateral and describing the Purchaser's ownership in the related Purchased Assets.

(g) Compliance with Loan Files, Underwriting Guidelines and Collection Policy. The Seller will timely and fully (i) perform and comply with all material provisions, covenants and other promises required to be observed by it under the documents comprising the Loan Files, and (ii) comply with the Underwriting Guidelines and the Collection Policy in regard to each Venture Loan and Warrant and the related documents comprising the Loan Files.

(h) Performance and Enforcement of this Agreement. The Seller shall perform its obligations and undertakings under and pursuant to this Agreement and will purchase Venture Loans and Warrants hereunder and under the Subsequent Transfer Instruments and related Transfer Papers in strict compliance with the terms hereof and thereof.

(i) Ownership. The Seller will take all necessary action to (i) vest legal and equitable title to the related Purchased Assets irrevocably in the Purchaser, free and clear of any Adverse Claims, including, without limitation, the filing of all financing statements or other similar instruments or documents necessary under the UCC (or any comparable law) of all appropriate jurisdictions to perfect the Purchaser's interest in such Purchased Assets and such other action to perfect, protect or more fully evidence the interest of the Purchaser therein as set forth in Section 2.1 and as the Purchaser or the Agent may request, and (ii) establish and maintain, in favor of the Agent, for the benefit of the Secured Parties, a valid and perfected first priority security interest in all Purchased Assets, free and clear of any Adverse Claims, including, without limitation, the filing of all financing statements or other similar instruments or

documents, and delivering the documents required to be included in the Loan Files to the Custodian pursuant to the Custodial Agreement and Section 6.1 of the Credit and Security Agreement, necessary under the UCC (or any comparable law) of all appropriate jurisdictions to perfect the first priority security interest (subject only to Permitted Liens) of the Agent (for the benefit of the Secured Parties) in the Purchased Assets and such other action to perfect, protect or more fully evidence the interest of the Agent for the benefit of the Secured Parties in the Purchased Assets and under the Transaction Documents as the Agent may reasonably request. Other than as set forth in Section 2.3, Section 2.4 and Section 2.5, the Seller shall not take any action which would directly or indirectly impair or adversely affect the Purchaser's title, right and interest in the Venture Loans and related Warrants; provided, however, that Seller shall provide the Purchaser with notice and instructions on when and how to exercise the rights under the Warrants conveyed hereunder such that Purchaser shall acquire the equity positions available to Purchaser under the Warrants in the underlying Obligors, as applicable, in a timely manner.

(j) Taxes. The Seller will file all tax returns and reports required by law to be filed by it and will promptly pay when due all taxes and governmental charges at any time owing; provided, that the foregoing shall not require the Seller to pay any such tax or charge so long as it contests such tax or charge in good faith by appropriate proceedings and has, with respect to such tax or charge, set aside on its books adequate reserves in accordance with GAAP. At no time will Seller enter any agreement or understanding among any or all of the Servicer, the Purchaser, and the Seller, providing for the allocation or sharing of obligations to make payments or otherwise in respect of any taxes, fees, assessments, or other governmental changes, except as provided under the Transaction Documents.

(k) Name Change and Offices. The Seller will not change its name, jurisdiction of organization or form of organization (within the meaning of any applicable enactment of the UCC), or use any trade names, fictitious names, assumed names, "doing business as" names or other names, or relocate its chief executive office at any time during the term of the Credit and Security Agreement, unless prior to the effective date of such change or relocation, it shall at its own expense have: (i) given the Purchaser and the Agent at least thirty (30) days' prior written notice thereof and (ii) delivered to the Purchaser and the Agent all financing statements, instruments, opinions of counsel and other documents requested by the Purchaser or the Agent, prepared by the Seller at its sole expense, in connection with such change or relocation to maintain perfection of Agent's security interest in the Collateral for the benefit of the Secured Parties.

(l) Modifications to Venture Documents, Underwriting Guidelines and Collection Policy. Except as otherwise permitted in the Transaction Documents, the Seller will not (i) make any material change in the character of its business or to the Underwriting Guidelines or the Collection Policy without prior written notice to the Agent and (ii) make any such change that would reasonably be expected to adversely affect the collectibility of the Venture Loans, or materially change the credit criteria set forth herein in a manner that will materially or adversely affect the overall credit quality of the portfolio of Venture Loans, without the prior written consent of the Agent.

(m) Sales, Liens. Except as otherwise permitted in the Transaction Documents, the Seller will not sell, assign (by operation of law or otherwise) or otherwise

dispose of, or grant any option with respect to, or create or suffer to exist any Adverse Claim upon (including, without limitation, the filing of any financing statement) or with respect to, any of the Purchased Assets, or assign any right to receive income with respect thereto (other than, in each case, the Transfers provided for herein), and the Seller will defend at its sole expense the right, title and interest of the Purchaser and the Agent in, to and under any of the Purchased Assets, against all claims of third parties claiming through or under the Seller.

(n) Prohibition on Additional Negative Pledges. The Seller will not enter into or assume any agreement (other than this Agreement and the other Transfer Papers) permitting the creation or assumption of any Adverse Claim upon the Purchased Assets except as contemplated by the Transfer Papers, or otherwise prohibiting or restricting any transaction contemplated hereby or by the other Transfer Papers.

(o) Proper Conduct of Business. The Seller shall conduct its business in the ordinary course and in accordance with customary and usual procedures of institutions which originate, administer, process and service Venture Loans and related Warrants, respectively, including without limitation in accordance and compliance with the Underwriting Guidelines and the Collection Policy.

(p) Disclosure. The Seller shall disclose in appropriate regulatory filings and public announcements, to the extent required by applicable law, all material transactions associated with this transaction. The annual financial statements of the Seller (including any consolidated financial statements) shall disclose the effects of the transactions contemplated by this Agreement in accordance with GAAP as a sale of the related Venture Loans and related Warrants to the Purchaser. Such financial statements will include disclosure that the Purchaser is a separate Subsidiary of the Seller and will include a footnote indicating that the Purchased Assets have been conveyed to the Purchaser and are not available for creditors of the Seller. Neither the accounting records of the Seller nor the financial statements of the Seller shall indicate that the assets of the Purchaser are available to pay creditors of the Seller or any other entity.

(q) Collections. On and after the Closing Date, if the Seller receives any collections on or proceeds of the Purchased Assets, or any other Collateral, then the Seller shall remit such collections and such proceeds to the Paying Agent for deposit into the Collection Account as soon as practicable and in any event within two (2) Business Days following the Seller's receipt thereof.

(r) Insurance Policies. The Seller shall take all actions necessary to ensure that (i) the loss payee under each Insurance Policy with respect to the related Venture Loan which has been procured by the related Obligor or otherwise is "Horizon Technology Finance Management LLC and/or its successors or assigns" and (ii) at all times during the term of this Agreement such Insurance Policies are in full force and effect.

(s) Protection of Security. At any time following the occurrence of an Early Amortization Event, Event of Default, or Servicer Termination Event, and to the extent such actions may be taken pursuant to the loan agreements, participation agreements, intercreditor agreements and subordination agreements governing the Venture Loans, the Seller shall allow

each of the Purchaser, the Agent and the Lender, or any of their respective agents acting on its behalf, upon reasonable notice: (1) to inspect any property, relating to a Venture Loan; (2) to appear in or intervene in any proceeding or matter affecting any Venture Loan or other Purchased Asset or the value thereof; (3) to initiate, commence, appear in and defend any foreclosure, action, bankruptcy or proceeding which could affect the rights and powers of the Purchaser, the Agent or the Lender; (4) to contest by litigation or otherwise any lien asserted against the Venture Loans or other Purchased Asset or against the related property identified therein; and/or (5) to make payments on account of such encumbrances, charges, or liens and take any action it may deem appropriate to collect any Purchased Asset or any part thereof or to enforce any rights with respect thereto. All costs and expenses, including attorneys' fees (including, but not limited to, those incurred on appeal), that the Purchaser, the Agent or the Lender may incur with respect to any of the foregoing and any expenditures they may make to protect or preserve the Purchased Assets or the rights of the Purchaser, the Agent and the Lender, shall be for the account of the Seller. The Seller shall repay the same to the Purchaser, the Agent or the Lender, as the case may be, immediately upon demand with interest, at the Default Rate, from the date any such expenditure shall have been made until it is repaid.

(t) Payment Instructions. The Seller shall not direct any Obligor, any insurer or any other payor on or with respect to the Venture Loans, the Warrants, or any other Collateral to make any payments relating thereto to any account or Person other than to the Paying Agent for deposit into the Lockbox Account unless the Seller has received prior written consent from the Agent with respect to the making of any such payment to any such other account or Person, which consent the Agent may give or withhold in its sole discretion.

(u) True Sale. The Seller shall not account for or treat (whether in financial statements or otherwise) the Transfers contemplated by this Agreement or any Subsequent Transfer Instrument, in any manner other than as a sale and absolute assignment of the Venture Loans and related Warrants to the Purchaser constituting a "true sale" for bankruptcy purposes.

(v) Amendment. Until the Obligations are paid in full, the Seller shall not amend, modify, waive or terminate any terms or conditions of any Transaction Document without the written consent of the Agent, which consent the Agent may grant or withhold in its sole discretion.

(w) No Sale, Assignment or Merger. Without in each case the prior written consent of the Agent, which consent the Agent may grant or withhold in its sole discretion, the Seller will not:

(i) merge or consolidate with any Person;

(ii) convey, sell, assign (by operation of law or otherwise), transfer, lease or otherwise dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired), or assign any right to receive all or substantially all income with respect thereto, or grant any option to do any of the foregoing;

(iii) acquire all or substantially all of the assets of, or the capital stock or other ownership interests in, any Person, unless, as a result of such acquisition (A) the voting and ownership control of the Seller shall not change from the voting and ownership control status of the Seller in place immediately before such acquisition, and (B) each of Robert D. Pomeroy, Jr. and Gerald A. Michaud (x) are employed in senior management positions at Horizon Technology Finance Management LLC, (y) are involved in the day-to-day operations of Horizon Technology Finance Management LLC, and (C) are able to perform substantially all of their respective duties as an employee or officer of Horizon Technology Finance Management LLC; or

(iv) transfer, sell or assign its one hundred percent (100%) membership interest (or any portion thereof) in the Purchaser.

(x) Substantive Non-Consolidation. The Seller has complied and shall comply with all assumptions made with respect to the Seller in the substantive non-consolidation opinion, dated the Initial Funding Date, of Morrison Cohen LLP, counsel to the Purchaser, and delivered by such counsel to the Agent and the Purchaser on the Initial Funding Date in connection with the execution of the Credit and Security Agreement, including, but not limited to, any exhibits attached thereto.

ARTICLE VI

INDEMNITIES

Section 6.1 Indemnities given by the Seller. Without limiting any other rights that the Purchaser or any other Person may have hereunder or under applicable law, the Seller hereby agrees to indemnify (and pay upon demand to) the Purchaser and each of the assigns, officers, managers, agents and employees of the Purchaser (each, an "Indemnified Party") from and against any and all damages, losses, claims, taxes, liabilities, costs, expenses and all other amounts which may become payable, including reasonable attorneys' fees and disbursements (all of the foregoing being collectively referred to as "Indemnified Amounts") or to which any of them may become subject or may be awarded against or incurred by any of them arising out of or as a result of this Agreement, any Subsequent Transfer Instrument, any Transfer Paper or any other Transaction Document, or the acquisition, either directly or indirectly, of an interest in the Venture Loans or other Purchased Assets, excluding, however, in all of the foregoing instances:

(i) Indemnified Amounts to the extent such Indemnified Amounts resulted from gross negligence or willful misconduct on the part of an Indemnified Party; or

(ii) Indemnified Amounts to the extent comprising income, franchise and similar taxes levied on the related Indemnified Party;

provided, however, that nothing contained in the foregoing clauses shall limit the liability of the Seller or limit the recourse of an Indemnified Party for amounts specifically provided to be paid by the Seller under the terms of this Agreement or the other Transaction Documents. Except as provided in the succeeding sentence, Indemnification Amounts do not include losses in respect of uncollectible Venture Loans. Without limiting the generality of the foregoing

indemnification, but subject in full to the provisions thereof, the Seller shall indemnify each Indemnified Party for Indemnified Amounts (including, without limitation, losses in respect of uncollectible Venture Loans, regardless of whether reimbursement therefor would constitute recourse to the Seller) relating to or resulting from:

(1) any representation or warranty made by the Seller (or any manager, Affiliate, officer or employee of the Seller) under or in connection with this Agreement, any other Transaction Document or Transfer Paper or any other written information or report delivered by any of the foregoing pursuant hereto or thereto, which shall have been false or incorrect in any material respect when made or deemed made;

(2) the failure by the Seller to comply with any applicable law, rule or regulation with respect to any Venture Loan, Warrant, or other Collateral or document required to be included in the Venture Loan File related thereto, or the nonconformity of any Venture Loan, Warrant, or other Collateral or document required to be included in the Venture Loan File with any such applicable law, rule or regulation, or any failure of the Seller, the Servicer or the Seller to keep or perform any of its obligations, express or implied, with respect to any Collateral;

(3) any failure of the Seller to perform its duties, covenants or other obligations in accordance with the provisions of this Agreement or any other Transaction Document or Transfer Paper;

(4) any dispute, claim, offset or defense (other than discharge in bankruptcy of the related Obligor or a dispute, claim, offset or defense arising out of acts or omissions by any party other than the Seller occurring after the related Transfer Date) to the payment of any Venture Loan (including, without limitation, a defense based on such Venture Loan or related document required to be included in the related Loan File, or otherwise, not being a legal, valid and binding obligation of such Obligor enforceable against it in accordance with its terms);

(5) any investigation, litigation or proceeding (A) related to or arising from the Seller's administration of the Venture Loans or the Purchased Assets or (B) relating to the Seller, in each case in which any Indemnified Party becomes involved as a result of any of the transactions contemplated hereby and thereby;

(6) any inability to litigate any claim that arose prior to the relevant Transfer Date of such Purchased Asset against any Obligor in respect of any Venture Loan or Warrant as a result of such Obligor being immune from civil and commercial law and suit on the grounds of sovereignty or otherwise from any legal action, suit or proceeding;

(7) any failure of the Seller to Transfer legal and equitable title to, and ownership of, any of the Purchased Assets to the Purchaser, free and clear of any Adverse Claim;

(8) any failure to vest in the Agent for the benefit of the Secured Parties, or to transfer to the Agent for the benefit of the Secured Parties, pursuant to Section 2.1(b) hereof, a valid first priority perfected security interest in all Purchased Assets, free and clear of any Adverse Claim, pursuant to the terms of this Agreement with respect thereto, at the time of any Transfer;

(9) the failure to have filed, or any delay in filing, financing statements or other similar instruments or documents under the UCC of any applicable jurisdiction or other applicable laws with respect to any Purchased Asset, and the proceeds thereof, pursuant to Section 2.1(c) hereof, at the time of any Transfer;

(10) any action or omission by the Seller which reduces or impairs the rights of the Purchaser with respect to any Purchased Assets or the value of any Purchased Asset;

(11) any attempt by the Seller, or any Affiliate thereof to void any Transfer of the Venture Loans or other Purchased Asset or the Purchaser's ownership interest in the Purchased Assets under statutory provisions or common law or equitable action, including without limitation any provision of the Federal Bankruptcy Code;

(12) any failure of the Seller or any of its agents or representatives to timely remit to the Lockbox Account or the Collection Account, collections on or proceeds of or relating to the Venture Loans, the Venture Warrant and all other Purchased Assets that have been remitted to any such Person;

(13) any Venture Loan represented or certified by the Seller pursuant to the Transaction Documents to be an Eligible Loan which is not at the applicable time an Eligible Loan, unless an Early Amortization Event would not result; and

(14) the failure of the Seller to have paid when due any taxes relating to a Venture Loan, Venture Warrant or other Purchased Asset, to the extent such payment was due from or on behalf of the Seller on or prior to the related Transfer Date.

Section 6.2 **Procedure for Indemnification**. The procedure for indemnification shall be as follows:

(a) The Indemnified Party shall give notice to the Seller (the "Indemnifying Party"), as applicable, of any claim, whether between the parties or brought by a third party, specifying (i) the factual basis for such claim, and (ii) the amount of the claim. If the claim relates to an action, suit or proceeding filed by a third party against such Indemnified Party, such notice shall be given by such Indemnified Party within fifteen (15) Business Days after written notice of such action, suit or proceeding was received by such Indemnified Party; provided, that failure to deliver notice shall not affect an Indemnified Party's right to indemnification hereunder.

(b) Following receipt of notice from an Indemnified Party of a claim, the Indemnifying Party shall have thirty (30) days to make such investigation of the claim as the Seller deems necessary or desirable. For the purposes of such investigation, the Indemnified Party agrees to make available to the Indemnifying Party and/or its authorized representative(s) the information relied upon by such Indemnified Party to substantiate the claim. If the Indemnified Party and the Indemnifying Party agree at or prior to the expiration of said thirty (30) day period (or any mutually-agreed-upon extension thereof) to the validity and amount of such claim, the Indemnifying Party shall immediately pay to such Indemnified Party the full amount of the claim and the Indemnifying Party shall thereupon be released from any further indemnification obligations with respect to such claim. If the Indemnified Party and the Indemnifying Party do not agree within said period (or any mutually-agreed-upon extension thereof), the Indemnified Party may seek appropriate legal remedy.

(c) With respect to any claim by a third party as to which an Indemnified Party is entitled to indemnification hereunder, the Indemnifying Party shall have the right, at its own expense, to participate in or assume control of the defense of such claim, and the Indemnified Party shall cooperate fully with the Indemnifying Party, subject to reimbursement for all expenses incurred by such Indemnified Party. If the Indemnifying Party elects to assume control of the defense of any third-party claim, the Indemnified Party shall have the right to participate in the defense of such claim at its own expense; provided that such expense shall be the expense of the Indemnifying Party if (i) the Indemnifying Party has authorized such expense in writing, (ii) the Indemnifying Party has not employed counsel with respect to the defense of such claim within a reasonable amount of time after such election or (iii) the Indemnified Party has been advised by counsel that one or more defenses may be available to it that are different from or additional to those available to the Indemnifying Party. If the Indemnifying Party does not elect to assume control or otherwise participate in the defense of any third party claim, it shall be bound by the results obtained by the Indemnified Party with respect to such claim and the Indemnifying Party shall immediately reimburse the Indemnified Party for any and all expenses incurred by it in defending such third party claim. The Indemnifying Party shall have the right to settle any third party claim without the consent of the Indemnified Party so long as the settlement fully and unconditionally releases such Indemnified Party from any and all liability with respect to such claim and the settlement does not impose any then-current or continuing obligation or liability on any Indemnified Party.

Section 6.3 **Other Costs and Expenses**

(a) In addition to the rights of indemnification granted to the Indemnified Parties under Section 6.1 hereof, the Indemnifying Party shall pay to the Agent for the benefit of the Secured Parties on demand all costs and out-of-pocket expenses (including reasonable counsel fees and expenses) incurred in connection with (i) the preparation, execution, delivery, closing and administration of, and due diligence conducted in connection with this Agreement and the other Transaction Documents, the transactions contemplated hereby and the other documents to be delivered hereunder and thereunder, as set forth in (and subject to the limitations set forth in) Section 4 of the Engagement Agreement, (ii) the preparation, execution, delivery, closing and administration of any waiver or consent issued or amendment prepared in connection with this Agreement and the other Transaction Documents, the transactions contemplated hereby and the other documents to be delivered hereunder and thereunder, that is necessary or requested by any

of the Lender or the Agent or made necessary or desirable as a result of the actions of any regulatory, tax, licensing or accounting body affecting the Lender, the Agent and any of their respective Affiliates, including, without limitation, the reasonable fees and out of pocket expenses of counsel for the Paying Agent, the Custodian, the Agent and the Lender with respect thereto, (iii) the Agent's or the Lender's auditors auditing the books and records and procedures of the Indemnifying Party following the occurrence and during the continuance of an Unmatured Event of Default or an Event of Default, (iv) the Agent or the Lender performing, or causing the performance of, any obligation of the relevant Indemnifying Party hereunder or under any other Transaction Document upon the relevant Indemnifying Party's failure to so perform, (v) the delivery of the AUP Letter and the performance of any and all duties, obligations and responsibilities thereunder and (vi) advising the Paying Agent and the Custodian and their respective assigns, Affiliates, officers, directors, agents and employees as to their respective rights and remedies under this Agreement, the other Transaction Documents and the other documents to be delivered hereunder or thereunder or in connection herewith or therewith.

(b) The Indemnifying Party shall pay to the Agent for the benefit of the Secured Parties on demand any and all costs and expenses of the Agent and the Lender, if any, including without limitation reasonable fees and expenses of attorneys, appraisers, engineers, investment bankers, surveyors or other experts, in connection with UCC searches, recording, title examination, the enforcement of this Agreement and the other documents delivered hereunder and in connection with any restructuring or workout of this Agreement and the other Transaction Documents or such documents.

(c) The Indemnifying Party shall pay to the Agent for the benefit of the Lender, within ten Business Days from Agent's written demand therefor, any and all stamp, sales, excise and other taxes and fees payable or determined to be payable in connection with the execution, delivery, filing and recording of this Agreement, any other Transaction Document or the other documents to be delivered hereunder and thereunder.

ARTICLE VII

CONDITIONS PRECEDENT

Section 7.1 Conditions to the Purchaser's Obligations on the Initial Funding Date. The obligation of the Purchaser to purchase any Initial Eligible Venture Loan or related Warrant, or Subsequent Seller Advance on the Initial Funding Date shall be subject to the satisfaction of the following conditions:

(a) the representations and warranties set forth in Sections 4.1 and 4.2, and in Schedule 3 hereto, shall be true and correct as of such date;

(b) the Seller shall have delivered to the Purchaser and the Agent the Venture Loan Schedule relating to the Initial Eligible Venture Loans and related Warrants (and as applicable, Subsequent Seller Advances) and a computer file or electronic or magnetic tape list containing a true and complete list of all information specified in Section 2.1(d) hereof with

respect to the Initial Eligible Venture Loans and related Warrants (and as applicable, Subsequent Seller Advances);

(c) the Seller shall have performed all other obligations required to be performed by it on or before the Closing Date and the Initial Funding Date (as applicable) pursuant to the provisions of this Agreement;

(d) the Seller shall have prepared for recording and filing, at its expense, each financing statement meeting the requirements of applicable state law in such manner and in such jurisdictions as would be necessary to perfect the Purchaser's first priority security interest (subject to any Permitted Liens) in all of the Seller's right, title and interest in, to and under the Initial Eligible Venture Loans and related Warrants, and the related Purchased Assets pursuant to the terms hereof, and shall have delivered a file-stamped copy of such financing statements or other evidence of such filings to the Purchaser and the Agent;

(e) all of the conditions to the effectiveness of the Credit and Security Agreement and to the making of the Initial Advance thereunder shall have been satisfied or waived in accordance with the terms thereof;

(f) no Event of Default, or Unmatured Event of Default shall have occurred and be continuing;

(g) all corporate and legal proceedings and all instruments in connection with the transactions contemplated by this Agreement shall be reasonably satisfactory in form and substance to the Purchaser and the Agent, and each of the Purchaser and the Agent shall have received from the Seller copies of all documents (including, without limitation, records of corporate proceedings) relevant to the transactions herein contemplated as the Purchaser or the Agent may have requested;

(h) all fees and expenses associated with the closing of the Transfer of the related Purchased Assets on the Initial Funding Date shall have been paid by the party incurring such expenses or the party liable to pay for such expenses;

(i) there has not occurred (A) a general suspension of trading on major stock exchanges, or (B) a disruption in or moratorium on commercial banking activities or securities settlement services;

(j) the due diligence review, audit and credit approval of the Seller and the Purchaser by the Lender and the Agent shall have been completed;

(k) no Material Adverse Effect shall have occurred;

(l) the Custodian shall have received on or before the Initial Funding Date all of the documents required to be included in the related Loan Files and other documents required to be delivered to it on or before the Initial Funding Date pursuant to the terms of the Transaction Documents, and the Custodian shall have delivered to the Seller, the Purchaser and the Agent a written certification as to such receipt;

(m) all other acts and conditions (including, without limitation, the obtaining of any necessary regulatory approvals and the making of any required filings, recordings or registrations) required to be done and performed and to have happened prior to the execution, delivery and performance of this Agreement, the other Transaction Documents and all documents related hereto and thereto and to constitute the same legal, valid and binding obligations, enforceable in accordance with their respective terms, shall have been done and performed and shall have happened in compliance with all applicable laws;

(n) no law or regulation shall prohibit, and no order, judgment or decree of any federal, state or local court or Governmental Authority or any regulatory, accounting, tax or licensing body or other body shall prohibit or enjoin, the closing of the transactions contemplated hereby or any Transaction Document in accordance with the provisions hereof or thereof;

(o) the Seller shall have delivered to the Purchaser and the Agent a complete copy of the Collection Policy and the Underwriting Guidelines;

(p) the Seller shall have furnished to the Purchaser and the Agent such further information, certificates and documents as the Purchaser and the Agent may have requested;

(q) the Seller shall have delivered to the Agent and the Lender true, complete and correct copies of the letters that the Seller has delivered to the Obligors, insurers and any other Person making any payments relating to each Initial Eligible Venture Loan, the related Warrants or the related Purchased Assets, which letters direct such Persons to make all payments on such Initial Eligible Venture Loan (and all payments relating to the related Warrants or the related Purchased Assets) to the Lockbox Account; and

(r) the Seller shall have delivered to the Purchaser and the Agent an Officer's Certificate to the effect that all conditions precedent to the closing of the Transfer of the related Purchased Assets on the Initial Funding Date have been satisfied.

Section 7.2 Conditions to the Purchaser's Obligations on a Subsequent Transfer Date. The obligation of the Purchaser to purchase any Subsequent Venture Loan and related Warrants on a Subsequent Transfer Date shall be subject to the satisfaction of the following conditions:

(a) the representations and warranties set forth in Sections 4.1 and 4.2, and in Schedule 3 hereto, shall be true and correct as of such date (both before and after giving effect to such Transfer);

(b) the Seller shall have delivered to the Purchaser and the Agent the Venture Loan Schedule relating to the related Subsequent Venture Loans and related Warrants (and as applicable, Subsequent Seller Advances) and a computer file or electronic or magnetic tape list containing a true and complete list of all information specified in Section 2.1(d) hereof with respect to such Subsequent Venture Loans and related Warrants (and as applicable, Subsequent Seller Advances);

(c) the Seller shall have performed all other obligations required to be performed by it on or before the related Subsequent Transfer Date pursuant to the provisions of this Agreement;

(d) the Seller shall have prepared for recording and filing, at its expense, each financing statement meeting the requirements of applicable state law in such manner and in such jurisdictions as would be necessary to perfect the Purchaser's first priority security interest (subject to any Permitted Liens) in all of the Seller's right, title and interest in, to and under the related Subsequent Venture Loans and related Warrants, (and as applicable, Subsequent Seller Advances) and the related Purchased Assets, pursuant to the terms hereof, and shall have delivered a file-stamped copy of such financing statements or other evidence of such filings to the Purchaser and the Agent;

(e) all of the conditions to the making of the related Subsequent Advance pursuant to the Credit and Security Agreement shall have been satisfied or waived in accordance with the terms thereof;

(f) no Event of Default, or Unmatured Event of Default shall have occurred and be continuing;

(g) all corporate and legal proceedings and all instruments in connection with the transactions contemplated by this Agreement relating to the related Subsequent Transfer Instrument shall be reasonably satisfactory in form and substance to the Purchaser and the Agent, and each of the Purchaser and the Agent shall have received from the Seller copies of all documents (including, without limitation, records of corporate proceedings) relevant to the transactions contemplated in the related Subsequent Transfer Instrument with respect to such transfer as the Purchaser or the Agent may have requested;

(h) all fees and expenses associated with the closing of the Transfer of the related Purchased Assets on the related Subsequent Transfer Date shall have been paid by the party incurring such expenses or the party liable to pay for such expenses;

(i) there has not occurred (A) a general suspension of trading on major stock exchanges, or (B) a disruption in or moratorium on commercial banking activities or securities settlement services;

(j) no Material Adverse Effect shall have occurred;

(k) the Custodian shall have received on or before the related Subsequent Transfer Date all of the documents required to be included in the related Loan Files and other documents required to be delivered to it on or before the related Subsequent Transfer Date pursuant to the terms of the Transaction Documents, and the Custodian shall have delivered to the Seller, the Purchaser and the Agent a written certification as to such receipt;

(l) all other acts and conditions (including, without limitation, the obtaining of any necessary regulatory approvals and the making of any required filings, recordings or registrations) required to be done and performed and to have happened prior to the execution, delivery and performance of the related Subsequent Transfer Instrument, the other Transaction

Documents and all documents related hereto and thereto and to constitute the same legal, valid and binding obligations, enforceable in accordance with their respective terms, shall have been done and performed and shall have happened in compliance with all applicable laws;

(m) no law or regulation shall prohibit, and no order, judgment or decree of any federal, state or local court or Governmental Authority or any tax, accounting, regulatory or licensing body or other body shall prohibit or enjoin, the closing of the transactions contemplated by the related Subsequent Transfer Instrument and any other Transaction Document in accordance with the provisions thereof;

(n) the Seller shall have furnished to the Purchaser and the Agent such further information, certificates and documents as the Purchaser and the Agent may have reasonably requested;

(o) the Seller shall have delivered to the Agent and the Lender true, correct and complete copies of the letters that the Seller has delivered to the Obligors, insurers and any other Person making any payments relating to each related Subsequent Venture Loan, each related Warrant, or the related Purchased Assets, which letters direct each such Person to make all payments on such Subsequent Venture Loan and related Warrants, or the related Purchased Assets, to the Lockbox Account; and

(p) the Seller shall have delivered to the Purchaser and the Agent an Officer's Certificate to the effect that all conditions precedent to the closing of the Transfer of the related Purchased Assets on the related Subsequent Transfer Date have been satisfied.

ARTICLE VIII

TERM

Section 8.1 Term. This Agreement shall commence as of the date of execution and delivery hereof and shall continue until the later of (i) the day immediately following the Final Payout Date or (ii) the date on which all Eligible Venture Loans and related Warrants transferred to Purchaser shall have been collected in full; ***provided***, that (x) the rights and remedies with respect to any breach of any representation and warranty made by the Seller pursuant to Article IV and (y) the indemnification and payment provisions of Article VI and the provisions of Section 9.16 shall be continuing and shall survive any termination of this Agreement for a period of three (3) years immediately following the Final Payout Date.

ARTICLE IX

MISCELLANEOUS PROVISIONS

Section 9.1 Waivers and Amendment. No failure or delay on the part of the Purchaser or any other Indemnified Party in exercising any power, right or remedy under this Agreement or any Subsequent Transfer Instrument shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right or remedy preclude any other further exercise thereof or the exercise of any other power, right or remedy. The rights and remedies herein provided shall be cumulative and nonexclusive of any rights or remedies provided by law. Any waiver of this

Agreement or any Subsequent Transfer Instrument shall be effective only in the specific instance and for the specific purpose for which it was given. No provision of this Agreement or any Subsequent Transfer Instrument may be amended, supplemented, modified or waived except in writing signed by Seller, the Purchaser and the Agent.

Section 9.2 GOVERNING LAW. THIS AGREEMENT SHALL, IN ACCORDANCE WITH SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK, BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO ANY CONFLICTS OF LAW PRINCIPLES THEREOF THAT WOULD CALL FOR THE APPLICATION OF THE LAWS OF ANY OTHER JURISDICTION, EXCEPT TO THE EXTENT THAT THE VALIDITY OR PERFECTION OF THE INTERESTS OF THE PURCHASER AND THE AGENT FOR THE BENEFIT OF THE LENDER IN THE PURCHASED ASSETS, OR REMEDIES HEREUNDER, IN RESPECT THEREOF, ARE GOVERNED BY THE LAWS OF A JURISDICTION OTHER THAN THE STATE OF NEW YORK.

Section 9.3 CONSENT TO JURISDICTION. EACH PARTY TO THIS AGREEMENT AND EACH SUBSEQUENT TRANSFER INSTRUMENT HEREBY IRREVOCABLY SUBMITS TO THE EXCLUSIVE JURISDICTION OF ANY UNITED STATES FEDERAL OR NEW YORK STATE COURT SITTING IN NEW YORK, NEW YORK IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT, SUCH SUBSEQUENT TRANSFER INSTRUMENT, OR ANY OTHER TRANSACTION DOCUMENT. EACH SUCH PARTY HEREBY IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN ANY SUCH COURT AND IRREVOCABLY WAIVES ANY OBJECTION IT MAY NOW OR HEREAFTER HAVE AS TO THE VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN SUCH A COURT OR THAT SUCH COURT IS AN INCONVENIENT FORUM. ANY JUDICIAL PROCEEDING BY THE SELLER AGAINST THE PURCHASER OR ANY OTHER INDEMNIFIED PARTY INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH THIS AGREEMENT, ANY SUBSEQUENT TRANSFER INSTRUMENT OR ANY OTHER TRANSACTION DOCUMENT SHALL BE BROUGHT ONLY IN A COURT IN NEW YORK, NEW YORK.

Section 9.4 WAIVER OF JURY TRIAL. EACH PARTY TO THIS AGREEMENT AND EACH SUBSEQUENT TRANSFER INSTRUMENT HEREBY WAIVES TRIAL BY JURY IN ANY JUDICIAL PROCEEDING INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER (WHETHER SOUNDING IN TORT, CONTRACT OR OTHERWISE) IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH THIS AGREEMENT, SUCH SUBSEQUENT TRANSFER INSTRUMENT, ANY OTHER TRANSACTION DOCUMENT OR THE RELATIONSHIP ESTABLISHED HEREUNDER OR THEREUNDER.

Section 9.5 Notices. All communications and notices provided for hereunder or under the related Subsequent Transfer Instrument shall be in writing (including telecopy or electronic facsimile transmission or similar writing) and shall be given to the other parties hereto and thereto at their respective addresses or telecopy numbers set forth on Schedule 2 or at such other

address or telecopy number as such Person may hereafter specify for the purpose of notice to each of the other parties hereto and thereto and to the Agent. Each such notice or other communication shall be deemed effective (i) if given by telecopy, upon written confirmation of transmittal and the receipt thereof, (ii) if given by mail, three (3) Business Days after the time such communication is deposited in the mail properly addressed and with first class postage prepaid, (iii) if given by overnight courier or similar overnight delivery, one (1) Business Day after the time such communication is properly addressed and delivered to such delivery service, or (iv) if given by any other means, when received at the address for notices specified in this Section 9.5.

Section 9.6 Severability of Provisions. If any one or more of the covenants, agreements, provisions or terms of this Agreement or any Subsequent Transfer Instrument shall for any reason whatsoever be held invalid, then such covenants, agreements, provisions or terms shall be deemed severable from the remaining covenants, agreements, provisions and terms of this Agreement or such Subsequent Transfer Instrument and shall in no way affect the validity or enforceability of the other provisions of this Agreement or such Subsequent Transfer Instrument.

Section 9.7 Payments; Waiver of Set-Off. The Seller expressly acknowledges and agrees that (A) the Seller shall remit to the Paying Agent, for its direct deposit into the Lockbox Account, or (B) the Servicer, for its direct deposit (subject to the terms of the Servicing Agreement with respect thereto) into the Lockbox Account, all amounts payable by the Seller to the Purchaser hereunder (including without limitation collections on and proceeds of or relating to the Venture Loans, the related Warrants, the Purchased Assets and all other Collateral) that have been remitted to the Seller. All such amounts shall be paid or deposited in accordance with the terms hereof on the day when due in immediately available funds. If the Seller fails to pay or deposit any such amount when due, the Seller shall remit to the Lockbox Bank, for its direct deposit into the Lockbox Account, on demand of the Purchaser or the Agent, interest on such amount from the time when such amount became due until the date such amount is paid or deposited in full in accordance with the terms hereof, at a rate of interest (computed for the actual number of days elapsed based on a year of 360 days) equal to the Default Rate; provided that in no event shall such rate exceed the maximum rate permitted by applicable law. The obligations and liabilities of the Seller under this Agreement and the Subsequent Transfer Instruments (collectively, the "Seller Obligations") shall not be subject to deduction of any kind or type. The Seller hereby waives any right it may now or at any time hereafter have to set-off the Seller Obligations against any obligation of the Purchaser (including, without limitation, any obligation of the Purchaser in respect of the payment of the Purchase Price for any Purchased Assets).

Section 9.8 Counterparts. This Agreement and each Subsequent Transfer Instrument may be executed in two or more counterparts (and by different parties on separate counterparts), each of which shall be an original, but all of which together shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page to this Agreement or the Subsequent Transfer Instruments by facsimile shall be effective as delivery of a manually executed counterpart of a signature page to this Agreement, such Subsequent Transfer Instrument, as the case may be.

Section 9.9 Binding Effect; Third-Party Beneficiaries. This Agreement and the Subsequent Transfer Instruments shall be binding upon and inure to the benefit of the parties hereto and thereto and their respective successors and permitted assigns; provided, that the Seller may not assign its rights or obligations hereunder and thereunder or any interest herein or therein without the prior written consent of the Purchaser and the Agent. The Purchaser shall collaterally assign all of its rights and obligations hereunder and thereunder to the Agent for the benefit of the Secured Parties. The Agent and the Lender and any assignee thereof shall be third party beneficiaries of, and shall be entitled to enforce the Purchaser's rights, remedies and powers under, this Agreement and the Subsequent Transfer Instruments to the same extent as if they were parties hereto and thereto. Without limiting the generality of the foregoing, the Seller hereby acknowledges that the Purchaser has granted a security interest in all such rights, remedies and powers to the Agent for the benefit of the Secured Parties pursuant to the Credit and Security Agreement. The Seller agrees that the Agent shall have the right to enforce this Agreement and the Subsequent Transfer Instruments and to exercise directly all of the Purchaser's rights and remedies under this Agreement and the Subsequent Transfer Instruments (including, without limitation, the right to give or withhold any consents or approvals of the Purchaser to be given or withheld hereunder and thereunder, as the case may be) and the Seller agrees to cooperate fully with the Agent in the exercise of such rights, remedies and powers.

Section 9.10 Merger and Integration. Except as specifically stated otherwise herein, this Agreement and the Subsequent Transfer Instruments set forth and will set forth the entire understanding of the parties relating to the subject matter hereof, and all prior understandings, written or oral, are superseded by this Agreement and the Subsequent Transfer Instruments.

Section 9.11 Headings. The headings are for purposes of reference only and shall not otherwise affect the meaning or interpretation of any provision hereof.

Section 9.12 Schedules and Exhibits. The schedules and exhibits attached hereto and referred to herein shall constitute a part of this Agreement and are incorporated into this Agreement for all purposes.

Section 9.13 Survival of Representations and Warranties. All representations, warranties and agreements contained in this Agreement, the Subsequent Transfer Instruments, or contained in certificates of officers of the Seller submitted pursuant hereto or thereto, or contained in any assignment permitted hereunder and thereunder, shall remain operative and in full force and effect and shall survive each Transfer hereunder and thereunder and each transfer of, or grant of a security interest in, the related Purchased Assets by the Purchaser to any other Person.

Section 9.14 Protection of Ownership Interests of Purchaser.

(a) The Seller agrees that from time to time, at its expense, it will promptly execute and deliver all instruments and documents, and take all actions, that may be necessary or desirable, or that the Purchaser or the Agent may reasonably request, to perfect, protect, defend or more fully evidence the ownership interest of the Purchaser (and its assigns) in the Purchased Assets, or to enable the Purchaser and the Agent to exercise and enforce their rights and

remedies hereunder and under the Subsequent Transfer Instruments (including, without limitation, to enforce any of the Venture Loans or related Warrants).

(b) If the Seller fails to perform any of its obligations hereunder or under any Subsequent Transfer Instrument, the Purchaser or the Agent may (but shall not be required to) perform, or cause performance of, such obligations, and the Purchaser's and the Agent's costs and expenses incurred in connection therewith shall be immediately payable by the Seller upon demand by the Purchaser or the Agent therefor.

(c) The Seller irrevocably authorizes each of the Purchaser and the Agent at any time and from time to time in the sole discretion of the Purchaser or the Agent, and appoints each of the Purchaser and the Agent as its attorney-in-fact, to act on behalf of the Seller to file financing statements and other instruments and documents necessary or desirable in the Purchaser's or the Agent's reasonable discretion to perfect and to maintain the perfection and priority of the interest of the Purchaser, the Agent and their respective assigns in the Purchased Assets. This appointment is coupled with an interest and is irrevocable. The Seller hereby authorizes the Purchaser and the Agent to file such financing statements (including any amendments thereto or continuation or termination statements thereof), without the signature or other authorization of the Seller, in such form and in such offices as the Purchaser or the Agent determines to be appropriate to perfect or maintain the perfection of the interest of the Purchaser, the Agent and their respective assigns in the Purchased Assets. The Seller hereby acknowledges and agrees that it is not authorized to, and will not, file financing statements or other filing or recording documents with respect to the Venture Loans, Warrants or other Purchased Assets (including any amendments thereto or continuation or termination statements thereof) without the express prior written approval of the Purchaser and the Agent, consenting to the form and substance of such filing or recording document. The Seller hereby approves, authorizes and ratifies any filings or recordings made by or on behalf of the Purchaser or the Agent in connection with the perfection of the interest of the Purchaser, the Agent and their respective assigns in the Purchased Assets.

Section 9.15 Confidentiality.

(a) Each of the Seller and the Purchaser shall maintain, and shall cause each of its employees, managers, members, Affiliates, consultants, advisors, accountants, auditors, legal counsel, agents, representatives and officers to maintain, the confidentiality of this Agreement and the other confidential or proprietary information with respect to each other, the Agent and the Lender and their respective businesses obtained by it or them in connection with the structuring, negotiating and execution of the transactions contemplated herein, except that each such party and its officers and employees may disclose such information to such party's external accountants and attorneys and as required by any applicable law or order of any judicial or administrative proceeding provided that such party's external accountants and attorneys are informed of the confidential nature of such information. Anything herein to the contrary notwithstanding, (i) the Seller, the Purchaser, each Indemnified Party and any successor or assign of any of the foregoing (and each employee, representative or other agent of any of the foregoing) may disclose to any and all Persons, without limitation of any kind, the "tax treatment" and "tax structure" (in each case, within the meaning of Treasury Regulation Section 1.6011-4) of the transactions contemplated herein and all materials of any kind (including

opinions or other tax analyses) that are or have been provided to any of the foregoing relating to such tax treatment or tax structure, and it is hereby confirmed that each of the foregoing has been so authorized since the commencement of discussions regarding the transactions contemplated herein, (ii) the Purchaser may (A) generally disclose the existence of the Agreement, the size of the Facility Limit and the identity of the Lender and (B) disclose the Transaction Documents to existing and potential investors in the Purchaser, the Seller or the Servicer and (iii) each Person bound by provisions of this Section 9.15 may make disclosure that is otherwise prohibited by this Section 9.15 if such disclosure is required by legal proceedings provided that such Person shall provide prompt written notice to the Parties hereto so that they may seek a protective order or other appropriate remedy.

(b) Anything herein to the contrary notwithstanding, the Seller hereby consents to the disclosure of any nonpublic information by the Agent or the Lender with respect to the Seller or any of the Collateral (i) to any other lender, assignee or participant or potential lender, assignee or participant, and to each other, and (ii) to the extent reasonably necessary to perform the transactions contemplated herein and provided any such disclosure includes informing such parties of the highly confidential nature of such information to any rating agency or provider of a surety, guaranty or credit or liquidity enhancement to the Lender or any entity organized for the purpose of purchasing, or making loans secured by, financial assets for which WestLB AG, New York Branch acts as administrative agent and to any officers, directors, employees, managers, agents, outside accountants and attorneys of any of the foregoing. In addition the parties hereto may disclose any such confidential or proprietary information: (A) pursuant to any law, rule, regulation, direction, request or order of any judicial, administrative, tax, licensing, accounting or regulatory body or Governmental Authority (whether or not having the force or effect of law), (B) in connection with the exercise of any remedies hereunder or under any other Transaction Document or any suit, action or proceeding relating to this Agreement or any other Transaction Document or the enforcement of rights hereunder or thereunder, (C) with the prior written consent of the party hereto to whom such information relates or (D) to the extent such information (i) becomes publicly available other than as a result of a breach of this Section 9.15 or (ii) becomes available to a party hereto from a source other than the party hereto to whom such information relates.

Section 9.16 Bankruptcy Petition. The Seller hereby covenants and agrees that, prior to the date that is one year and one day after the Final Payout Date, it will not institute against, or join any other Person in instituting against, the Purchaser any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings or other similar proceeding under the laws of the United States or any state of the United States.

[Signature page follows]

IN WITNESS WHEREOF, the Purchaser and the Seller have caused this Sale and Contribution Agreement to be duly executed by their respective officers as of the day and year first above written.

Horizon Credit I LLC, as the Purchaser

By: Compass Horizon Partners, LP, its Manager

By: Navco Management Ltd., its General Partner

By: /s/ Cora Lee Starzomski
Cora Lee Starzomski
Title: Director/Treasurer

Compass Horizon Funding Company LLC, as the Seller

By: Compass Horizon Partners, LP, its Manager

By: Navco Management Ltd., its General Partner

By: /s/ Cora Lee Starzomski
Cora Lee Starzomski
Title: Director/Treasurer

Exhibit (g)

FORM OF
INVESTMENT MANAGEMENT AGREEMENT

This Agreement ("Agreement") is made as of   by and between HORIZON TECHNOLOGY FINANCE CORPORATION a Delaware Corporation (the "Company"), and HORIZON TECHNOLOGY FINANCE MANAGEMENT LLC, a Delaware limited liability company (the "Advisor").

WHEREAS, the Company is a newly organized closed-end management investment fund that may in the future elect to be treated as a business development company ("BDC") under the Investment Company Act of 1940 (the "Investment Company Act");

WHEREAS, the Advisor has registered under the Investment Advisers Act of 1940 (the "Advisers Act"); and

WHEREAS, the Company desires to retain the Advisor to furnish investment advisory services to the Company on the terms and conditions hereinafter set forth, and the Advisor wishes to be retained to provide such services.

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the parties hereby agree as follows:

1. Duties of the Advisor.

(a) The Company hereby employs the Advisor to act as the investment adviser to the Company and to manage the investment and reinvestment of the assets of the Company, subject to the supervision of the Board of Directors of the Company, for the period and upon the terms herein set forth, (i) in accordance with the investment objective, policies and restrictions applicable to the Company as set forth in the Company's Registration Statement on Form N-2 dated March 19, 2010 (the "Registration Statement"), as amended from time to time; (ii) during the term of this Agreement in accordance with all other applicable federal and state laws, rules and regulations, and the Company's charter and bylaws; and (iii) if the Company elects to be regulated as a BDC, the Advisor will manage the assets of the Company in accordance with the Investment Company Act. Without limiting the generality of the foregoing, the Advisor shall, during the term and subject to the provisions of this Agreement, (i) determine the composition of the portfolio of the Company, the nature and timing of the changes therein and the manner of implementing such changes; (ii) identify, evaluate and negotiate the structure of the investments made by the Company; (iii) close and monitor the Company's investments; (iv) determine the securities and other assets that the Company will purchase, retain, or sell; (v) perform due diligence on prospective portfolio companies; and (vi) provide the Company with such other investment advisory, research and related services as the Company may, from time to time, reasonably require for the investment of its funds. The Advisor shall have the power and authority on behalf of the Company to effectuate its investment decisions for the Company, including the execution and delivery of all documents relating to the Company's investments and the placing of orders for other purchase or sale transactions on behalf of the Company. In the event that the Company determines to acquire debt financing, the Advisor will arrange for such financing on the Company's behalf, subject to the oversight and approval of the Company's Board of Directors. If it is necessary for the Advisor to make investments on behalf of the Company through a special purpose vehicle, the Advisor shall have authority to create or arrange for the creation of such special purpose vehicle and to make such investments through such special purpose vehicle (in accordance with the Investment Company Act to the extent that the Company elects to be treated as a BDC under the Investment Company Act).

(b) The Advisor hereby accepts such employment and agrees during the term hereof to render the services described herein for the compensation provided herein.

(c) The Advisor is hereby authorized to enter into one or more sub-advisory agreements with other investment advisers (each, a "Sub-Advisor") pursuant to which the Advisor may obtain the services of the Sub-Advisor(s) to assist the Advisor in fulfilling its responsibilities hereunder. Specifically, the Advisor may retain a Sub-Advisor to recommend specific securities or other investments based upon the Company's investment objective

and policies, and work, along with the Advisor, in structuring, negotiating, arranging or effecting the acquisition or disposition of such investments and monitoring investments on behalf of the Company, subject to the oversight of the Advisor and the Company. The Company shall be responsible for any compensation payable to any Sub-Advisor.

If the Company elects to be regulated as a BDC under the Investment Company Act, any sub-advisory agreement entered into by the Advisor shall be in accordance with the requirements of the Investment Company Act and other applicable federal and state law.

(d) The Advisor shall for all purposes herein provided be deemed to be an independent contractor and, except as expressly provided or authorized herein, shall have no authority to act for or represent the Company in any way or otherwise be deemed an agent of the Company.

(e) If the Company elects to be regulated as a BDC under the Investment Company Act, the Advisor shall keep and preserve for the period required by the Investment Company Act any books and records relevant to the provision of its investment advisory services to the Company and shall specifically maintain all books and records with respect to the Company's portfolio transactions and shall render to the Company's Board of Directors such periodic and special reports as the Board may reasonably request. The Advisor agrees that all records that it maintains for the Company are the property of the Company and will surrender promptly to the Company any such records upon the Company's request, provided that the Advisor may retain a copy of such records.

2. Company's Responsibilities and Expenses Payable by the Company.

All investment professionals of the Advisor and their respective staffs, when and to the extent engaged in providing investment advisory and management services hereunder, and the compensation and routine overhead expenses of such personnel allocable to such services, will be provided and paid for by the Advisor and not by the Company. The Company will bear all other costs and expenses of its operations, administration and transactions pursuant to that certain Administration Agreement, dated as of , 2010, by and between the Company and Horizon Technology Finance Management LLC, the Company's Administrator.

3. Compensation of the Advisor.

The Company agrees to pay, and the Advisor agrees to accept, as compensation for the services provided by the Advisor hereunder, a base management fee ("Base Management Fee") and an incentive fee ("Incentive Fee") as hereinafter set forth. The Company shall make any payments due hereunder to the Advisor or to the Advisor's designee as the Advisor may otherwise direct. To the extent permitted by applicable law, the Advisor may elect, or the Company may adopt a deferred compensation plan pursuant to which the Advisor may elect, to defer all or a portion of its fees hereunder for a specified period of time.

(a) The Base Management Fee shall be calculated at an annual rate of 2.00% of the Company's gross assets, including any assets acquired with the proceeds of leverage, payable monthly in arrears. Base Management Fees for any partial month will be appropriately pro rated.

(b) The Incentive Fee shall consist of two parts, as follows:

(i) One part will be calculated and payable quarterly in arrears based on the pre-Incentive Fee net investment income for the immediately preceding calendar quarter. For this purpose, pre-Incentive Fee net investment income means interest income, dividend income and any other income (including any other fees (other than fees for providing managerial assistance), such as commitment, origination, structuring, diligence and consulting fees and fees for providing significant managerial assistance or other fees that the Company receives from portfolio companies) accrued by the Company during the calendar quarter, minus the Company's operating expenses for the quarter (including the Base Management Fee, expenses payable under the Administration Agreement to the Administrator, and any interest expense and dividends paid on any issued and

outstanding preferred stock, but excluding the Incentive Fee). Pre-Incentive Fee net investment income includes, in the case of investments with a deferred interest feature (such as original issue discount, debt instruments with pay in kind interest and zero coupon securities), accrued income that we have not yet received in cash. Pre-Incentive Fee net investment income does not include any realized capital gains, realized capital losses or unrealized capital appreciation or depreciation. Pre-Incentive Fee net investment income, expressed as a rate of return on the value of the Company's net assets at the end of the immediately preceding calendar quarter, will be compared to a "hurdle rate" of 1.75% per quarter (7.00% annualized). The Company's net investment income used to calculate this part of the Incentive Fee is also included in the amount of its gross assets used to calculate the 2.00% base management fee. The Company will pay the Advisor an Incentive Fee with respect to the Company's pre-Incentive Fee net investment income in each calendar quarter as follows: (1) no Incentive Fee in any calendar quarter in which the Company's pre-Incentive Fee net investment income does not exceed the hurdle rate of 1.75%; (2) 100% of the Company's pre-Incentive Fee net investment income with respect to that portion of such pre-Incentive Fee net investment income, if any, that exceeds the hurdle rate but is less than 2.1875% in any calendar quarter (8.75% annualized); we refer to this portion of our pre-Incentive Fee net investment income (which exceeds the hurdle but is less than 2.1875%) as the "catch-up." The "catch-up" is meant to provide our investment adviser with 20% of our pre-Incentive Fee net investment income as if a hurdle did not apply if this net investment income exceeds 2.1875% in any calendar quarter; and (3) 20% of the amount of the Company's pre-Incentive Fee net investment income, if any, that exceeds 2.1875% in any calendar quarter (8.75% annualized) payable to the Advisor (once the hurdle is reached and the catch-up is achieved, 20% of all pre-Incentive Fee investment income thereafter is allocated to the Advisor). These calculations will be appropriately pro rated for any period of less than three months and adjusted for any share issuances or repurchases during the relevant quarter.

(ii) The second part of the Incentive Fee (the "Capital Gains Fee") will be determined and payable in arrears as of the end of each calendar year (or upon termination of this Agreement as set forth below), commencing on December 31, 2010, and will equal 20.0% of the Company's realized capital gains, if any, on a cumulative basis from the date of the Company's election to be a BDC through the end of each calendar year, computed net of all realized capital losses and unrealized capital depreciation on a cumulative basis, less the amount of any previously paid capital gain Incentive Fees, with respect to each of the investments in our portfolio; provided that the Incentive Fee determined as of December 31, 2010 will be calculated for a period of shorter than twelve calendar months to take into account any realized capital gains computed net of all realized capital losses and unrealized capital depreciation from the date of the Company's election to be a BDC. In the event that this Agreement shall terminate as of a date that is not a calendar year end, the termination date shall be treated as though it were a calendar year end for purposes of calculating and paying a Capital Gains Fee.

4. Covenants of the Advisor.

The Advisor covenants that it is registered as an investment adviser under the Advisers Act. The Advisor agrees that its activities will at all times be in compliance in all material respects with all applicable federal and state laws governing its operations and investments.

5. Excess Brokerage Commissions.

The Advisor is hereby authorized, to the fullest extent now or hereafter permitted by law, to cause the Company to pay a member of a national securities exchange, broker or dealer an amount of commission for effecting a securities transaction in excess of the amount of commission another member of such exchange, broker or dealer would have charged for effecting that transaction, if the Advisor determines in good faith, taking into

account such factors as price (including the applicable brokerage commission or dealer spread), size of order, difficulty of execution, and operational facilities of the firm and the firm's risk and skill in positioning blocks of securities, that such amount of commission is reasonable in relation to the value of the brokerage and/or research services provided by such member, broker or dealer, viewed in terms of either that particular transaction or its overall responsibilities with respect to the Company's portfolio, and constitutes the best net results for the Company.

6. Limitations on the Employment of the Advisor.

The services of the Advisor to the Company are not exclusive, and the Advisor may engage in any other business or render similar or different services to others including, without limitation, the direct or indirect sponsorship or management of other investment based accounts or commingled pools of capital, however structured, having investment objectives similar to those of the Company, so long as its services to the Company hereunder are not impaired thereby, and nothing in this Agreement shall limit or restrict the right of any manager, partner, officer or employee of the Advisor to engage in any other business or to devote his or her time and attention in part to any other business, whether of a similar or dissimilar nature, or to receive any fees or compensation in connection therewith (including fees for serving as a director of, or providing consulting services to, one or more of the Company's portfolio companies, subject to applicable law). So long as this Agreement or any extension, renewal or amendment remains in effect, the Advisor shall be the only investment adviser for the Company, subject to the Advisor's right to enter into sub-advisory agreements. The Advisor assumes no responsibility under this Agreement other than to render the services called for hereunder. It is understood that directors, officers, employees and stockholders of the Company are or may become interested in the Advisor and its affiliates, as directors, officers, employees, partners, stockholders, members, managers or otherwise, and that the Advisor and directors, officers, employees, partners, stockholders, members and managers of the Advisor and its affiliates are or may become similarly interested in the Company as stockholders or otherwise.

7. Responsibility of Dual Directors, Officers and/or Employees.

If any person who is a manager, partner, officer or employee of the Advisor is or becomes a director, officer and/or employee of the Company and acts as such in any business of the Company, then such manager, partner, officer and/or employee of the Advisor shall be deemed to be acting in such capacity solely for the Company, and not as a manager, partner, officer or employee of the Advisor or under the control or direction of the Advisor, even if paid by the Advisor.

8. Limitation of Liability of the Advisor; Indemnification.

The Advisor (and its officers, managers, partners, agents, employees, controlling persons, members and any other person or entity affiliated with the Advisor) shall not be liable to the Company for any action taken or omitted to be taken by the Advisor in connection with the performance of any of its duties or obligations under this Agreement or otherwise as an investment adviser of the Company (except to the extent specified in Section 36(b) of the Investment Company Act concerning loss resulting from a breach of fiduciary duty (as the same is finally determined by judicial proceedings) with respect to the receipt of compensation for services to the extent the Company elects to be regulated as a BDC under the Investment Company Act), and the Company shall indemnify, defend and protect the Advisor (and its officers, managers, partners, agents, employees, controlling persons, members and any other person or entity affiliated with the Advisor, each of whom shall be deemed a third party beneficiary hereof) (collectively, the "Indemnified Parties") and hold them harmless from and against all damages, liabilities, costs and expenses (including reasonable attorneys' fees and amounts reasonably paid in settlement) incurred by the Indemnified Parties in or by reason of any pending, threatened or completed action, suit, investigation or other proceeding (including an action or suit by or in the right of the Company or its security holders) arising out of or otherwise based upon the performance of any of the Advisor's duties or obligations under this Agreement or otherwise as an investment adviser of the Company. Notwithstanding the preceding sentence of this Section 8 to the contrary, nothing contained herein shall protect or be deemed to protect the Indemnified Parties against or entitle or be deemed to entitle the Indemnified Parties to indemnification in respect of, any liability to the Company or its security holders to which the Indemnified Parties would otherwise be subject by reason of willful misfeasance, bad faith or gross negligence in the performance of the Advisor's duties or by reason of the reckless disregard of the Advisor's duties and obligations under this Agreement (as the same shall be determined in accordance with the Investment Company Act and any interpretations or guidance by the Securities and Exchange

Commission or its staff thereunder to the extent the Company elects to be regulated as a BDC under the Investment Company Act).

9. Effectiveness, Duration and Termination of Agreement.

(a) This Agreement shall become effective as of the first date above written. This Agreement shall remain in effect for an indefinite period; provided, however, that to the extent the Company elects to be regulated as a BDC under the Investment Company Act, then this Agreement may be terminated at any time, without the payment of any penalty, upon not more than 60 days' written notice, by the vote of a majority of the outstanding voting securities of the Company or by the vote of the Company's Directors or by the Advisor. The provisions of Section 8 of this Agreement shall remain in full force and effect, and the Advisor shall remain entitled to the benefits thereof, notwithstanding any termination of this Agreement. Further, notwithstanding the termination or expiration of this Agreement as aforesaid, the Advisor shall be entitled to any amounts owed under Section 3 through the date of termination or expiration and Section 8 shall continue in force and effect and apply to the Advisor and its representatives as and to the extent applicable.

(b) If the Company elects to be regulated as a BDC under the Investment Company Act:

(i) This Agreement shall continue in effect for two years from the date hereof, or to the extent consistent with the requirements of the Investment Company Act, from the date of the Company's election to be regulated as a BDC under the Investment Company Act, and thereafter shall continue automatically for successive annual periods, provided that such continuance is specifically approved at least annually by (A) the vote of the Company's Board of Directors, or by the vote of a majority of the outstanding voting securities of the Company and (B) the vote of a majority of the Company's Directors who are not parties to this Agreement or "interested persons" (as such term is defined in Section 2(a)(19) of the Investment Company Act) of any such party, in accordance with the requirements of the Investment Company Act;

(ii) The Agreement may be terminated at any time, without the payment of any penalty, upon not more than 60 days' written notice, by the vote of a majority of the outstanding voting securities of the Company, or by the vote of the Company's Directors or by the Advisor;

(iii) This Agreement will automatically terminate in the event of its "assignment" (as such term is defined for purposes of Section 15(a)(4) of the Investment Company Act).

(c) The provisions of Section 8 of this Agreement shall remain in full force and effect, and the Advisor shall remain entitled to the benefits thereof, notwithstanding any termination of this Agreement. Further, notwithstanding the termination or expiration of this Agreement as aforesaid, the Advisor shall be entitled to any amounts owed under Section 3 through the date of termination or expiration and Section 8 shall continue in force and effect and apply to the Advisor and its representatives as and to the extent applicable.

10. Notices.

Any notice under this Agreement shall be given in writing, addressed and delivered or mailed, postage prepaid, to the other party at its principal office.

11. Amendments.

This Agreement may be amended by mutual consent. If the Company elects to be regulated as a BDC under the Investment Company Act, the consent of the Company must be obtained in conformity with the requirements of the Investment Company Act.

12. Entire Agreement; Governing Law.

This Agreement contains the entire agreement of the parties and supersedes all prior agreements, understandings and arrangements with respect to the subject matter hereof. This Agreement shall be construed in accordance with the laws of the State of New York. If the Company elects to be regulated as a BDC under the Investment Company Act, this Agreement shall also be construed in accordance with the applicable provisions of the Investment Company Act. In such case, to the extent the applicable laws of the State of New York or any of the provisions herein, conflict with the provisions of the Investment Company Act, the latter shall control.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed on the date above written.

HORIZON TECHNOLOGY FINANCE CORPORATION

By: /s/
Name:
Title:

HORIZON TECHNOLOGY FINANCE MANAGEMENT LLC

By: /s/
Name:
Title:

Exhibit (h)

Shares

HORIZON TECHNOLOGY FINANCE CORPORATION

COMMON STOCK, PAR VALUE $0.001 PER SHARE

FORM OF
UNDERWRITING AGREEMENT

, 2010

,2010

Morgan Stanley & Co. Incorporated
UBS Securities LLC
As Representatives of the several Underwriters

c/o Morgan Stanley & Co. Incorporated
1585 Broadway
New York, New York 10036

UBS Securities LLC
299 Park Avenue
New York, New York 10171

Ladies and Gentlemen:

Horizon Technology Finance Corporation, a Delaware corporation (the "**Company**"), proposes to issue and sell to the several Underwriters named in Schedule I hereto (the "**Underwriters**"), for whom Morgan Stanley & Co. Incorporated ("**Morgan Stanley**") and UBS Securities LLC ("**UBS**") are acting as representatives (in such capacity, the "**Representatives**"), and Compass Horizon Partners, L.P., a Delaware limited partnership (the "**Selling Shareholder**"), hereto severally proposes to sell to the several Underwriters, an aggregate of shares of the common stock, par value $0.001 per share of the Company (the "**Firm Shares**"), of which shares are to be issued and sold by the Company and shares are to be sold by the Selling Shareholder.

The Company also proposes to issue and sell to the several Underwriters not more than an additional shares of its common stock, par value $0.001 per share (the "**Additional Shares**") if and to the extent that the Representatives shall have determined to exercise, on behalf of the Underwriters, the right to purchase such shares of common stock granted to the Underwriters in Section 4 hereof. The Firm Shares and the Additional Shares are hereinafter collectively referred to as the "**Shares**." The shares of common stock, par value $0.001 per share of the Company to be outstanding after giving effect to the sales contemplated hereby are hereinafter referred to as the "**Common Stock**." The Company and the Selling Shareholder are hereinafter sometimes collectively referred to as the "**Sellers**."

The Company has filed with the Securities and Exchange Commission (the "**Commission**") a registration statement on Form N-2 (File No. 333-165570), including a prospectus, relating to the Shares. The registration statement as amended at the time it becomes effective, including the information (if any) (the "**Rule 430A Information")** deemed to be part of the registration statement at the time of effectiveness pursuant to Rule 430A under the Securities Act of 1933, as

amended (the **“Securities Act“**), is hereinafter referred to as the “**Registration Statement**”; the prospectus in the form first used to confirm sales of Shares is hereinafter referred to as the “**Prospectus**.” If the Company has filed an abbreviated registration statement to register additional shares of Common Stock pursuant to Rule 462(b) under the Securities Act (the “**Rule 462 Registration Statement**”), then any reference herein to the term “**Registration Statement**” shall be deemed to include such Rule 462 Registration Statement.

A Form N-6F Notice of Intent to Elect to be Subject to Sections 55 through 65 of the Investment Company Act of 1940 (File No. 814-00802) (the **“Notice of Intent“**) was filed, pursuant to Section 6(f) of the Investment Company Act of 1940, as amended, and the rules and regulations thereunder (collectively, the “**Investment Company Act**”) with the Commission on March 19, 2010. A Form N-54A Notification of Election to be Subject to Sections 55 Through 65 of the Investment Company Act of 1940 filed pursuant to Section 54(a) of the Investment Company Act (File No. 814-   ) (the “**Notification of Election**”) was filed under the Investment Company Act with the Commission on   , 2010.

The Company has entered into an Investment Management Agreement, dated as of   , 2010 (the **“Investment Management Agreement”**), with Horizon Technology Finance Management LLC, a Delaware limited liability company registered as an investment adviser (the **“Adviser**”) under the Investment Advisers Act of 1940, as amended and the rules and regulations thereunder (the **“Advisers Act”**).

The Company has also entered into an Administration Agreement, dated as of   , 2010 (the **“Administration Agreement”**) with the Adviser.

Prior to the execution of this Agreement, Compass Horizon Funding Company, LLC (**“Compass Horizon”**) made a cash distribution to Compass Horizon Partners, LP, one of its members, of $ (the “**Pre-IPO Distribution**”) and Compass Horizon Partners, LP and HTF-CHF Holdings LLC exchanged their membership interests in Compass Horizon for   shares of Common Stock (the “**Share Exchange**”).

For purposes of this Agreement, “**Time of Sale Prospectus**” means the preliminary prospectus together with the information included on Schedule II hereto, and “**broadly available road show**” means any “road show” (as defined in Rule 433 under the Securities Act).

1. *Representations and Warranties of the Company*. The Company represents and warrants to, and agrees with, each of the Underwriters that:

(a) The Registration Statement has become effective; no stop order suspending the effectiveness of the Registration Statement is in effect, and no

proceedings for such purpose are pending before or threatened by the Commission.

(b) (i) The Company is eligible to use Form N-2. The Registration Statement, when it became effective, did not contain and, as amended or supplemented, if applicable, will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, (ii) the Registration Statement and the Prospectus comply and, as amended or supplemented, if applicable, will comply in all material respects with the Securities Act, the applicable rules and regulations of the Commission thereunder and the Investment Company Act, (iii) the Time of Sale Prospectus does not, and at the time of each sale of the Shares in connection with the offering when the Prospectus is not yet available to prospective purchasers and at the Closing Date (as defined in Section 6), the Time of Sale Prospectus, as then amended or supplemented by the Company, if applicable, will not, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, (iv) each broadly available road show, if any, when considered together with the Time of Sale Prospectus, does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading and (v) the Prospectus does not contain and, as amended or supplemented, if applicable, will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that the representations and warranties set forth in this paragraph do not apply to statements or omissions in the Registration Statement, the Time of Sale Prospectus or the Prospectus based upon information relating to any Underwriter furnished to the Company in writing by any Underwriter through the Representatives expressly for use therein.

(c) The financial statements included in the Registration Statement, the Time of Sale Prospectus and the Prospectus, together with the related schedules and notes, present fairly the financial position of the Company at the date indicated and the consolidated statement of operations, statement of stockholders' equity and statement of cash flows of the Company for the periods indicated; there are no financial statements that are required to be included in the Registration Statement, the Time of Sale Prospectus and the Prospectus that are not included as required; said financial statements have been prepared in conformity with generally accepted accounting principles in the United States (**"GAAP"**) applied on a consistent basis throughout the periods involved. The "Selected Financial Data" included in the Registration Statement, the Time of Sale Prospectus and the Prospectus present fairly, in all material respects, the information shown therein and have been compiled on a basis consistent with that of the audited financial statements included in the Registration Statement, the Time of Sale Prospectus and the Prospectus. The financial data set forth in the

Time of Sale Prospectus and in the Prospectus under the caption “Capitalization” fairly presents the information set forth therein on a basis consistent with that of the audited financial statements and related notes thereto contained in the Registration Statement. The pro forma financial information with respect to the Company included under the captions “Unaudited Selected Pro Forma Condensed Consolidated Financial Data,” “Unaudited Pro Forma Per Share Data” and “Unaudited Pro Forma Condensed Consolidated Financial Statements” and elsewhere in the Registration Statement, the Time of Sale Prospectus and the Prospectus present fairly in all material respects the information contained therein, has been prepared in accordance with the Commission’s rules and guidelines with respect to pro forma financial statements and has been properly presented on the bases described therein, and the assumptions used in the preparation thereof are reasonable and the adjustments used therein are appropriate to give effect to the transactions and circumstances referred to therein. There is no other pro forma financial information that is required to be included in the Registration Statement, the Time of Sale Prospectus and the Prospectus that is not included as required.

(d) The Company has been duly incorporated, is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, has the corporate power and authority to own its property and to conduct its business as described in the Time of Sale Prospectus and is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not have a material adverse effect on the Company and its subsidiaries, taken as a whole.

(e) Each subsidiary of the Company has been duly incorporated, is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, has the corporate power and authority to own its property and to conduct its business as described in the Time of Sale Prospectus and is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not have a material adverse effect on the Company and its subsidiaries, taken as a whole; all of the issued shares of capital stock of each subsidiary of the Company have been duly and validly authorized and issued, are fully paid and non-assessable and are owned directly by the Company, free and clear of all liens, encumbrances, equities or claims.

(f) This Agreement has been duly authorized, executed and delivered by the Company.

(g) The Investment Management Agreement and the Administration Agreement have each been duly authorized, executed and delivered by the

Company and are valid and binding obligations of the Company, enforceable against the Company in accordance with their terms.

(h) The authorized capital stock of the Company conforms as to legal matters to the description thereof contained in each of the Time of Sale Prospectus and the Prospectus.

(i) The shares of Common Stock (including the Shares to be sold by the Selling Shareholder) outstanding prior to the issuance of the Shares to be sold by the Company have been duly authorized and are validly issued, fully paid and non-assessable.

(j) The Shares to be sold by the Company have been duly authorized and, when issued and delivered in accordance with the terms of this Agreement, will be validly issued, fully paid and non-assessable, and the issuance of such Shares will not be subject to any preemptive or similar rights.

(k) The execution and delivery by the Company of, and the performance by the Company of its obligations under, this Agreement, the Investment Management Agreement and the Administration Agreement will not contravene any provision of applicable law or the certificate of incorporation or by-laws of the Company or any agreement or other instrument binding upon the Company or any of its subsidiaries that is material to the Company and its subsidiaries, taken as a whole, or any judgment, order or decree of any governmental body, agency or court having jurisdiction over the Company or any subsidiary, and no consent, approval, authorization or order of, or qualification with, any governmental body or agency is required for the performance by the Company of its obligations under this Agreement, the Investment Management Agreement or the Administration Agreement, except such as may be required by the securities or Blue Sky laws of the various states in connection with the offer and sale of the Shares.

(l) There has not occurred any material adverse change, or any development involving a prospective material adverse change, in the condition, financial or otherwise, or in the earnings, business or operations of the Company and its subsidiaries, taken as a whole, from that set forth in the Time of Sale Prospectus.

(m) There are no legal or governmental proceedings pending or threatened to which the Company or any of its subsidiaries is a party or to which any of the properties of the Company or any of its subsidiaries is subject (i) other than proceedings accurately described in all material respects in the Time of Sale Prospectus and proceedings that would not have a material adverse effect on the Company and its subsidiaries, taken as a whole, or on the power or ability of the Company to perform its obligations under this Agreement, the Investment Management Agreement or the Administration Agreement or to consummate the

transactions contemplated by the Time of Sale Prospectus or (ii) that are required to be described in the Registration Statement or the Prospectus and are not so described; and there are no statutes, regulations, contracts or other documents that are required to be described in the Registration Statement or the Prospectus or to be filed as exhibits to the Registration Statement that are not described or filed as required.

(n) Each preliminary prospectus filed as part of the registration statement as originally filed or as part of any amendment thereto, or filed pursuant to Rule 497 under the Securities Act, complied when so filed in all material respects with the Securities Act, the applicable rules and regulations of the Commission thereunder and the Investment Company Act.

(o) When the Notification of Election was filed with the Commission, it (i) contained all statements required to be stated therein in accordance with, and complied in all material respects with the requirements of, the Investment Company Act and (ii) did not include any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein not misleading.

(p) The Company will not, as of the Closing Date and any Option Closing Date, have filed with the Commission any notice of withdrawal of the Notification of Election pursuant to Section 54(c) of the Investment Company Act. The Notification of Election is effective and no order of suspension or revocation of such election has been issued or proceedings therefor initiated or, to the best knowledge of the Company, threatened by the Commission.

(q) (A) The Company has duly elected to be treated by the Commission under the Investment Company Act as a business development company, such election is effective and the Company has not withdrawn such election and, to the Company's knowledge, the Commission has not ordered such election to be withdrawn nor, to our knowledge have proceedings to effectuate such withdrawal been initiated or threatened by the Commission; and all action required of the Company under the Securities Act and the Investment Company Act to make the public offering and consummate the sale of the Shares as provided in this Agreement has been taken; (B) the provisions of the corporate charter and by-laws of the Company and the investment objectives, policies and restrictions of the Company described in the Prospectus, assuming they are implemented as described, will comply in all material respects with the requirements of the Investment Company Act; and (C) as of the time of each sale of Shares, as of the Closing Date and as of any Option Closing Date, the operations of the Company are in compliance in all material respects with the provisions of the Investment Company Act applicable to business development companies.

(r) The Company is not, and after giving effect to the (i) Pre-IPO Distribution and Share Exchange, (ii) the offering and sale of the Shares and (iii) the application of the proceeds thereof as described in the Prospectus will not be, required to register as an "investment company" as such term is defined in the Investment Company Act.

(s) Each subsidiary of the Company qualifies, and after giving effect to the (i) Pre-IPO Distribution and Share Exchange, (ii) the offering and sale of the Shares and (iii) the application of the proceeds thereof as described in the Prospectus will qualify, for the exclusion from the definition of "investment company" in Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act.

(t) The Company and each of its subsidiaries are, and at all times through the completion of the transactions contemplated hereby will be, in compliance in all material respects with the applicable terms and conditions of the Securities Act, the applicable rules and regulations of the Commission thereunder and the Investment Company Act. No person is serving or acting as an officer, director or investment adviser of the Company or any subsidiary of the Company except in accordance with the applicable provisions of the Investment Company Act and the Advisers Act. The Company is not aware that any executive, key employee or significant group of employees of the Company plans to terminate employment with the Company.

(u) The Company and its subsidiaries (i) are in compliance with any and all applicable foreign, federal, state and local laws and regulations relating to the protection of human health and safety, the environment or hazardous or toxic substances or wastes, pollutants or contaminants ("**Environmental Laws**"), (ii) have received all permits, licenses or other approvals required of them under applicable Environmental Laws to conduct their respective businesses and (iii) are in compliance with all terms and conditions of any such permit, license or approval, except where such noncompliance with Environmental Laws, failure to receive required permits, licenses or other approvals or failure to comply with the terms and conditions of such permits, licenses or approvals would not, singly or in the aggregate, have a material adverse effect on the Company and its subsidiaries, taken as a whole.

(v) There are no costs or liabilities associated with Environmental Laws (including, without limitation, any capital or operating expenditures required for clean-up, closure of properties or compliance with Environmental Laws or any permit, license or approval, any related constraints on operating activities and any potential liabilities to third parties) which would, singly or in the aggregate, have a material adverse effect on the Company and its subsidiaries, taken as a whole.

(w) Except as disclosed in the Time of Sale Prospectus, there are no contracts, agreements or understandings between the Company and any person granting such person the right to require the Company to file a registration statement under the Securities Act with respect to any securities of the Company or to require the Company to include such securities with the Shares registered pursuant to the Registration Statement.

(x) Neither the Company nor any of the Company's subsidiaries or affiliates, nor any director, officer, or employee of the Company, nor, to the Company's knowledge, any agent or representative of the Company or any of the Company's subsidiaries or affiliates, has taken or will take any action in furtherance of an offer, payment, promise to pay, or authorization or approval of the payment or giving of money, property, gifts or anything else of value, directly or indirectly, to any "government official" (including any officer or employee of a government or government-owned or controlled entity or of a public international organization, or any person acting in an official capacity for or on behalf of any of the foregoing, or any political party or party official or candidate for political office) to influence official action or secure an improper advantage; and the Company and its subsidiaries and affiliates have conducted their businesses in compliance with applicable anti-corruption laws and have instituted and maintain and will continue to maintain policies and procedures designed to promote and achieve compliance with such laws and with the representation and warranty contained herein.

(y) The operations of the Company and its subsidiaries are and have been conducted at all times in material compliance with all applicable financial recordkeeping and reporting requirements, including those of the Bank Secrecy Act, as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act), and the applicable anti-money laundering statutes of jurisdictions where the Company and its subsidiaries conduct business, the rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any governmental agency (collectively, the "**Anti-Money Laundering Laws**"), and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company or any of its subsidiaries with respect to the Anti-Money Laundering Laws is pending or, to the best knowledge of the Company, threatened.

(z) (i) The Company represents that neither the Company nor any of the Company's subsidiaries (collectively, the "**Company Entity**") or any director, officer, employee, agent, affiliate or representative of the Company Entity, is an individual or entity ("**Person**") that is, or is owned or controlled by a Person that is:

(A) the subject of any sanctions administered or enforced by the U.S. Department of Treasury's Office of Foreign Assets Control ("**OFAC**") (collectively, "**Sanctions**"), nor

(B) located, organized or resident in a country or territory that is the subject of Sanctions (including, without limitation, Burma/Myanmar, Cuba, Iran, North Korea, Sudan and Syria).

(ii) The Company Entity represents and covenants that it will not, directly or indirectly, use the proceeds of the offering, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other Person:

(A) to fund or facilitate any activities or business of or with any Person or in any country or territory that, at the time of such funding or facilitation, is the subject of Sanctions; or

(B) in any other manner that will result in a violation of Sanctions by any Person (including any Person participating in the offering, whether as underwriter, advisor, investor or otherwise).

(iii) The Company Entity represents and covenants that it has not knowingly engaged in, is not now knowingly engaged in, and will not engage in, any dealings or transactions with any Person, or in any country or territory, that at the time of the dealing or transaction is or was the subject of Sanctions.

(aa) Subsequent to the respective dates as of which information is given in each of the Registration Statement, the Time of Sale Prospectus and the Prospectus, (i) the Company and its subsidiaries have not incurred any material liability or obligation, direct or contingent, nor entered into any material transaction; (ii) the Company has not purchased any of its outstanding capital stock, nor declared, paid or otherwise made any dividend or distribution of any kind on its capital stock other than ordinary and customary dividends; and (iii) there has not been any material change in the capital stock, short-term debt or long-term debt of the Company and its subsidiaries, except in each case as described in each of the Registration Statement, the Time of Sale Prospectus and the Prospectus, respectively.

(bb) The Company and its subsidiaries have good and marketable title in fee simple to all real property and good and marketable title to all personal property owned by them which is material to the business of the Company and its subsidiaries, in each case free and clear of all liens, encumbrances and defects except such as are described in the Time of Sale Prospectus or such as do not materially affect the value of such property and do not interfere with the use made and proposed to be made of such property by the Company and its subsidiaries; and any real property and buildings held under lease by the Company and its subsidiaries are held by them under valid, subsisting and enforceable leases with

such exceptions as are not material and do not interfere with the use made and proposed to be made of such property and buildings by the Company and its subsidiaries, in each case except as described in the Time of Sale Prospectus.

(cc) The Company and its subsidiaries own or possess, or can acquire on reasonable terms, all material patents, patent rights, licenses, inventions, copyrights, know-how (including trade secrets and other unpatented and/or unpatentable proprietary or confidential information, systems or procedures), trademarks, service marks and trade names currently employed by them in connection with the business now operated by them, and neither the Company nor any of its subsidiaries has received any notice of infringement of or conflict with asserted rights of others with respect to any of the foregoing which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would have a material adverse effect on the Company and its subsidiaries, taken as a whole.

(dd) No material labor dispute with the employees of the Company or any of its subsidiaries exists, except as described in the Time of Sale Prospectus, or, to the knowledge of the Company, is imminent; and the Company is not aware of any existing, threatened or imminent labor disturbance by the employees of any of its principal suppliers, manufacturers or contractors that could have a material adverse effect on the Company and its subsidiaries, taken as a whole.

(ee) The Company and each of its subsidiaries are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as are prudent and customary in the businesses in which they are engaged; neither the Company nor any of its subsidiaries has been refused any insurance coverage sought or applied for; and neither the Company nor any of its subsidiaries has any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business at a cost that would not have a material adverse effect on the Company and its subsidiaries, taken as a whole, except as described in the Time of Sale Prospectus.

(ff) The Company and its subsidiaries possess all certificates, authorizations and permits issued by the appropriate federal, state or foreign regulatory authorities necessary to conduct their respective businesses, and neither the Company nor any of its subsidiaries has received any notice of proceedings relating to the revocation or modification of any such certificate, authorization or permit which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would have a material adverse effect on the Company and its subsidiaries, taken as a whole, except as described in the Time of Sale Prospectus.

(gg) There are no business relationships or related party transactions involving the Company or any other person required to be described in the Prospectus which have not been described as required.

(hh) The Company has not, directly or indirectly, extended credit, arranged to extend credit or renewed any extension of credit, in the form of a personal loan, to or for any director or executive officer of the Company, or to or for any family member or affiliate of any director or executive officer of the Company.

(ii) Any statistical and market-related data included in the Registration Statement, the Time of Sale Prospectus and the Prospectus are based on or derived from sources that the Company believes to be reliable and accurate, and the Company has obtained the written consent to the use of such data from such sources to the extent required.

(jj) The Company and each of its subsidiaries maintain a system of internal accounting controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorizations and with the investment objectives, policies and restrictions of the Company and the applicable requirements of the Investment Company Act and the Internal Revenue Code of 1986, as amended (the **"Code"**); (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles, to calculate net asset value, and to maintain asset accountability, and to maintain material compliance with the books and records requirements under the Investment Company Act; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. Except as described in the Time of Sale Prospectus, since the end of the Company's most recent audited fiscal year, there has been (i) no material weakness in the Company's internal control over financial reporting (whether or not remediated) and (ii) no change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

(kk) There is and has been no failure on the part of the Company and any of the Company's directors or officers, in their capacities as such, to comply with any provision of the Sarbanes-Oxley Act of 2002 and the rules and regulations promulgated in connection therewith.

(ll) The Company has adopted and implemented written policies and procedures reasonably designed to prevent violation of the Federal Securities Laws (as that term is defined in Rule 38a-1 under the Investment Company Act) by the Company, including policies and procedures that provide oversight of compliance by each investment adviser, administrator and transfer agent of the Company.

(mm) Except as described in the Time of Sale Prospectus, the Company has not sold, issued or distributed any shares of Common Stock during the six-

month period preceding the date hereof, including any sales pursuant to Rule 144A under, or Regulation D or S of, the Securities Act, other than shares issued pursuant to employee benefit plans, qualified stock option plans or other employee compensation plans or pursuant to outstanding options, rights or warrants.

(nn) The Pre-IPO Distribution and the Share Exchange have been consummated in a manner consistent in all material respects with the description thereof in each of the Time of Sale Prospectus and the Prospectus.

(oo) McGladrey & Pullen LLP, who has certified the financial statements of the Company and delivered its report with respect to the audited financial statements included in the Registration Statement, the Time of Sale Prospectus and the Prospectus, is an independent registered public accounting firm with respect to the Company within the meaning of the Securities Act, the applicable rules and regulations of the Commission thereunder and the Investment Company Act.

(pp) The Company intends to (i) operate its business so as to qualify as a regulated investment company under Subchapter M of the Code, and (ii) direct the investment of the proceeds of the offering of the Shares in such a manner as to comply with the requirements of Subchapter M of the Code.

(qq) The Company (i) has filed or has caused to be filed all foreign, federal, state and local tax returns required to be filed or has properly requested extensions thereof (except in any case in which the failure so to file would not have a material adverse effect on the Company and its subsidiaries, taken as a whole), and (ii) has paid all taxes required to be paid by it and any other assessment, fine or penalty levied against it, to the extent that any of the foregoing is due and payable, except for any such assessment, fine or penalty that is currently being contested in good faith or as would not have a material adverse effect on the Company and its subsidiaries, taken as a whole.

(rr) The Company is not aware that any executive, key employee or significant group of employees of the Company is subject to any non-compete, nondisclosure, confidentiality, employment, consulting or similar agreement that would be violated by the present or proposed business activities of the Company or the Adviser except where such violation would not have a material adverse effect on the Company.

2. *Representations and Warranties of the Adviser*. The Adviser represents and warrants to, and agrees with, each of the Underwriters that:

(a) The Adviser has been duly organized, is validly existing as a limited liability company in good standing under the laws of the jurisdiction of its organization, has the limited liability company power and authority to own its property and to conduct its business as described in the Time of Sale Prospectus

and is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not have a material adverse effect on the Adviser.

(b) The Adviser is duly registered with the Commission as an investment adviser under the Advisers Act and the Adviser is not prohibited by the Advisers Act or the Investment Company Act from acting under the Investment Management Agreement as an investment adviser to the Company, as contemplated by the Time of Sale Prospectus and the Prospectus. There does not exist any proceeding or, to the Adviser's knowledge, any facts or circumstances, the existence of which could lead to any proceeding which might adversely affect the registration of the Adviser with the Commission.

(c) This Agreement has been duly authorized, executed and delivered by the Adviser.

(d) The Investment Management Agreement and the Administration Agreement have each been duly authorized, executed and delivered by the Adviser and are valid and binding obligations of the Adviser, as applicable, enforceable against the Adviser in accordance with their terms.

(e) No person is serving as an officer, director or investment adviser of the Company or any subsidiary of the Company except in accordance with the applicable provisions of the Investment Company Act and the Advisers Act. The Adviser is not aware that any executive, key employee or significant group of employees of the Adviser plans to terminate employment with the Adviser.

(f) The Adviser has the financial resources available to it necessary for the performance of its services and obligations as contemplated in the Time of Sale Prospectus and the Prospectus and under this Agreement, the Investment Management Agreement and the Administration Agreement, as applicable.

(g) The execution and delivery by the Adviser of, and the performance by the Adviser of its obligations under, this Agreement, the Investment Management Agreement and the Administration Agreement will not contravene any provision of applicable law or the certificate of formation or limited liability company agreement of the Adviser or any agreement or other instrument binding upon the Adviser that is material to the Adviser, taken as a whole, or any judgment, order or decree of any governmental body, agency or court having jurisdiction over the Adviser, and no consent, approval, authorization or order of, or qualification with, any governmental body or agency is required for the performance by the Adviser of its obligations under this Agreement, the Investment Management Agreement or the Administration Agreement, except

such as may be required by the securities or Blue Sky laws of the various states in connection with the offer and sale of the Shares.

(h) There has not occurred any material adverse change, or any development involving a prospective material adverse change, in the condition, financial or otherwise, or in the earnings, business or operations of the Adviser from that set forth in the Time of Sale Prospectus.

(i) There are no legal or governmental proceedings pending or threatened to which the Adviser is a party or to which any of the properties of the Adviser is subject (i) other than proceedings accurately described in all material respects in the Time of Sale Prospectus and proceedings that would not have a material adverse effect on the Adviser or on the power or ability of the Adviser to perform its obligations under this Agreement, the Investment Management Agreement or the Administration Agreement or to consummate the transactions contemplated by the Time of Sale Prospectus or (ii) that are required to be described in the Registration Statement or the Prospectus and are not so described.

(j) Subsequent to the respective dates as of which information is given in each of the Registration Statement, the Time of Sale Prospectus and the Prospectus, (i) the Adviser has not incurred any material liability or obligation, direct or contingent, nor entered into any material transaction; (ii) the Adviser has not purchased any of its outstanding limited liability company interests, nor declared, paid or otherwise made any dividend or distribution of any kind on its limited liability company interests other than ordinary and customary dividends; and (iii) there has not been any material change in the limited liability company interests, short-term debt or long-term debt of the Adviser, except as described in each of the Registration Statement, the Time of Sale Prospectus and the Prospectus, respectively.

(k) The Adviser possesses all certificates, authorizations and permits issued by the appropriate federal, state or foreign regulatory authorities necessary to conduct its business, and the Adviser has not received any notice of proceedings relating to the revocation or modification of any such certificate, authorization or permit which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would have a material adverse effect on the Adviser, except as described in the Time of Sale Prospectus.

(l) The description of the Adviser and the information on the other funds managed by the Adviser (including performance information) contained in the Registration Statement, the Time of Sale Prospectus and the Prospectus does not, and prior to the time of purchase will not, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances in which they were made, not misleading.

(m) The Adviser has not taken, directly or indirectly, any action designed to or that would constitute or that might reasonably be expected to cause or result in, under the Exchange Act or otherwise, stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Shares, and the Adviser is not aware of any such action taken or to be taken by any affiliates of the Adviser.

(n) The Adviser maintains a system of internal accounting controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with its management's general or specific authorization and with the investment objectives, policies and restrictions of the Company and the applicable requirements of the Investment Company Act and the Code; (ii) transactions are recorded as necessary to permit preparation of the Company's financial statements in conformity with generally accepted accounting principles, to calculate net asset value, and to maintain asset accountability, and to maintain material compliance with the books and records requirements under the Investment Company Act; (iii) access to assets is permitted only in accordance with its management's general or specific authorization; and (iv) the recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

(o) The Adviser is not aware that any executive, key employee or significant group of employees of the Adviser is subject to any non-compete, nondisclosure, confidentiality, employment, consulting or similar agreement that would be violated by the present or proposed business activities of the Company or the Adviser except where such violation would not have a material adverse effect on the Adviser.

(p) Neither the Adviser nor any of the Adviser's subsidiaries or affiliates, nor any director, officer, or employee of the Adviser, nor, to the Adviser's knowledge, any agent or representative of the Adviser or of any of the Adviser's subsidiaries or affiliates, has taken or will take any action in furtherance of an offer, payment, promise to pay, or authorization or approval of the payment or giving of money, property, gifts or anything else of value, directly or indirectly, to any "government official" (including any officer or employee of a government or government-owned or controlled entity or of a public international organization, or any person acting in an official capacity for or on behalf of any of the foregoing, or any political party or party official or candidate for political office) to influence official action or secure an improper advantage; and the Adviser and its respective subsidiaries and affiliates have conducted their businesses in compliance with applicable anti-corruption laws and have instituted and maintain and will continue to maintain policies and procedures designed to promote and achieve compliance with such laws and with the representation and warranty contained herein.

(q) (i) The Adviser represents that neither the Adviser nor any of the Adviser's subsidiaries (collectively, the "**Adviser Entity**") or any director, officer, employee, agent, affiliate or representative of the Adviser Entity, is a Person that is, or is owned or controlled by a Person that is:

(A) the subject of any Sanctions, nor

(B) located, organized or resident in a country or territory that is the subject of Sanctions (including, without limitation, Burma/Myanmar, Cuba, Iran, North Korea, Sudan and Syria).

(ii) The Adviser Entity represents and covenants that it will not, directly or indirectly, use the proceeds of the offering, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other Person:

(A) to fund or facilitate any activities or business of or with any Person or in any country or territory that, at the time of such funding or facilitation, is the subject of Sanctions; or

(B) in any other manner that will result in a violation of Sanctions by any Person (including any Person participating in the offering, whether as underwriter, advisor, investor or otherwise).

(iii) The Adviser Entity represents and covenants that it has not knowingly engaged in, is not now knowingly engaged in, and will not engage in, any dealings or transactions with any Person, or in any country or territory, that at the time of the dealing or transaction is or was the subject of Sanctions.

3. *Representations and Warranties of the Selling Shareholder*. The Selling Shareholder represents and warrants to and agrees with each of the Underwriters that:

(a) This Agreement has been duly authorized, executed and delivered by or on behalf of the Selling Shareholder.

(b) The execution and delivery by the Selling Shareholder of, and the performance by the Selling Shareholder of its obligations under, this Agreement, the Custody Agreement signed by the Selling Shareholder and [ ], as Custodian, relating to the deposit of the Shares to be sold by the Selling Shareholder (the "**Custody Agreement**") and the Power of Attorney appointing certain individuals as the Selling Shareholder's attorney-in-fact to the extent set forth therein, relating to the transactions contemplated hereby and by the Registration Statement (the "**Power of Attorney**") will not contravene any provision of applicable law, or the certificate of incorporation or by-laws of the Selling Shareholder (if the Selling Shareholder is a corporation), or any agreement

or other instrument binding upon the Selling Shareholder or any judgment, order or decree of any governmental body, agency or court having jurisdiction over the Selling Shareholder, and no consent, approval, authorization or order of, or qualification with, any governmental body or agency is required for the performance by the Selling Shareholder of its obligations under this Agreement or the Custody Agreement or Power of Attorney of the Selling Shareholder, except such as may be required by the securities or Blue Sky laws of the various states in connection with the offer and sale of the Shares.

(c) The Selling Shareholder has, and on the Closing Date will have, valid title to, or a valid "security entitlement" within the meaning of Section 8-501 of the New York Uniform Commercial Code in respect of, the Shares to be sold by the Selling Shareholder free and clear of all security interests, claims, liens, equities or other encumbrances and the legal right and power, and all authorization and approval required by law, to enter into this Agreement, the Custody Agreement and the Power of Attorney and to sell, transfer and deliver the Shares to be sold by the Selling Shareholder or a security entitlement in respect of such Shares.

(d) The Custody Agreement and the Power of Attorney have been duly authorized, executed and delivered by the Selling Shareholder and are valid and binding agreements of the Selling Shareholder.

(e) Upon payment for the Shares to be sold by the Selling Shareholder pursuant to this Agreement, delivery of such Shares, as directed by the Underwriters, to Cede & Co. (**"Cede"**) or such other nominee as may be designated by the Depository Trust Company (**"DTC"**), registration of such Shares in the name of Cede or such other nominee and the crediting of such Shares on the books of DTC to securities accounts of the Underwriters (assuming that neither DTC nor any such Underwriter has notice of any adverse claim (within the meaning of Section 8-105 of the New York Uniform Commercial Code (the **"UCC"**)) to such Shares), (A) DTC shall be a "protected purchaser" of such Shares within the meaning of Section 8-303 of the UCC, (B) under Section 8-501 of the UCC, the Underwriters will acquire a valid security entitlement in respect of such Shares and (C) no action based on any "adverse claim", within the meaning of Section 8-102 of the UCC, to such Shares may be asserted against the Underwriters with respect to such security entitlement; for purposes of this representation, the Selling Shareholder may assume that when such payment, delivery and crediting occur, (x) such Shares will have been registered in the name of Cede or another nominee designated by DTC, in each case on the Company's share registry in accordance with its certificate of incorporation, bylaws and applicable law, (y) DTC will be registered as a "clearing corporation" within the meaning of Section 8-102 of the UCC and

(z) appropriate entries to the accounts of the several Underwriters on the records of DTC will have been made pursuant to the UCC.

(f) The Selling Shareholder has no reason to believe that the representations and warranties of the Company contained in Section 1 of this Agreement and of the Adviser contained in Sections 1 and 2 of this Agreement are not true and correct, is familiar with the Registration Statement, the Time of Sale Prospectus and the Prospectus and has no knowledge of any material fact, condition or information not disclosed in the Time of Sale Prospectus or the Prospectus that has had, or may have, a material adverse effect on the Company and its subsidiaries, taken as a whole. The Selling Shareholder is not prompted by any information concerning the Company or its subsidiaries which is not set forth in the Time of Sale Prospectus to sell its Shares pursuant to this Agreement.

(g) (i) The Registration Statement, when it became effective, did not contain and, as amended or supplemented, if applicable, will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, (ii) the Time of Sale Prospectus does not, and at the time of each sale of the Shares in connection with the offering when the Prospectus is not yet available to prospective purchasers and at the Closing Date (as defined in Section 6), the Time of Sale Prospectus, as then amended or supplemented by the Company, if applicable, will not, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, (iii) each broadly available road show, if any, when considered together with the Time of Sale Prospectus does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading and (iv) the Prospectus does not contain and, as amended or supplemented, if applicable, will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; *provided* that the representations and warranties set forth in this paragraph 3(g) are limited to statements or omissions made in reliance upon information relating to the Selling Shareholder expressly for use in the Registration Statement, the Time of Sale Prospectus, the Prospectus or any amendments or supplements thereto.

4. *Agreements to Sell and Purchase*. Each Seller, severally and not jointly, hereby agrees to sell to the several Underwriters, and each Underwriter, upon the basis of the representations and warranties herein contained, but subject to the conditions hereinafter stated, agrees, severally and not jointly, to purchase

from such Seller at $ a share (the "**Purchase Price**") the number of Firm Shares (subject to such adjustments to eliminate fractional shares as the Representatives may determine) that bears the same proportion to the number of Firm Shares to be sold by such Seller as the number of Firm Shares set forth in Schedule I hereto opposite the name of such Underwriter bears to the total number of Firm Shares.

On the basis of the representations and warranties contained in this Agreement, and subject to its terms and conditions, the Company agrees to sell to the Underwriters the Additional Shares, and the Underwriters shall have the right to purchase, severally and not jointly, up to Additional Shares at the Purchase Price, provided, however, that the amount paid by the Underwriters for any Additional Shares shall be reduced by an amount per share equal to any dividends declared by the Company and payable on the Firm Shares but not payable on such Additional Shares. The Representatives may exercise this right on behalf of the Underwriters in whole or from time to time in part by giving written notice not later than 30 days after the date of this Agreement. Any exercise notice shall specify the number of Additional Shares to be purchased by the Underwriters and the date on which such shares are to be purchased. Each purchase date must be at least one business day after the written notice is given and may not be earlier than the closing date for the Firm Shares nor later than ten business days after the date of such notice. Additional Shares may be purchased as provided in Section 6 hereof solely for the purpose of covering over-allotments made in connection with the offering of the Firm Shares. On each day, if any, that Additional Shares are to be purchased (an "**Option Closing Date**"), each Underwriter agrees, severally and not jointly, to purchase the number of Additional Shares (subject to such adjustments to eliminate fractional shares as the Representatives may determine) that bears the same proportion to the total number of Additional Shares to be purchased on such Option Closing Date as the number of Firm Shares set forth in Schedule I hereto opposite the name of such Underwriter bears to the total number of Firm Shares.

Each Seller hereby agrees that, without the prior written consent of the Representatives on behalf of the Underwriters, it will not, during the period ending 180 days after the date of the Prospectus, (1) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any shares of Common Stock beneficially owned (as such term is used in Rule 13d-3 of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**")), by the undersigned or any other securities so owned convertible into or exercisable or exchangeable for Common Stock or (2) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Common Stock, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of Common Stock or such other securities, in cash or otherwise or (3) file any registration statement with the Commission relating to the offering of any

shares of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock.

The restrictions contained in the preceding paragraph shall not apply to (a) the Shares to be sold hereunder, (b) the issuance by the Company of shares of Common Stock upon the exercise of an option or warrant or the conversion of a security outstanding on the date hereof of which the Underwriters have been advised in writing, (c) transactions by the Selling Shareholder relating to shares of Common Stock or other securities acquired in open market transactions after the completion of the offering of the Shares, *provided* that no filing under Section 16(a) of the Exchange Act, shall be required or shall be voluntarily made in connection with subsequent sales of Common Stock or other securities acquired in such open market transactions, (d) transfers by a Selling Shareholder of shares of Common Stock or any security convertible into Common Stock as a bona fide gift, (e) distributions by a Selling Shareholder of shares of Common Stock or any security convertible into Common Stock to limited partners or stockholders of the Selling Shareholder; *provided* that in the case of any transfer or distribution pursuant to clause (d) or (e), (i) each donee or distributee shall enter into a written agreement accepting the restrictions set forth in the preceding paragraph and this paragraph as if it were a Selling Shareholder and (ii) no filing under Section 16(a) of the Exchange Act, reporting a reduction in beneficial ownership of shares of Common Stock, shall be required or shall be voluntarily made in respect of the transfer or distribution during the 180-day restricted period, or (f) the establishment of a trading plan pursuant to Rule 10b5-1 under the Exchange Act for the transfer of shares of Common Stock, *provided* that such plan does not provide for the transfer of Common Stock during the 180-day restricted period and no public announcement or filing under the Exchange Act regarding the establishment of such plan shall be required of or voluntarily made by or on behalf of the undersigned or the Company. In addition, the Selling Shareholder, agrees that, without the prior written consent of the Representatives on behalf of the Underwriters, it will not, during the period ending 180 days after the date of the Prospectus, make any demand for, or exercise any right with respect to, the registration of any shares of Common Stock or any security convertible into or exercisable or exchangeable for Common Stock. The Selling Shareholder consents to the entry of stop transfer instructions with the Company's transfer agent and registrar against the transfer of any Shares held by the Selling Shareholder except in compliance with the foregoing restrictions. Notwithstanding the foregoing, if (1) during the last 17 days of the 180-day restricted period the Company issues an earnings release or material news or a material event relating to the Company occurs; or (2) prior to the expiration of the 180-day restricted period, the Company announces that it will release earnings results during the 16-day period beginning on the last day of the 180-day period, the restrictions imposed by this agreement shall continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event. The Company shall promptly

notify the Representatives of any earnings release, news or event that may give rise to an extension of the initial 180-day restricted period.

5. *Terms of Public Offering*. The Sellers are advised by the Representatives that the Underwriters propose to make a public offering of their respective portions of the Shares as soon after the Registration Statement and this Agreement have become effective as in the Representatives' judgment is advisable. The Sellers are further advised by the Representatives that the Shares are to be offered to the public initially at $ a share (the "**Public Offering Price**") and to certain dealers selected by the Representatives at a price that represents a concession not in excess of $ a share under the Public Offering Price, and that any Underwriter may allow, and such dealers may reallow, a concession, not in excess of $ a share, to any Underwriter or to certain other dealers.

6. *Payment and Delivery*. Payment for the Firm Shares to be sold by each Seller shall be made to such Seller in Federal or other funds immediately available in New York City against delivery of such Firm Shares for the respective accounts of the several Underwriters at the offices of Fried, Frank, Harris, Shriver & Jacobson LLP, One New York Plaza, New York, NY 10004, or at such other places as shall be agreed upon by the Representatives and the Company, at 10:00 a.m., New York City time, on , 2010, or at such other time on the same or such other date, not later than , 2010, as shall be designated in writing by the Representatives. The time and date of such payment are hereinafter referred to as the "**Closing Date**."

Payment for any Additional Shares shall be made to the Company in Federal or other funds immediately available in New York City against delivery of such Additional Shares for the respective accounts of the several Underwriters at the above-mentioned offices, or at such other place as shall be agreed upon by the Representatives and the Company, at 10:00 a.m., New York City time, on the date specified in the corresponding notice described in Section 4 or at such other time on the same or on such other date, in any event not later than , 2010, as shall be designated in writing by the Representatives.

The Firm Shares and Additional Shares shall be registered in such names and in such denominations as the Representatives shall request in writing not later than one full business day prior to the Closing Date or the applicable Option Closing Date, as the case may be. The Firm Shares and Additional Shares shall be delivered to the Representatives on the Closing Date or an Option Closing Date, as the case may be, for the respective accounts of the several Underwriters, with any transfer taxes payable in connection with the transfer of the Shares to the Underwriters duly paid, against payment of the Purchase Price therefor.

7. *Conditions to the Underwriters' Obligations*. The obligations of the Sellers to sell the Shares to the Underwriters and the several obligations of the

Underwriters to purchase and pay for the Shares on the Closing Date are subject to the condition that the Registration Statement shall have become effective not later than (New York City time) on the date hereof.

The several obligations of the Underwriters are subject to the following further conditions:

(a) Subsequent to the execution and delivery of this Agreement and prior to the Closing Date:

(i) there shall not have occurred any downgrading, nor shall any notice have been given of any intended or potential downgrading or of any review for a possible change that does not indicate the direction of the possible change, in the rating accorded any of the securities of the Company or any of its subsidiaries by any "nationally recognized statistical rating organization," as such term is defined for purposes of Rule 436(g)(2) under the Securities Act;

(ii) there shall not have occurred any change, or any development involving a prospective change, in the condition, financial or otherwise, or in the earnings, business or operations of the Company and its subsidiaries, taken as a whole, from that set forth in the Time of Sale Prospectus as of the date of this Agreement that, in the judgment of the Representatives, is material and adverse and that makes it, in the judgment of the Representatives, impracticable to market the Shares on the terms and in the manner contemplated in the Time of Sale Prospectus; and

(iii) there shall not have occurred any change, or any development involving a prospective change, in the condition, financial or otherwise, or in the business or operations of the Adviser from that set forth in the Time of Sale Prospectus as of the date of this Agreement that, in the judgment of the Representatives, is material and adverse and that makes it, in the judgment of the Representatives, impracticable to market the Shares on the terms and in the manner contemplated in the Time of Sale Prospectus.

(b) (i) The Underwriters shall have received on the Closing Date a certificate, dated the Closing Date and signed by an executive officer of the Company, to the effect set forth in Section 7(a)(i) above and to the effect that the representations and warranties of the Company contained in this Agreement are true and correct as of the Closing Date and that the Company has complied with all of the agreements and satisfied all of the conditions on its part to be performed or satisfied hereunder on or before the Closing Date.

(ii) The Underwriters shall have received on the Closing Date a certificate, dated the Closing Date and signed by an executive officer of the Adviser, to the effect that the representations and warranties of the Adviser

contained in this Agreement are true and correct as of the Closing Date and that the Adviser has complied with all of the agreements and satisfied all of the conditions on its part to be performed or satisfied hereunder on or before the Closing Date.

The officer signing and delivering such certificates may rely upon the best of his or her knowledge as to proceedings threatened.

(c) The Underwriters shall have received on the Closing Date:

(i) an opinion of Squire, Sanders & Dempsey L.L.P., outside counsel for the Company, dated the Closing Date, to the effect set forth in Exhibit A hereto;

(ii) an opinion of Morrison Cohen LLP, counsel for the Selling Shareholder, dated the Closing Date, to the effect set forth in Exhibit B hereto;

(iii) an opinion of Fried, Frank, Harris, Shriver & Jacobson LLP, counsel for the Underwriters, dated the Closing Date.

With respect to opinion (xxv) of Exhibit A hereto, Squire, Sanders & Dempsey L.L.P. and Fried, Frank, Harris, Shriver & Jacobson LLP, and with respect to opinion (vi) of Exhibit B hereto, Morrison Cohen LLP, may state that their opinions and beliefs are based upon their participation in the preparation of the Registration Statement, the Time of Sale Prospectus and the Prospectus and any amendments or supplements thereto and review and discussion of the contents thereof, but are without independent check or verification, except as specified. With respect to clause (c)(ii) above, Morrison Cohen LLP may rely upon an opinion or opinions of other counsel for the Selling Shareholder and, with respect to factual matters and to the extent such counsel deems appropriate, upon the representations of the Selling Shareholder contained herein and in the Custody Agreement and Power of Attorney of the Selling Shareholder and in other documents and instruments; *provided* that (A) each such counsel for the Selling Shareholder is satisfactory to counsel for the Underwriters, (B) a copy of each opinion so relied upon is delivered to the Underwriters and is in form and substance satisfactory to counsel for the Underwriters, (C) copies of such Custody Agreements and Powers of Attorney and of any such other documents and instruments shall be delivered to the Underwriters and shall be in form and substance satisfactory to counsel for the Underwriters and (D) Morrison Cohen LLP shall state in their opinion that they are justified in relying on each such other opinion.

The opinions of Squire, Sanders & Dempsey L.L.P. and Morrison Cohen LLP described in clauses (c)(i) and (c)(ii) above (and any opinions of counsel for the Selling Shareholder referred to in the immediately preceding paragraph) shall be rendered to the Underwriters at the request of the Company or the Selling Shareholder, as the case may be, and shall so state therein.

(d) The Underwriters shall have received, on each of the date hereof and the Closing Date, a letter dated the date hereof or the Closing Date, as the case may be, in form and substance satisfactory to the Underwriters, from McGladrey & Pullen LLP, independent public accountants, containing statements and information of the type ordinarily included in accountants' "comfort letters" to underwriters with respect to the financial statements and certain financial information contained in the Registration Statement, the Time of Sale Prospectus and the Prospectus; *provided* that the letter delivered on the Closing Date shall use a "cut-off date" not earlier than the date hereof.

(e) The "lock-up" agreements, each substantially in the form of Exhibit C hereto, between the Underwriters and certain shareholders, officers and directors of the Company relating to sales and certain other dispositions of shares of Common Stock or certain other securities, delivered to the Underwriters on or before the date hereof, shall be in full force and effect on the Closing Date.

The several obligations of the Underwriters to purchase Additional Shares hereunder are subject to the delivery to the Underwriters on the applicable Option Closing Date of such documents as the Representatives may reasonably request with respect to the good standing of the Company, the due authorization and issuance of the Additional Shares to be sold on such Option Closing Date and other matters related to the issuance of such Additional Shares.

8. *Covenants of the Company*. The Company covenants with each Underwriter as follows:

(a) To furnish to the Representatives, without charge, signed copies of the Registration Statement (including exhibits thereto) and for delivery to each other Underwriter a conformed copy of the Registration Statement (without exhibits thereto) and to furnish to the Representatives in New York City, without charge, prior to 10:00 a.m. New York City time on the business day next succeeding the date of this Agreement and during the period mentioned in Section 8(d) or 8(e) below, as many copies of the Time of Sale Prospectus, the Prospectus and any supplements and amendments thereto or to the Registration Statement as the Representatives may reasonably request.

(b) Before amending or supplementing the Registration Statement, the Time of Sale Prospectus or the Prospectus, to furnish to the Representatives a copy of each such proposed amendment or supplement and not to file any such proposed amendment or supplement to which the Representatives reasonably object, and to file with the Commission within the applicable period specified in Rule 497(h) under the Securities Act any prospectus required to be filed pursuant to such Rule.

(c) To furnish to the Representatives a copy of all promotional materials (including "road show slides" or "road show scripts") prepared by the Company or the Adviser for use in connection with the offering and sale of the Shares and not to use or refer to any such materials to which the Representatives reasonably object.

(d) If the Time of Sale Prospectus is being used to solicit offers to buy the Shares at a time when the Prospectus is not yet available to prospective purchasers and any event shall occur or condition exist as a result of which it is necessary to amend or supplement the Time of Sale Prospectus in order to make the statements therein, in the light of the circumstances, not misleading, or if any event shall occur or condition exist as a result of which the Time of Sale Prospectus conflicts with the information contained in the Registration Statement then on file, or if, in the opinion of counsel for the Underwriters, it is necessary to amend or supplement the Time of Sale Prospectus to comply with applicable law, forthwith to prepare, file with the Commission and furnish, at its own expense, to the Underwriters and to any dealer upon request, either amendments or supplements to the Time of Sale Prospectus so that the statements in the Time of Sale Prospectus as so amended or supplemented will not, in the light of the circumstances when the Time of Sale Prospectus is delivered to a prospective purchaser, be misleading or so that the Time of Sale Prospectus, as amended or supplemented, will no longer conflict with the Registration Statement, or so that the Time of Sale Prospectus, as amended or supplemented, will comply with applicable law.

(e) If, during such period after the first date of the public offering of the Shares as in the opinion of counsel for the Underwriters the Prospectus is required by law to be delivered in connection with sales by an Underwriter or dealer, any event shall occur or condition exist as a result of which it is necessary to amend or supplement the Prospectus in order to make the statements therein, in the light of the circumstances when the Prospectus is delivered to a purchaser, not misleading, or if, in the opinion of counsel for the Underwriters, it is necessary to amend or supplement the Prospectus to comply with applicable law, forthwith to prepare, file with the Commission and furnish, at its own expense, to the Underwriters and to the dealers (whose names and addresses the Representatives will furnish to the Company) to which Shares may have been sold by the Representatives on behalf of the Underwriters and to any other dealers upon request, either amendments or supplements to the Prospectus so that the statements in the Prospectus as so amended or supplemented will not, in the light of the circumstances when the Prospectus is delivered to a purchaser, be misleading or so that the Prospectus, as amended or supplemented, will comply with applicable law.

(f) To endeavor to qualify the Shares for offer and sale under the securities or Blue Sky laws of such jurisdictions as the Representatives shall reasonably request.

(g) To make generally available to the Company's security holders and to the Representatives as soon as practicable an earnings statement covering a period of at least twelve months beginning with the first fiscal quarter of the Company occurring after the date of this Agreement which shall satisfy the provisions of Section 11(a) of the Securities Act and the rules and regulations of the Commission thereunder.

(h) To use reasonable efforts to maintain its status as a business development company under the Investment Company Act; *provided*, *however*, that the Company may only cease to be, or withdraw its election to be treated as, a business development company with the approval of its Board of Directors and a vote of stockholders as required by Section 58 of the Investment Company Act.

(i) To use reasonable efforts to qualify and elect to be treated as a regulated investment company under Subchapter M of the Code and to maintain such qualification and election in effect for each full fiscal year during which it is a business development company under the Investment Company Act.

(j) To retain qualified accountants and qualified tax experts (i) to test procedures and conduct annual compliance reviews designed to determine compliance with the regulated investment company provisions of the Code and the Company's exempt status under the Investment Company Act and (ii) to otherwise assist the Company in monitoring appropriate accounting systems and procedures designed to determine compliance with the regulated investment company provisions of the Code and the Company's exempt status under the Investment Company Act.

9. *Expenses*. Whether or not the transactions contemplated in this Agreement are consummated or this Agreement is terminated, the Sellers agree to pay or cause to be paid all expenses incident to the performance of their obligations under this Agreement, including: (i) the fees, disbursements and expenses of the Company's counsel, the Company's accountants and counsel for the Selling Shareholder in connection with the registration and delivery of the Shares under the Securities Act and all other fees or expenses in connection with the preparation and filing of the Registration Statement, any preliminary prospectus, the Time of Sale Prospectus, the Prospectus and amendments and supplements to any of the foregoing, including all printing costs associated therewith, and the mailing and delivering of copies thereof to the Underwriters and dealers, in the quantities hereinabove specified, (ii) all costs and expenses related to the transfer and delivery of the Shares to the Underwriters, including any transfer or other taxes payable thereon, (iii) the cost of printing or producing any Blue Sky or Legal Investment memorandum in connection with the offer and sale of the Shares under state securities laws and all expenses in connection with the qualification of the Shares for offer and sale under state securities laws as provided in Section 8(f) hereof, including filing fees and the reasonable fees and disbursements of counsel for the Underwriters in connection with such

qualification and in connection with the Blue Sky or Legal Investment memorandum, (iv) all filing fees and the reasonable fees and disbursements of counsel to the Underwriters incurred in connection with the review and qualification of the offering of the Shares by the Financial Industry Regulatory Authority, Inc., (v) all fees and expenses in connection with the preparation and filing of the registration statement on Form 8-A relating to the Common Stock and all costs and expenses incident to listing the Shares on the NASDAQ Global Market, (vi) the cost of printing certificates representing the Shares, (vii) the costs and charges of any transfer agent, registrar or depositary, (viii) the costs and expenses of the Company relating to investor presentations on any "road show" undertaken in connection with the marketing of the offering of the Shares, including, without limitation, expenses associated with the preparation or dissemination of any electronic road show, expenses associated with the production of road show slides and graphics, fees and expenses of any consultants engaged in connection with the road show presentations with the prior approval of the Company, travel and lodging expenses of the representatives and officers of the Company and any such consultants, and the cost of any aircraft chartered in connection with the road show, (ix) the document production charges and expenses associated with printing this Agreement, and (x) all other costs and expenses incident to the performance of the obligations of the Company hereunder for which provision is not otherwise made in this Section. It is understood, however, that except as provided in this Section, Section 10 entitled "Indemnity and Contribution" and the last paragraph of Section 12 below, the Underwriters will pay all of their costs and expenses, including fees and disbursements of their counsel, stock transfer taxes payable on resale of any of the Shares by them and any advertising expenses connected with any offers they may make.

The provisions of this Section shall not supersede or otherwise affect any agreement that the Sellers may otherwise have for the allocation of such expenses among themselves.

10. *Indemnity and Contribution*. (a) The Company and the Adviser, jointly and severally, agree to indemnify and hold harmless each Underwriter, each person, if any, who controls any Underwriter within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act, and each affiliate of any Underwriter within the meaning of Rule 405 under the Securities Act from and against any and all losses, claims, damages and liabilities (including, without limitation, any legal or other expenses reasonably incurred in connection with defending or investigating any such action or claim) caused by any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or any amendment thereof, any preliminary prospectus, the Time of Sale Prospectus, any road show, or the Prospectus or any

amendment or supplement thereto, or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such losses, claims, damages or liabilities are caused by any such untrue statement or omission or alleged untrue statement or omission based upon information relating to any Underwriter furnished to the Company in writing by such Underwriter through the Representatives expressly for use therein.

(b) The Selling Shareholder agrees to indemnify and hold harmless each Underwriter, each person, if any, who controls any Underwriter within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act, and each affiliate of any Underwriter within the meaning of Rule 405 under the Securities Act from and against any and all losses, claims, damages and liabilities (including, without limitation, any legal or other expenses reasonably incurred in connection with defending or investigating any such action or claim) caused by any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or any amendment thereof, any preliminary prospectus, the Time of Sale Prospectus, any road show, or the Prospectus or any amendment or supplement thereto, or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, but only with reference to information relating to the Selling Shareholder furnished in writing by or on behalf of the Selling Shareholder expressly for use in the Registration Statement, any preliminary prospectus, the Prospectus or any amendment or supplement thereto. The liability of the Selling Shareholder under the indemnity agreement contained in this paragraph shall be limited to an amount equal to the aggregate Public Offering Price of the Shares sold by the Selling Shareholder under this Agreement.

(c) Each Underwriter agrees, severally and not jointly, to indemnify and hold harmless the Company, the Selling Shareholder, the directors of the Company, the officers of the Company who sign the Registration Statement and each person, if any, who controls the Company or the Selling Shareholder within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act from and against any and all losses, claims, damages and liabilities (including, without limitation, any legal or other expenses reasonably incurred in connection with defending or investigating any such action or claim) caused by any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or any amendment thereof, any preliminary prospectus, the Time of Sale Prospectus, or the Prospectus (as amended or supplemented if the Company shall have furnished any amendments or supplements thereto), or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, but only with reference to information relating to such Underwriter furnished to the Company in writing by such Underwriter through the Representatives expressly for use in the Registration Statement, any

preliminary prospectus, the Time of Sale Prospectus, or the Prospectus or any amendment or supplement thereto.

(d) In case any proceeding (including any governmental investigation) shall be instituted involving any person in respect of which indemnity may be sought pursuant to Section 10(a), 10(b) or 10(c), such person (the "**indemnified party**") shall promptly notify the person against whom such indemnity may be sought (the "**indemnifying party**") in writing and the indemnifying party, upon request of the indemnified party, shall retain counsel reasonably satisfactory to the indemnified party to represent the indemnified party and any others the indemnifying party may designate in such proceeding and shall pay the fees and disbursements of such counsel related to such proceeding. In any such proceeding, any indemnified party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such indemnified party unless (i) the indemnifying party and the indemnified party shall have mutually agreed to the retention of such counsel or (ii) the named parties to any such proceeding (including any impleaded parties) include both the indemnifying party and the indemnified party and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them. It is understood that the indemnifying party shall not, in respect of the legal expenses of any indemnified party in connection with any proceeding or related proceedings in the same jurisdiction, be liable for (i) the fees and expenses of more than one separate firm (in addition to any local counsel) for all Underwriters and all persons, if any, who control any Underwriter within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act or who are affiliates of any Underwriter within the meaning of Rule 405 under the Securities Act, (ii) the fees and expenses of more than one separate firm (in addition to any local counsel) for the Company, its directors, its officers who sign the Registration Statement and each person, if any, who controls the Company within the meaning of either such Section and (iii) the fees and expenses of more than one separate firm (in addition to any local counsel) for the Selling Shareholder and all persons, if any, who control the Selling Shareholder within the meaning of either such Section, and that all such fees and expenses shall be reimbursed as they are incurred. In the case of any such separate firm for the Underwriters and such control persons and affiliates of any Underwriters, such firm shall be designated in writing by the Representatives. In the case of any such separate firm for the Company, and such directors, officers and control persons of the Company, such firm shall be designated in writing by the Company. In the case of any such separate firm for the Selling Shareholder and such control persons of the Selling Shareholder, such firm shall be designated in writing by the person named as attorney-in-fact for the Selling Shareholder under the Power of Attorney. The indemnifying party shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, the indemnifying party agrees to indemnify the indemnified party from and against any loss or liability by reason of such settlement or judgment. Notwithstanding the foregoing sentence, if at any

time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for fees and expenses of counsel as contemplated by the second and third sentences of this paragraph, the indemnifying party agrees that it shall be liable for any settlement of any proceeding effected without its written consent if (i) such settlement is entered into more than 30 days after receipt by such indemnifying party of the aforesaid request and (ii) such indemnifying party shall not have reimbursed the indemnified party in accordance with such request prior to the date of such settlement. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened proceeding in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party, unless such settlement includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such proceeding.

(e) To the extent the indemnification provided for in Section 10(a), 10(b) or 10(c) is unavailable to an indemnified party or insufficient in respect of any losses, claims, damages or liabilities referred to therein, then each indemnifying party under such paragraph, in lieu of indemnifying such indemnified party thereunder, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (i) in such proportion as is appropriate to reflect the relative benefits received by the indemnifying party or parties on the one hand and the indemnified party or parties on the other hand from the offering of the Shares or (ii) if the allocation provided by clause 10(e)(i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause 10(e)(i) above but also the relative fault of the indemnifying party or parties on the one hand and of the indemnified party or parties on the other hand in connection with the statements or omissions that resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative benefits received by the Sellers on the one hand and the Underwriters on the other hand in connection with the offering of the Shares shall be deemed to be in the same respective proportions as the net proceeds from the offering of the Shares (before deducting expenses) received by each Seller and the total underwriting discounts and commissions received by the Underwriters, in each case as set forth in the table on the cover of the Prospectus, bear to the aggregate Public Offering Price of the Shares. The relative fault of the Sellers on the one hand and the Underwriters on the other hand shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Sellers or by the Underwriters and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Underwriters' respective obligations to contribute pursuant to this Section 10 are several in proportion to the respective number of Shares they have purchased hereunder, and not joint. The liability of the Selling Shareholder under the contribution agreement contained in this paragraph shall be

limited to an amount equal to the aggregate Public Offering Price of the Shares sold by the Selling Shareholder under this Agreement.

(f) The Sellers and the Underwriters agree that it would not be just or equitable if contribution pursuant to this Section 10 were determined by *pro rata* allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation that does not take account of the equitable considerations referred to in Section 10(e). The amount paid or payable by an indemnified party as a result of the losses, claims, damages and liabilities referred to in Section 10(e) shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 10, no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Shares underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages that such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The remedies provided for in this Section 10 are not exclusive and shall not limit any rights or remedies which may otherwise be available to any indemnified party at law or in equity.

(g) The indemnity and contribution provisions contained in this Section 10 and the representations, warranties and other statements of the Company and the Selling Shareholder contained in this Agreement shall remain operative and in full force and effect regardless of (i) any termination of this Agreement, (ii) any investigation made by or on behalf of any Underwriter, any person controlling any Underwriter or any affiliate of any Underwriter, the Selling Shareholder or any person controlling the Selling Shareholder, or the Company, its officers or directors or any person controlling the Company and (iii) acceptance of and payment for any of the Shares.

(h) Notwithstanding any other provision of this Section 10, no party shall be entitled to indemnification or contribution under this Agreement in violation of Section 17(i) of the Investment Company Act.

11. *Termination*. The Underwriters may terminate this Agreement by notice given by the Representatives to the Company, if after the execution and delivery of this Agreement and prior to the Closing Date (i) trading generally shall have been suspended or materially limited on, or by, as the case may be, any of the New York Stock Exchange, the American Stock Exchange, the NASDAQ Global Market, the Chicago Board of Options Exchange, the Chicago Mercantile Exchange or the Chicago Board of Trade or other relevant exchanges, (ii) trading of any securities of the Company shall have been suspended on any exchange or

in any over-the-counter market, (iii) a material disruption in securities settlement, payment or clearance services in the United States or other relevant jurisdiction shall have occurred, (iv) any moratorium on commercial banking activities shall have been declared by Federal or New York State authorities or (v) there shall have occurred any outbreak or escalation of hostilities, or any change in financial markets or any calamity or crisis that, in the judgment of the Representatives, is material and adverse and which, singly or together with any other event specified in this clause (v), makes it, in the judgment of the Representatives, impracticable or inadvisable to proceed with the offer, sale or delivery of the Shares on the terms and in the manner contemplated in the Time of Sale Prospectus or the Prospectus.

12. *Effectiveness; Defaulting Underwriters*. This Agreement shall become effective upon the execution and delivery hereof by the parties hereto.

If, on the Closing Date or an Option Closing Date, as the case may be, any one or more of the Underwriters shall fail or refuse to purchase Shares that it has or they have agreed to purchase hereunder on such date, and the aggregate number of Shares which such defaulting Underwriter or Underwriters agreed but failed or refused to purchase is not more than one-tenth of the aggregate number of the Shares to be purchased on such date, the other Underwriters shall be obligated severally in the proportions that the number of Firm Shares set forth opposite their respective names in Schedule I bears to the aggregate number of Firm Shares set forth opposite the names of all such non-defaulting Underwriters, or in such other proportions as the Representatives may specify, to purchase the Shares which such defaulting Underwriter or Underwriters agreed but failed or refused to purchase on such date; *provided* that in no event shall the number of Shares that any Underwriter has agreed to purchase pursuant to this Agreement be increased pursuant to this Section 12 by an amount in excess of one-ninth of such number of Shares without the written consent of such Underwriter. If, on the Closing Date, any Underwriter or Underwriters shall fail or refuse to purchase Firm Shares and the aggregate number of Firm Shares with respect to which such default occurs is more than one-tenth of the aggregate number of Firm Shares to be purchased on such date, and arrangements satisfactory to the Representatives, the Company and the Selling Shareholder for the purchase of such Firm Shares are not made within 36 hours after such default, this Agreement shall terminate without liability on the part of any non-defaulting Underwriter, the Company or the Selling Shareholder. In any such case either the Representatives or the relevant Sellers shall have the right to postpone the Closing Date, but in no event for longer than seven days, in order that the required changes, if any, in the Registration Statement, in the Time of Sale Prospectus, in the Prospectus or in any other documents or arrangements may be effected. If, on an Option Closing Date, any Underwriter or Underwriters shall fail or refuse to purchase Additional Shares and the aggregate number of Additional Shares with respect to which such default occurs is more than one-tenth of the aggregate number of Additional Shares to be purchased on such Option Closing Date, the non-defaulting

Underwriters shall have the option to (i) terminate their obligation hereunder to purchase the Additional Shares to be sold on such Option Closing Date or (ii) purchase not less than the number of Additional Shares that such non-defaulting Underwriters would have been obligated to purchase in the absence of such default. Any action taken under this paragraph shall not relieve any defaulting Underwriter from liability in respect of any default of such Underwriter under this Agreement.

If this Agreement shall be terminated by the Underwriters, or any of them, because of any failure or refusal on the part of any Seller to comply with the terms or to fulfill any of the conditions of this Agreement, or if for any reason any Seller shall be unable to perform its obligations under this Agreement, the Sellers will reimburse the Underwriters or such Underwriters as have so terminated this Agreement with respect to themselves, severally, for all out-of-pocket expenses (including the fees and disbursements of their counsel) reasonably incurred by such Underwriters in connection with this Agreement or the offering contemplated hereunder.

13. *Entire Agreement*. (a)This Agreement, together with any contemporaneous written agreements and any prior written agreements (to the extent not superseded by this Agreement) that relate to the offering of the Shares, represents the entire agreement between the Company and the Selling Shareholder, on the one hand, and the Underwriters, on the other, with respect to the preparation of any preliminary prospectus, the Time of Sale Prospectus, the Prospectus, the conduct of the offering, and the purchase and sale of the Shares.

(b) The Company acknowledges that in connection with the offering of the Shares: (i) the Underwriters have acted at arms length, are not agents of, and owe no fiduciary duties to, the Company or any other person, (ii) the Underwriters owe the Company only those duties and obligations set forth in this Agreement and prior written agreements (to the extent not superseded by this Agreement), if any, (iii) the Underwriters may have interests that differ from those of the Company and (iv) the Underwriters have not provided any legal, accounting, regulatory or tax advice with respect to the offering contemplated hereby and the Company has consulted its own legal, accounting, regulatory and tax advisors to the extent it deemed appropriate. The Company waives to the full extent permitted by applicable law any claims it may have against the Underwriters arising from an alleged breach of fiduciary duty in connection with the offering of the Shares.

14. *Counterparts*. This Agreement may be signed in two or more counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

15. *Tax Disclosure.* Notwithstanding any other provision of this Agreement, from the commencement of discussions with respect to the

transactions contemplated hereby, the Company (and each employee, representative or other agent of the Company) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure (as such terms are used in Sections 6011, 6111 and 6112 of the Code and the Treasury Regulations promulgated thereunder) of the transactions contemplated by this Agreement and all materials of any kind (including opinions or other tax analyses) that are provided relating to such tax treatment and tax structure.

16. *Applicable Law*. This Agreement shall be governed by and construed in accordance with the internal laws of the State of New York.

17. *Headings*. The headings of the sections of this Agreement have been inserted for convenience of reference only and shall not be deemed a part of this Agreement.

18. *Notices.* All communications hereunder shall be in writing and effective only upon receipt and if to the Underwriters shall be delivered, mailed or sent to the Representatives in care of Morgan Stanley & Co. Incorporated, 1585 Broadway, New York, New York 10036, Attention: Equity Syndicate Desk, with a copy to the Legal Department, and UBS Securities LLC, 299 Park Avenue, New York, New York 10171, with a copy to ; if to the Company shall be delivered, mailed or sent to John C. Bombara, 76 Batterson Park Road, Farmington, Connecticut 06032, and if to the Selling Shareholder shall be delivered, mailed or sent to .

Very truly yours,

HORIZON TECHNOLOGY FINANCE CORPORATION

By: ______________________________
Name:
Title:

HORIZON TECHNOLOGY FINANCE MANAGEMENT LLC

By: ______________________________
Name:
Title:

COMPASS HORIZON PARTNERS, L.P.

By: ____
Attorney-in Fact

Accepted as of the date hereof

Morgan Stanley & Co. Incorporated
UBS Securities LLC

Acting severally on behalf of themselves and the several
Underwriters named in Schedule I hereto

Morgan Stanley & Co. Incorporated

By: ____
Name:
Title:

UBS Securities LLC

By: ____
Name:
Title:

By: ____
Name:
Title:

Exhibit (k)(1)

FORM OF
ADMINISTRATION AGREEMENT

This Agreement ("Agreement") is made as of   by and between HORIZON TECHNOLOGY FINANCE CORPORATION a Delaware Corporation (the "Company"), and HORIZON TECHNOLOGY FINANCE MANAGEMENT LLC, a Delaware limited liability company (the "Administrator").

W I T N E S S E T H:

WHEREAS, the Company is a newly organized finance company that may elect to be treated as a business development company ("BDC") under the Investment Company Act of 1940 (the "Investment Company Act");

WHEREAS, the Company desires to retain the Administrator to provide administrative services to the Company in the manner and on the terms hereinafter set forth;

WHEREAS, the Company's investment adviser (the "Advisor") is also the Administrator; and

WHEREAS, the Administrator is willing to provide administrative services to the Company on the terms and conditions hereafter set forth.

NOW, THEREFORE, in consideration of the premises and the covenants hereinafter contained and for other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the Company and the Administrator hereby agree as follows:

1. Duties of the Administrator

(a) Employment of Administrator. The Company hereby employs the Administrator to act as administrator of the Company, and to furnish, or arrange for others to furnish, the administrative services, personnel and facilities described below, subject to review by and the overall control of the Board of Directors of the Company, for the period and on the terms and conditions set forth in this Agreement. The Administrator hereby accepts such employment and agrees during such period to render, or arrange for the rendering of, such services and to assume the obligations herein set forth subject to the reimbursement of costs and expenses provided for below. The Administrator and such others shall for all purposes herein be deemed to be independent contractors and shall, unless otherwise expressly provided or authorized herein, have no authority to act for or represent the Company in any way or otherwise be deemed agents of the Company.

(b) Services. The Administrator shall perform (or oversee, or arrange for, the performance of) the administrative services necessary for the operation of the Company. Without limiting the generality of the foregoing, the Administrator shall provide the Company with office facilities, equipment, clerical, bookkeeping and record keeping services at such facilities and such other services as the Administrator, subject to review by the Board of Directors of the Company, shall from time to time determine to be necessary or useful to perform its obligations under this Agreement. The Administrator shall also, on behalf of the Company, conduct relations with custodians, depositories, transfer agents, dividend disbursing agents, other stockholder servicing agents, accountants, attorneys, underwriters, brokers and dealers, corporate fiduciaries, insurers, banks and such other persons in any such other capacity deemed to be necessary or desirable. The Administrator shall make reports to the Board of Directors of the Company of its performance of obligations hereunder and furnish advice and recommendations with respect to such other aspects of the business and affairs of the Company as it shall determine to be desirable; provided that nothing herein shall be construed to require the Administrator to, and the Administrator shall not, provide any advice or recommendation relating to the securities and other assets that the Company should purchase, retain or sell or any other investment advisory services to the Company. The Administrator shall be responsible for the financial and other records that the Company is required to maintain and, to the extent that the Company elects to be treated as a BDC under the Investment Company Act, shall prepare, print and disseminate reports to stockholders, and reports and other materials filed with the Securities and Exchange Commission (the "SEC"). The Administrator will provide on the Company's behalf significant managerial assistance to those portfolio companies to which the Company is required to provide such assistance. In addition, the Administrator will assist the Company in determining and

publishing the Company's net asset value, overseeing the preparation and filing of the Company's tax returns, and generally overseeing the payment of the Company's expenses and the performance of administrative and professional services rendered to the Company by others.

2. Records

To the extent that the Company elects to be treated as a BDC under the Investment Company Act, the Administrator agrees to maintain and keep all books, accounts and other records of the Company that relate to activities performed by the Administrator hereunder and will maintain and keep such books, accounts and records in accordance with the Investment Company Act. In compliance with the requirements of Rule 31a-3 under the Investment Company Act, the Administrator agrees that all records which it maintains for the Company shall at all times remain the property of the Company, shall be readily accessible during normal business hours, and shall be promptly surrendered upon the termination of the Agreement or otherwise on written request. The Administrator further agrees that all records which it maintains for the Company pursuant to Rule 31a-1 under the Investment Company Act will be preserved for the periods prescribed by Rule 31a-2 under the Investment Company Act unless any such records are earlier surrendered as provided above. Records shall be surrendered in usable machine-readable form. The Administrator shall have the right to retain copies of such records subject to observance of its confidentiality obligations under this Agreement.

3. Confidentiality

The parties hereto agree that each shall treat confidentially the terms and conditions of this Agreement and all information provided by each party to the other regarding its business and operations. All confidential information provided by a party hereto, including nonpublic personal information (regulated pursuant to Regulation S-P of the SEC, if and to the extent that the Company elects to be treated as a BDC under the Investment Company Act), shall be used by any other party hereto solely for the purpose of rendering services pursuant to this Agreement and, except as may be required in carrying out this Agreement, shall not be disclosed to any third party, without the prior consent of such providing party. The foregoing shall not be applicable to any information that is publicly available when provided or thereafter becomes publicly available other than through a breach of this Agreement, or that is required to be disclosed by any regulatory authority, any authority or legal counsel of the parties hereto, by judicial or administrative process or otherwise by applicable law or regulation.

4. Compensation; Allocation of Costs and Expenses

In full consideration of the provision of the services of the Administrator, the Company shall reimburse the Administrator for the costs and expenses incurred by the Administrator in performing its obligations and providing personnel and facilities hereunder. The Company will bear all costs and expenses that are incurred in its operation, administration and transactions and not specifically assumed by the Advisor, pursuant to that certain Investment Management Agreement, dated as of   by and between the Company and the Advisor. Costs and expenses to be borne by the Company include, but are not limited to, those relating to: organization and offering; calculating the Company's net asset value (including the cost and expenses of any independent valuation firm); expenses (including travel expense) incurred by the Advisor or payable to third parties, including agents, consultants or other advisors, in monitoring financial and legal affairs for the Company and in providing administrative services, monitoring the Company's investments, and, if necessary enforcing the Company's rights, and performing due diligence on its prospective portfolio companies; indemnification payments; providing managerial assistance to those portfolio companies that request it; marketing efforts; interest payable on debt, if any, incurred to finance the Company's investments; sales and purchases of the Company's common stock and other securities; investment advisory and management fees; administration fees, if any, payable under this Agreement; fees payable to third parties, including agents, consultants or other advisors, relating to, or associated with, evaluating and making investments; transfer agent and custodial fees; federal and state registration fees; all costs of registration and listing the Company's shares on any securities exchange; federal, state and local taxes; independent Directors' fees and expenses; costs of preparing and filing reports or other documents required by the Securities and Exchange Commission; costs of any reports, proxy statements or other notices to stockholders, including printing costs; the Company's allocable portion of the fidelity bond, directors and officers/errors and omissions liability insurance, and any other insurance premiums; direct costs and expenses of administration, including printing, mailing, long distance telephone, copying, secretarial and other staff, independent auditors and outside legal costs; and all other

expenses incurred by the Company or the Administrator in connection with administering the Company's business, including payments under this Agreement based upon the Company's allocable portion of the Administrator's overhead in performing its obligations under this Agreement, including rent and the allocable portion of the cost of the Company's chief compliance officer and chief financial officer and their respective staffs.

5. Limitation of Liability of the Administrator; Indemnification

The Administrator (and its officers, managers, partners, agents, employees, controlling persons, members, and any other person or entity affiliated with the Administrator to the extent they are providing services for or otherwise acting on behalf of the Administrator, Advisor or the Company) shall not be liable to the Company for any action taken or omitted to be taken by the Administrator in connection with the performance of any of its duties or obligations under this Agreement or otherwise as administrator for the Company, and the Company shall indemnify, defend and protect the Administrator (and its officers, managers, partners, agents, employees, controlling persons, members, and any other person or entity affiliated with the Administrator, including without limitation the Advisor, each of whom shall be deemed a third party beneficiary hereof) (collectively, the "Indemnified Parties") and hold them harmless from and against all damages, liabilities, costs and expenses (including reasonable attorneys' fees and amounts reasonably paid in settlement) incurred by the Indemnified Parties in or by reason of any pending, threatened or completed action, suit, investigation or other proceeding (including an action or suit by or in the right of the Company or its security holders) arising out of or otherwise based upon the performance of any of the Administrator's duties or obligations under this Agreement or otherwise as administrator for the Company. Notwithstanding the preceding sentence of this Section 5 to the contrary, nothing contained herein shall protect or be deemed to protect the Indemnified Parties against or entitle or be deemed to entitle the Indemnified Parties to indemnification in respect of, any liability to the Company or its security holders to which the Indemnified Parties would otherwise be subject by reason of willful misfeasance, bad faith or negligence in the performance of the Administrator's duties or by reason of the reckless disregard of the Administrator's duties and obligations under this Agreement (to the extent applicable, as the same shall be determined in accordance with the Investment Company Act and any interpretations or guidance by the SEC or its staff thereunder to the extent that the Company elects to be treated as a business development company under the Investment Company Act).

6. Activities of the Administrator

The services of the Administrator to the Company are not to be deemed to be exclusive, and the Administrator and each affiliate is free to render services to others. It is understood that directors, officers, employees and stockholders of the Company are or may become interested in the Administrator and its affiliates, as directors, officers, members, managers, employees, partners, stockholders or otherwise, and that the Administrator and directors, officers, members, managers, employees, partners and stockholders of the Administrator and its affiliates are or may become similarly interested in the Company as stockholders or otherwise.

7. Duration and Termination of this Agreement

(a) This Agreement shall become effective as of the first date above written. This Agreement shall remain in effect for an indefinite period; provided, however, that to the extent the Company elects to be regulated as a BDC under the Investment Company Act, then this Agreement may be terminated at any time, without the payment of any penalty, upon not more than 60 days' written notice, by the vote of a majority of the outstanding voting securities of the Company or by the vote of the Company's Directors or by the Administrator.

(b) If the Company elects to be regulated as a BDC under the Investment Company Act:

(i) This Agreement shall continue in effect for two years from the date hereof, or to the extent consistent with the requirements of the Investment Company Act, from the date of the Company's election to be regulated as a BDC under the Investment Company Act, and thereafter shall continue automatically for successive annual periods, provided that such continuance is specifically approved at least annually by (A) the vote of the Company's Board of Directors, or by the vote of a majority of the outstanding voting securities of the Company and (B) the vote of a majority of the Company's Directors who are not parties to this Agreement or "interested persons" (as such term is defined in Section 2(a)(19) of the Investment Company Act) of any such party, in accordance with the requirements of the Investment Company Act;

(ii) The Agreement may be terminated at any time, without the payment of any penalty, upon not more than 60 days' written notice, by the vote of a majority of the outstanding voting securities of the Company, or by the vote of the Company's Directors or by the Administrator.

(c) This Agreement may not be assigned by a party without the consent of the other party; provided, however, that the rights and obligations of the Company under this Agreement shall not be deemed to be assigned to a newly-formed entity in the event of the merger of the Company into, or conveyance of all of the assets of the Company to, such newly-formed entity; provided, further, however, that the sole purpose of that merger or conveyance is to effect a mere change in the Company's legal form into another limited liability entity. The provisions of Section 5 of this Agreement shall remain in full force and effect, and the Administrator shall remain entitled to the benefits thereof, notwithstanding any termination of this Agreement.

8. Amendments of this Agreement

This Agreement may be amended pursuant to a written instrument by mutual consent of the parties.

9. Governing Law

This Agreement shall be construed in accordance with the laws of the State of New York. If the Company elects to be regulated as a BDC under the Investment Company Act, this Agreement shall also be construed in accordance with the applicable provisions of the Investment Company Act. In such case, to the extent the applicable laws of the State of New York or any of the provisions herein, conflict with the provisions of the Investment Company Act, the latter shall control.

10. Entire Agreement

This Agreement contains the entire agreement of the parties and supercedes all prior agreements, understandings and arrangements with respect to the subject matter hereof.

11. Notices

Any notice under this Agreement shall be given in writing, addressed and delivered or mailed, postage prepaid, to the other party at its principal office.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement as of the date first above written.

HORIZON TECHNOLOGY FINANCE CORPORATION

By: /s/
Name:
Title:

HORIZON TECHNOLOGY FINANCE MANAGEMENT LLC

By: /s/
Name:
Title:

Exhibit (k)(2)

FORM OF
TRADEMARK LICENSE AGREEMENT

This TRADEMARK LICENSE AGREEMENT (this "Agreement") is made and effective as of , 2010 (the "Effective Date") by and between Horizon Technology Finance Management, LLC, a Delaware limited liability company (the "Licensor"), and Horizon Technology Finance Corporation, a Delaware corporation (the "Company") (each a "party," and collectively, the "parties").

RECITALS

WHEREAS, Licensor is the owner of the service mark **HORIZON TECHNOLOGY FINANCE** and associated U.S. Registration No. 3217979 (the "Licensed Mark") in the United States of America (the "Territory");

WHEREAS, the Company is a closed-end management investment fund that intends to elect to be treated as a business development company under the Investment Company Act of 1940, as amended;

WHEREAS, pursuant to the Investment Management Agreement to be executed by and between the Company and Licensor (the "Advisory Agreement"), the Company will engage the Advisor to act as the investment adviser to the Company; and

WHEREAS, the Company desires to use the Licensed Mark in connection with the operation of its business, and the Licensor is willing to permit the Company to use the Licensed Mark, subject to the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

ARTICLE 1
LICENSE GRANT

1.1 License. Subject to the terms and conditions of this Agreement, Licensor hereby grants to the Company, and the Company hereby accepts from Licensor, a personal, non-exclusive, royalty-free right and license to use the Licensed Mark solely and exclusively as an element of the Company's own company name and in connection with the conduct of its business. Except as provided above, neither the Company nor any affiliate, owner, director, officer, employee, or agent thereof shall otherwise use the Licensed Mark or any derivative thereof without the prior express written consent of the Licensor in its sole and absolute discretion. All rights not expressly granted to the Company hereunder shall remain the exclusive property of Licensor.

1.2 Licensor's Use. Nothing in this Agreement shall preclude Licensor, its affiliates, or any of its respective successors or assigns from using or permitting other entities to use the Licensed Mark whether or not such entity directly or indirectly competes or conflicts with the Company's business in any manner.

ARTICLE 2
OWNERSHIP

2.1 Ownership. The Company acknowledges and agrees that Licensor is the owner of all right, title, and interest in and to the Licensed Mark, and all such right, title, and interest shall remain with the Licensor. The Company shall not contest, dispute, or challenge Licensor's right, title, and interest in and to the Licensed Mark.

2.2 Goodwill. All goodwill and reputation generated by Company's use of the Licensed Mark shall inure to the benefit of Licensor. The Company shall not by any act or omission use the Licensed Mark in any manner that disparages or reflects adversely on Licensor or its business or reputation. Except as expressly provided herein, neither party may use any trademark or service mark of the other party without that party's prior written consent, which consent shall be given in that party's sole discretion.

ARTICLE 3
COMPLIANCE

3.1 Quality Control. In order to preserve the inherent value of the Licensed Mark, the Company agrees to use reasonable efforts to ensure that it maintains the quality of the Company's business and the operation thereof equal to the standards prevailing in the operation of the Licensor's and the Company's business as of the date of this Agreement. The Company further agrees to use the Licensed Mark in accordance with such quality standards as may be reasonably established by Licensor and communicated to the Company from time to time in writing, or as may be agreed to by Licensor and the Company from time to time in writing.

3.2 Compliance With Laws. The Company agrees that the business operated by it in connection with the Licensed Mark shall comply with all laws, rules, regulations and requirements of any governmental body in the Territory or elsewhere as may be applicable to the operation, advertising and promotion of the business.

3.3 Notification of Infringement. Each party shall immediately notify the other party and provide to the other party all relevant background facts upon becoming aware of (i) any registrations of, or applications for registration of, marks in the Territory that do or may conflict with the Licensed Mark, and (ii) any infringements, imitations, or illegal use or misuse of the Licensed Mark in the Territory.

ARTICLE 4
REPRESENTATIONS AND WARRANTIES

4.1 Mutual Representations. Each party hereby represents and warrants to the other party as follows:

(a) Due Authorization. Such party is duly formed and in good standing as of the Effective Date, and the execution, delivery and performance of this Agreement by such party has been duly authorized by all necessary action on the part of such party.

(b) Due Execution. This Agreement has been duly executed and delivered by such party and, with due authorization, execution and delivery by the other party, constitutes a legal, valid and binding obligation of such party, enforceable against such party in accordance with its terms.

(c) No Conflict. Such party's execution, delivery and performance of this Agreement do not: (i) violate, conflict with or result in the breach of any provision of the organizational documents of such party; (ii) conflict with or violate any law or governmental order applicable to such party or any of its assets, properties or businesses; or (iii) conflict with, result in any breach of, constitute a default (or event which with the giving of notice or lapse of time, or both, would become a default) under, require any consent under, or give to others any rights of termination, amendment, acceleration, suspension, revocation or cancellation of any contract, agreement, lease, sublease, license, permit, franchise or other instrument or arrangement to which it is a party.

ARTICLE 5
TERM AND TERMINATION

5.1 Term. This Agreement shall expire upon expiration or termination of the Advisory Agreement.

5.2 Upon Termination. Upon expiration or termination of this Agreement, all rights granted to the Company under this Agreement with respect to the Licensed Mark shall cease, and the Company shall immediately discontinue use of the Licensed Mark.

ARTICLE 6
MISCELLANEOUS

6.1 Assignment. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. Neither party may assign, delegate or otherwise transfer this Agreement or any of its rights or obligations hereunder without the prior written consent of the other party. No assignment by either party permitted hereunder shall relieve the applicable party of its obligations under this Agreement. Any assignment by either party in accordance with the terms of this Agreement shall be pursuant to a written assignment agreement in which the assignee expressly assumes the assigning party's rights and obligations hereunder. Notwithstanding anything to the contrary contained in this Agreement, the rights and obligations of the Company under this Agreement shall be deemed to be assigned to a newly-formed entity in the event of the merger of the Company into, or conveyance of all of the assets of the Company to, such newly-formed entity; provided, further, however, that the sole purpose of that merger or conveyance is to effect a mere change in the Company's legal form into another form of entity.

6.2 Independent Contractor. Neither party shall have, or shall represent that it has, any power, right or authority to bind the other party to any obligation or liability, or to assume or create any obligation or liability on behalf of the other party.

6.3 Notices. All notices, requests, claims, demands and other communications hereunder shall be in writing and shall be given or made (and shall be deemed to have been duly

given or made upon receipt) by delivery in person, by overnight courier service (with signature required), by facsimile, or by registered or certified mail (postage prepaid, return receipt requested) to the respective parties at the following addresses:

If to the Licensor:

Horizon Technology Finance Management, LLC
76 Batterson Park Road
Farmington, Connecticut 06032
Tel. No.: 860-676-8654
Fax No.: 860-676-8655
Attn: Chief Executive Officer

If to the Company:

Horizon Technology Finance Corporation
76 Batterson Park Road
Farmington, Connecticut 06032
Tel. No.: 860-676-8654
Fax No.: 860-676-8655
Attn: Chief Executive Officer

6.4 Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York without giving effect to the principles of conflicts of law rules. The parties unconditionally and irrevocably consent to the exclusive jurisdiction of the courts located in the State of Connecticut and waive any objection with respect thereto, for the purpose of any action, suit or proceeding arising out of or relating to this Agreement or the transactions contemplated hereby.

6.5 Amendment. This Agreement may not be amended or modified except by an instrument in writing signed by all parties hereto.

6.6 No Waiver. The failure of either party to enforce at any time for any period the provisions of or any rights deriving from this Agreement shall not be construed to be a waiver of such provisions or rights or the right of such party thereafter to enforce such provisions, and no waiver shall be binding unless executed in writing by all parties hereto.

6.7 Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any law or public policy, all other terms and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner in order that the transactions contemplated hereby are consummated as originally contemplated to the greatest extent possible.

6.8 Headings. The descriptive headings contained in this Agreement are for convenience of reference only and shall not affect in any way the meaning or interpretation of this Agreement.

6.9 Counterparts. This Agreement may be executed in one or more counterparts, each of which when executed shall be deemed to be an original instrument and all of which taken together shall constitute one and the same agreement.

6.10 Entire Agreement. This Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof and supersedes all prior agreements and undertakings, both written and oral, among the parties with respect to such subject matter.

6.11 Third-Party Beneficiaries. Nothing in this Agreement, either express or implied, is intended to or shall confer upon any third party any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

[Remainder of Page Intentionally Blank]

IN WITNESS WHEREOF, each party has caused this Agreement to be executed as of the Effective Date by its duly authorized officer.

HORIZON TECHNOLOGY FINANCEMANAGEMENT, LLC

By: ______________________________
Name: ________________________
Title: ________________________

HORIZON TECHNOLOGY FINANCE CORPORATION

By: ______________________________
Name: ________________________
Title: ________________________

Exhibit (k)(3)

FORM OF
REGISTRATION RIGHTS AGREEMENT

THIS REGISTRATION RIGHTS AGREEMENT (this "Agreement") is entered into as of the day of , 2010, by and among Horizon Technology Finance Corporation, a Delaware corporation (the "Company"), and each of the undersigned parties listed under Investors on the signature page hereto, or any assignee or transferee pursuant to Section 2.4 below (each, an "Investor" and collectively, the "Investors").

WHEREAS, on or prior to the date hereof, the Company entered into certain agreements or arrangements with the Investors pursuant to which the Company issued or will issue shares of common stock, par value $0.001 per share, (the "Registrable Securities") of the Company to the Investors;

WHEREAS, the Investors and the Company desire to enter into this Agreement to provide the Investors with certain rights relating to the registration of the Registrable Securities;

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. DEFINITIONS. The following capitalized terms used herein have the following meanings:

"**Agreement**" means this Agreement, as amended, restated, supplemented, or otherwise modified from time to time.

"**Business Day**" means any day, except a Saturday, Sunday or legal holiday on which the banking institutions in the City of New York are authorized or obligated by law or executive order to close.

"**Commission**" means the Securities and Exchange Commission, or such successor federal agency or agencies as may be established in lieu thereof.

"**Company**" is defined in the preamble to this Agreement.

"**Demand Registration**" is defined in Section 2.1.1.

"**Demanding Holder**" is defined in Section 2.1.1.

"**Exchange Act**" means the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission promulgated thereunder.

"**Indemnified Party**" is defined in Section 4.3.

"**Indemnifying Party**" is defined in Section 4.3.

"**Investor**" is defined in the recitals to this Agreement.

“**IPO**” means the initial public offering of any class of equity securities of the Company.

“**Maximum Number of Securities**” is defined in Section 2.1.4.

“**Notices**” is defined in Section 5.2.

“**Piggy-Back Registration**” is defined in Section 2.2.1.

“**Prospectus**” means a prospectus relating to a Registration Statement, as amended or supplemented, and all materials incorporated by reference in such Prospectus.

“**Register**,” “**registered**” and “**registration**” mean a registration effected by preparing and filing a registration statement or similar document under the Securities Act and such registration statement becoming effective.

“**Registrable Securities**” is defined in the recitals to this Agreement.

“**Registration Statement**” means a registration statement filed by the Company with the Commission in compliance with the Securities Act and the rules and regulations promulgated thereunder for a public offering and sale of its securities (other than a registration statement on Form N-14, S-4 or Form S-8, or their successors, or any registration statement covering only securities proposed to be issued in exchange for securities or assets of another entity).

“**Release Date**” means the date that is 365 days after the consummation of IPO. “Resale Shelf Form N-2” is defined in Section 2.3.

“**Securities Act**” means the Securities Act of 1933, as amended, and the rules and regulations of the Commission promulgated thereunder.

“**Underwriter**” means a securities dealer who purchases any Registrable Securities as principal in an underwritten offering and not as part of such dealer’s market-making activities.

2. REGISTRATION RIGHTS.

2.1 Demand Registration.

2.1.1 General Request for Registration. At any time and from time to time on or after the Release Date, the holders of a majority-in-interest of the Registrable Securities may make a written demand for registration under the Securities Act of all or part of their Registrable Securities (a “***Demand Registration***”). Any demand for a Demand Registration shall specify the number and type of Registrable Securities proposed to be sold and the intended method(s) of distribution thereof. The Company will notify all holders of Registrable Securities of any demand pursuant to this Section 21.1 within five (5) Business Days, and each holder of Registrable Securities who wishes to include all or a portion of such holder’s Registrable Securities in such Demand Registration and is otherwise permitted to do so under this Agreement

(each such holder including Registrable Securities in such Demand Registration, a "***Demanding Holder***") shall so notify the Company within ten (10) Business Days after the receipt by the holder of the notice from the Company. Upon any such request, the Demanding Holders shall be entitled to have their Registrable Securities included in the Demand Registration, subject to Section 2.1.4 and the provisions set forth in Section 3.1.1. The Company shall not be obligated to effect more than an aggregate of three (3) Demand Registrations under this Section 2.1.1.

2.1.2 Effective Registration. A registration will not count as a Demand Registration until the Registration Statement filed with the Commission with respect to such Demand Registration has been declared effective and the Company has complied with all of its obligations under this Agreement with respect thereto; provided, however, that if, after such Registration Statement has been declared effective, the offering of Registrable Securities pursuant to a Demand Registration is interfered with by any stop order or injunction of the Commission or any other governmental agency or court, the Registration Statement with respect to such Demand Registration will be deemed not to have been declared effective, unless and until (i) such stop order or injunction is removed, rescinded or otherwise terminated, and (ii) with respect to a Demand Registration, a majority-in-interest of the Demanding Holders thereafter elect to continue the offering; provided, further, that the Company shall not be obligated to file a second Registration Statement until a Registration Statement that has been filed is counted as a Demand Registration or is otherwise terminated.

2.1.3 Underwritten Offering. If a majority-in-interest of the Demanding Holders so elect and such holders so advise the Company as part of their written demand for a Demand Registration or their response to the Company's notice of a demand pursuant to Section 2.1.1, the offering of such Registrable Securities pursuant to such Demand Registration shall be in the form of an underwritten offering. In each such case, the right of any holder to include such holder's Registrable Securities in such registration shall be conditioned upon such holder's participation in such underwriting and the inclusion of such holder's Registrable Securities in the underwriting to the extent provided herein. All Demanding Holders who propose to distribute their Registrable Securities through such an underwriting shall enter into an underwriting agreement in customary form with the Underwriter or Underwriters selected for such underwriting by the Company in its sole discretion.

2.1.4 Reduction of Offering. If the managing Underwriter or Underwriters for a Demand Registration that is to be an underwritten offering advises the Company and the Demanding Holders that the dollar amount or number of Registrable Securities which the Demanding Holders desire to sell taken together with all securities which the Company desires to sell and the securities, if any, as to which registration has been requested pursuant to written contractual piggy-back registration rights held by other holders of the Company's securities who desire to sell securities, exceeds the maximum dollar amount or maximum number of securities that can be sold in such offering without adversely affecting the proposed offering price, the timing, the distribution method, or the probability of success of such offering (such maximum dollar amount or maximum number of securities, as applicable, the "***Maximum Number of Securities***"), then the Company shall include in such registration:

(i) first, in the case of a Demand Registration, the Registrable Securities which the Demanding Holders have requested be included in such registration (pro

rata based on the number of Registrable Securities held by all such holders), without giving effect to any other Registrable Securities to be included therein that can be sold without exceeding the Maximum Number of Securities;

(ii) second, to the extent that the Maximum Number of Securities has not been reached under the foregoing clause (i), the securities that the Company desires to sell that can be sold without exceeding the Maximum Number of Securities;

(iii) third, to the extent that the Maximum Number of Securities has not been reached under the foregoing clauses (i) and (ii), the securities for the account of other persons that the Company is obligated to register pursuant to written contractual arrangements with such persons and that can be sold without exceeding the Maximum Number of Securities; and

(iv) fourth, to the extent that the Maximum Number of Securities have not been reached under the foregoing clauses (i), (ii), and (iii), the securities that other security holders desire to sell that can be sold without exceeding the Maximum Number of Securities.

2.1.5 Withdrawal. In the case of a Demand Registration, if a majority-in-interest of the Demanding Holders disapprove of the terms of any underwriting or are not entitled to include all of their Registrable Securities in any offering, such majority-in-interest of the Demanding Holders may elect to withdraw from such offering by giving written notice to the Company and the Underwriter or Underwriters of their request to withdraw prior to the effectiveness of the Registration Statement filed with the Commission with respect to such Demand Registration. In such event, the Company need not seek effectiveness of such Registration Statement for the benefit of other holders of Registrable Securities. If the majority-in-interest of the Demanding Holders withdraws from a proposed offering relating to a Demand Registration in accordance with this Section 2.1.5, then such registration shall not count as a Demand Registration provided for in Section 2.1.1 hereof.

2.2 Piggy-Back Registration.

2.2.1 Piggy-Back Rights. If at any time on or after the Release Date the Company proposes to file a Registration Statement under the Securities Act with respect to an offering of equity securities, or securities or other obligations exercisable or exchangeable for, or convertible into, equity securities, by the Company for its own account or for security holders of the Company for their account (or by the Company and by security holders of the Company including, without limitation, pursuant to Section 2.1), other than a Registration Statement (i) filed in connection with any employee stock option or other benefit plan, (ii) for an exchange offer or offering of securities solely to the Company's existing shareholders, (iii) for an offering of debt that is convertible into equity securities of the Company or (iv) for a dividend reinvestment plan, then the Company shall (x) give written notice of such proposed filing to the holders of Registrable Securities as soon as practicable but in no event less than ten (10) Business Days before the anticipated filing date, which notice shall describe the amount and type of securities to be included in such offering, the intended method(s) of distribution, and the name of the proposed managing Underwriter or Underwriters, if any, of the offering, and (y) offer to the holders of Registrable Securities in such notice the opportunity to register the sale of such

number and type of Registrable Securities as such holders may request in writing within five (5) Business Days following receipt of such notice (a "***Piggy-Back Registration***"). The Company shall cause such Registrable Securities to be included in such registration and shall use commercially reasonable efforts to cause the managing Underwriter or Underwriters of a proposed underwritten offering to permit the Registrable Securities requested to be included in a Piggy-Back Registration to be included on the same terms and conditions as any similar securities of the Company and to permit the sale or other disposition of such Registrable Securities in accordance with the intended method(s) of distribution thereof. All holders of Registrable Securities who propose to distribute securities through a Piggy-Back Registration that involves an Underwriter or Underwriters shall enter into an underwriting agreement in customary form with the Underwriter or Underwriters selected for such Piggy-Back Registration.

2.2.2 Reduction of Offering. If the managing Underwriter or Underwriters for a Piggy-Back Registration that is to be an underwritten offering advises the Company and the holders of Registrable Securities that the dollar amount or number of securities which the Company desires to sell, taken together with securities, if any, as to which registration has been demanded pursuant to written contractual arrangements with persons other than the holders of Registrable Securities hereunder, the Registrable Securities as to which registration has been requested under this Section 2.2, and the securities, if any, as to which registration has been requested pursuant to the written contractual piggy-back registration rights of other security holders of the Company, exceeds the Maximum Number of Securities, then the Company shall include in any such registration:

(i) If the registration is undertaken for the Company's account: (A) first, the securities that the Company desires to sell that can be sold without exceeding the Maximum Number of Securities; (B) second, to the extent that the Maximum Number of Securities has not been reached under the foregoing clause (A), the securities, if any, including the Registrable Securities, as to which registration has been requested pursuant to written contractual piggy-back registration rights of security holders (pro rata in accordance with the number of securities) which each such person has actually requested to be included in such registration, regardless of the number of securities with respect to which such persons have the right to request such inclusion) that can be sold without exceeding the Maximum Number of Securities; and

(ii) If the registration is a "demand" registration undertaken at the demand of persons other than the holders of Registrable Securities pursuant to written contractual arrangements with such persons, (A) first, the securities for the account of the demanding persons that can be sold without exceeding the Maximum Number of Securities; (B) second, to the extent that the Maximum Number of Securities has not been reached under the foregoing clause (A), the securities that the Company desires to sell that can be sold without exceeding the Maximum Number of Securities; and (C) third, to the extent that the Maximum Number of Securities has not been reached under the foregoing clauses (A) and (B), the Registrable Securities as to which registration has been requested under this Section 2.2 (pro rata based on the number of Registrable Securities held by all such requesting holders) without giving effect to any other Registrable Securities to be included therein that can be sold without exceeding the Maximum Number of Securities; and (D) fourth, to the extent that the Maximum Number of Securities has not been reached under the foregoing clauses (A), (B) and (C), the

securities, if any, as to which registration has been requested pursuant to written contractual piggy-back registration rights which other security holders desire to sell that can be sold without exceeding the Maximum Number of Securities.

2.2.3 Withdrawal. Any holder of Registrable Securities may elect to withdraw such holder's request for inclusion of Registrable Securities in any Piggy-Back Registration by giving written notice to the Company of such request to withdraw prior to the effectiveness of the Registration Statement. The Company may also elect to withdraw a Registration Statement in any Piggy-Back Registration at any time prior to the effectiveness of the Registration Statement. Notwithstanding any such withdrawal, the Company shall pay all expenses incurred by the holders of Registrable Securities in connection with such Piggy-Back Registration as provided in Section 3.3.

2.3 Registrations on Resale Shelf Form N-2. The holders of Registrable Securities may at any time and from time to time after the Release Date, request in writing that the Company register the resale of any or all of such Registrable Securities on a "shelf" Form N-2 under Rule 415 under the Securities Act (the "***Resale Shelf Form N-2***"); provided, however, that the Company shall not be obligated to effect such request through an underwritten offering. Upon receipt of such written request, the Company will promptly give written notice of the proposed registration to all other holders of Registrable Securities and, as soon as practicable thereafter, effect the registration of all or such portion of such holder's or holders' Registrable Securities, as the case may be, as are specified in such request, together with all or such portion of the Registrable Securities of any other holder or holders joining in such request as are specified in a written request given within ten (10) Business Days after receipt of such written notice from the Company; provided, however, that the Company shall not be obligated to effect any such registration pursuant to this Section 2.3: (i) if the Resale Shelf Form N-2 is not available for such offering and no other form is available on which to register such offering; or (ii) if the holders of the Registrable Securities, together with the holders of any other securities of the Company entitled to inclusion in such registration, propose to sell Registrable Securities and such other securities (if any) at any aggregate price to the public of less than $500,000. Registrations effected pursuant to this Section 2.3 shall not be counted as Demand Registrations effected pursuant to Section 2.1. Notwithstanding the foregoing, the Company shall not be obligated to effect more than one (1) registration on the Resale Shelf Form N-2 pursuant to this Section 2.3 during any twelve (12) month period and shall not be obligated to effect a registration on the Resale Shelf Form N-2 pursuant to this Section 2.3 after the Company has effected three (3) such registrations pursuant to this Section 2.3 and such registrations have been declared or ordered effective.

2.4 Transfer of Rights. The rights granted pursuant to Sections 2.1, 2.2 and 2.3 hereunder to cause the Company to register Registrable Securities may be assigned to (i) a transferee or assignee who acquires at least $1,000,000 Registrable Securities (appropriately adjusted for stock splits, recapitalizations and the like after the date hereof) from an Investor or the Investors, or (ii) any affiliate, constituent partner (including limited partner), family member or trust for the benefit of any Investor; provided, however, that (i) written notice of such assignment is given to the Company, and (ii) any assignee or transferee of such right agrees in writing to be bound by and subject to the terms and conditions of this Agreement.

3. REGISTRATION PROCEDURES.

3.1 Filings; Information. Whenever the Company is required to effect the registration of any Registrable Securities pursuant to Section 2, the Company shall use commercially reasonable efforts to effect the registration and sale of such Registrable Securities in accordance with the intended method(s) of distribution thereof as expeditiously as practicable, and in connection with any such request.

3.1.1 Filing Registration Statement. The Company shall, as expeditiously as possible and in any event within sixty (60) days after receipt of a request for a Demand Registration pursuant to Section 2.1, prepare and file with the Commission a Registration Statement on any form for which the Company then qualifies or which counsel for the Company shall deem appropriate and which form shall be available for the sale of all Registrable Securities to be registered thereunder in accordance with the intended method(s) of distribution thereof, and shall use commercially reasonable efforts to cause such Registration Statement to become and remain effective for the period required by Section 3.1.3; provided, however, that the Company shall have the right to defer any Demand Registration for up to ninety (90) days, and any Piggy-Back Registration for such period as may be applicable to deferment of any demand registration to which such Piggy-Back Registration relates, in each case if the Company shall furnish to the holders a certificate signed by the Chief Executive Officer of the Company stating that, in the good faith judgment of the Board of Directors of the Company, it would be detrimental to the Company or its security holders for such Registration Statement to be effected at such time; provided, further, however, that the Company shall not have the right to exercise the right set forth in the immediately preceding proviso more than once in any 365-day period in respect of a Demand Registration hereunder; provided, further, that the holders of Registrable Securities shall provide at least fifteen (15) Business Days notice of the date on which they wish the Company to prepare and file a Registration Statement with the Commission.

3.1.2 Copies. The Company shall, prior to filing a Registration Statement or Prospectus, or any amendment or supplement thereto, furnish without charge to the holders of Registrable Securities included in such registration, and such holders' legal counsel, copies of such Registration Statement as proposed to be filed, each amendment and supplement to such Registration Statement (in each case including all exhibits thereto and documents incorporated by reference therein), the Prospectus included in such Registration Statement (including each preliminary Prospectus), and such other documents as the holders of Registrable Securities included in such registration or legal counsel for any such holders may reasonably request in order to facilitate the disposition of the Registrable Securities owned by such holders.

3.1.3 Amendments and Supplements. The Company shall prepare and file with the Commission such amendments, including post-effective amendments, and supplements to such Registration Statement and the Prospectus used in connection therewith as may be necessary to keep such Registration Statement effective and in compliance with the provisions of the Securities Act until all Registrable Securities, and all other securities covered by such Registration Statement, have been disposed of in accordance with the intended method(s) of distribution set forth in such Registration Statement (which period shall not exceed the sum of one hundred eighty (180) days plus any period during which any such disposition is interfered

with by any stop order or injunction of the Commission or any governmental agency or court) or such securities have been withdrawn.

3.1.4 Notification. After the filing of a Registration Statement, the Company shall promptly, and in no event more than two (2) Business Days after such filing, notify the holders of Registrable Securities included in such Registration Statement of such filing, and shall further notify such holders promptly and confirm such advice in writing in all events within two (2) Business Days of the occurrence of any of the following: (i) when such Registration Statement becomes effective; (ii) when any post-effective amendment to such Registration Statement becomes effective; (iii) the issuance or threatened issuance by the Commission of any stop order (and the Company shall take all actions required to prevent the entry of such stop order or to remove it if entered); and (iv) any request by the Commission for any amendment or supplement to such Registration Statement or any Prospectus relating thereto or for additional information or of the occurrence of an event requiring the preparation of a supplement or amendment to such Prospectus so that, as thereafter delivered to the purchasers of the securities covered by such Registration Statement, such Prospectus will not contain an untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading, and promptly make available to the holders of Registrable Securities included in such Registration Statement any such supplement or amendment; except that before filing with the Commission a Registration Statement or Prospectus or any amendment or supplement thereto, including documents incorporated by reference, the Company shall furnish to the holders of Registrable Securities included in such Registration Statement and to the legal counsel for any such holders, copies of all such documents proposed to be filed sufficiently in advance of filing to provide such holders and legal counsel with a reasonable opportunity to review such documents and comment thereon, and the Company shall not file any Registration Statement or Prospectus or amendment or supplement thereto, including documents incorporated by reference, to which such holders or their legal counsel shall reasonably object.

3.1.5 State Securities Laws Compliance. The Company shall use commercially reasonable efforts to (i) register or qualify the Registrable Securities covered by the Registration Statement under such securities or “blue sky” laws of such jurisdictions in the United States as the holders of Registrable Securities included in such Registration Statement (in light of their intended plan of distribution) may request and (ii) take such action necessary to cause such Registrable Securities covered by the Registration Statement to be registered with or approved by such other State authorities as may be necessary by virtue of the business and operations of the Company and do any and all other acts and things that may be necessary or advisable to enable the holders of Registrable Securities included in such Registration Statement to consummate the disposition of such Registrable Securities in such jurisdictions; provided, however, that the Company shall not be required to qualify generally to do business in any jurisdiction where it would not otherwise be required to qualify but for this Section 3.1.5 or subject itself to taxation in any such jurisdiction.

3.1.6 Agreements for Disposition. The Company shall enter into customary agreements (including, if applicable, an underwriting agreement in customary form) and take such other actions as are reasonably required in order to expedite or facilitate the disposition of such Registrable Securities. The representations, warranties and covenants of the Company in

any underwriting agreement which are made to or for the benefit of any Underwriters, to the extent applicable, shall also be made to and for the benefit of the holders of Registrable Securities included in such registration statement. For the avoidance of doubt, the holders of Registrable Securities may not require the Company to accept terms, conditions or provisions in any such agreement which the Company determines is not reasonably acceptable to the Company, notwithstanding any agreement to the contrary herein. No holder of Registrable Securities included in such registration statement shall be required to make any representations or warranties in the underwriting agreement except as reasonably requested by the Company and, if applicable, with respect to such holder's organization, good standing, authority, title to Registrable Securities, lack of conflict of such sale with such holder's material agreements and organizational documents, and with respect to written information relating to such holder that such holder has furnished in writing expressly for inclusion in such Registration Statement.

3.1.7 Cooperation. The principal executive officer of the Company, the principal financial officer of the Company, the principal accounting officer of the Company and all other officers and members of the management of the Company shall cooperate fully in any offering of Registrable Securities hereunder, which cooperation shall include, without limitation, the preparation of the Registration Statement with respect to such offering and all other offering materials and related documents, and participation in meetings with Underwriters, attorneys, accountants and potential investors. Holders of Registrable Securities shall not be required to make any representations or warranties to or agreements with the Company or the Underwriters except as they may relate to such holders and their intended methods of distribution. Such holders, however, shall agree to such covenants and indemnification and contribution obligations for selling stockholders as are customarily contained in agreements of that type. Further, such holders shall cooperate fully in the preparation of the registration statement and other documents relating to any offering in which they include securities pursuant to this Agreement. Each holder shall also furnish to the Company such information regarding itself, the Registrable Securities held by such holder, and the intended method of disposition of such securities as shall be reasonably required to effect the registration of the Registrable Securities.

3.1.8 Records. The Company shall make available for inspection by the holders of Registrable Securities included in such Registration Statement, any Underwriter participating in any disposition pursuant to such registration statement and any attorney, accountant or other professional retained by any holder of Registrable Securities included in such Registration Statement or any Underwriter, all financial and other records, pertinent corporate documents and properties of the Company, as shall be necessary to enable them to exercise their due diligence responsibility, and cause the Company's officers, directors and employees to supply all information reasonably requested by any of them in connection with such Registration Statement.

3.1.9 Opinions and Comfort Letters. The Company shall furnish to each holder of Registrable Securities included in any Registration Statement a signed counterpart, addressed to such holder, of (i) any opinion of counsel to the Company delivered to any Underwriter and (ii) any comfort letter from the Company's independent public accountants delivered to any Underwriter. In the event no legal opinion is delivered to any Underwriter, the Company shall furnish to each holder of Registrable Securities included in such Registration Statement, at any time that such holder elects to use a Prospectus, an opinion of counsel to the Company to the

effect that the Registration Statement containing such Prospectus has been declared effective and that no stop order is in effect.

3.1.10 Earnings Statement. The Company shall comply with all applicable rules and regulations of the Commission and the Securities Act, and make available to its security holders, as soon as practicable, an earnings statement covering a period of twelve (12) months, beginning within six (6) months after the effective date of the registration statement, which earnings statement shall satisfy the provisions of Section 11(a) of the Securities Act and Rule 158 thereunder.

3.1.11 Listing. The Company shall use commercially reasonable efforts to cause all Registrable Securities included in any registration to be listed on such exchanges or otherwise designated for trading in the same manner as similar securities issued by the Company are then listed or designated or, if no such similar securities are then listed or designated, in a manner satisfactory to the holders of a majority of the Registrable Securities that are included in such registration.

3.2 Obligation to Suspend Distribution. Upon receipt of any notice from the Company of the happening of any event of the kind described in Section 3.1.4(iv), or, in the case of a resale registration on the Resale Shelf Form N-2 pursuant to Section 2.3 hereof the occurrence or existence of any pending corporate development or any other material event that, in the reasonable judgment of the Company, makes it appropriate to suspend the availability of the Resale Shelf Form N-2, each holder of Registrable Securities included in any registration shall immediately discontinue disposition of such Registrable Securities pursuant to the Registration Statement covering such Registrable Securities until such holder receives the supplemented or amended Prospectus contemplated by Section 3.1.4(iv) or until it is advised in writing by the Company that the Prospectus may be used, and has received copies of any additional or supplemental filings that are incorporated or deemed incorporated by reference in such Prospectus.

3.3 Registration Expenses. The Company shall bear all customary costs and expenses incurred in connection with any Demand Registration pursuant to Section 2.1, any Piggy-Back Registration pursuant to Section 2.2, and any registration effected pursuant to Section 2.3, and all reasonable expenses incurred in performing or complying with its other obligations under this Agreement, whether or not the Registration Statement becomes effective, including, without limitation: (i) all registration and filing fees; (ii) fees and expenses of compliance with securities or "blue sky" laws (including reasonable fees and disbursements of counsel in connection with blue sky qualifications of the Registrable Securities, subject to the limit set forth in paragraph (ix) below); (iii) printing expenses; (iv) the Company's internal expenses (including, without limitation, all salaries and expenses of its officers and employees); (v) the fees and expenses incurred in connection with the listing of the Registrable Securities, as required by Section 3.1.11; (vi) Financial Industry Regulatory Authority (FINRA) fees; (vii) fees and disbursements of counsel for the Company and fees and expenses for independent certified public accountants retained by the Company (including the expenses or costs associated with the delivery of any opinions or comfort letters requested pursuant to Section 3.1.9); (viii) the fees and expenses of any special experts retained by the Company in connection with such registration and (ix) the fees and expenses of one legal counsel selected by the holders of a majority-in-interest of the

Registrable Securities that are included in such registration (not to exceed, including the fees and disbursements to counsel in paragraph (ii) above, [$30,000]). The Company shall have no obligation to pay any underwriting discounts or selling commissions attributable to the Registrable Securities being sold by the holders thereof, which underwriting discounts or selling commissions shall be borne solely by such holders. Additionally, in an underwritten offering, all selling security holders and the Company shall bear the expenses of the underwriter pro rata in proportion to the respective amount of securities each is selling in such offering.

3.4 Information. The holders of Registrable Securities shall provide such information as may reasonably be requested by the Company, or the managing Underwriter if any, in connection with the preparation of any Registration Statement, including amendments and supplements thereto, in order to effect the registration of any Registrable Securities under the Securities Act pursuant to Section 2 and in connection with the Company's obligation to comply with federal and applicable state securities laws.

3.5 Holder Obligations.

3.5.1 No holder of Registrable Securities may participate in any underwritten offering pursuant to this Agreement unless such holder (i) agrees to sell only such holder's Registrable Securities on the basis reasonably provided in any underwriting agreement, and (ii) completes, executes and delivers any and all questionnaires, powers of attorney, custody agreements, indemnities (including as set forth in Section 4.2 below), lock-up agreements, opinions, underwriting agreements and other documents reasonably required by or under the terms of any underwriting agreement or as reasonably requested by the Company or the managing underwriter for such offering.

3.5.2 For so long as any holder of Registrable Securities holds any Registrable Securities, each such holder agrees, in the event of any underwritten offering by the Company (whether for the account of the Company or otherwise) in which such holder has a right to participate to execute and deliver any lock-up agreements required by or under the terms of any underwriting agreement for such offering or as reasonably requested by the Company or the managing underwriter for such offering.

4. INDEMNIFICATION AND CONTRIBUTION.

4.1 Indemnification by the Company. The Company agrees to indemnify and hold harmless each holder of Registrable Securities, and each of their respective officers, employees, affiliates, directors, partners, members, attorneys and agents, and, in the case of an underwritten offering pursuant to this Agreement, each underwriter, their respective partners, members, directors, officers, affiliates and each person, if any, who controls (within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act) a holder of Registrable Securities or underwriter, as applicable, from and against any expenses, losses, judgments, claims, damages or liabilities, whether joint or several, arising out of or based upon any untrue statement (or allegedly untrue statement) of a material fact contained in any Registration Statement under which the sale of such Registrable Securities was registered under the Securities Act, any preliminary Prospectus or final Prospectus contained in the Registration Statement, or any amendment or supplement to such Registration Statement, or arising out of or based upon any

omission (or alleged omission) to state a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such expense, loss, claim, damage or liability arises out of or is based upon any untrue statement or allegedly untrue statement or omission or alleged omission made in such Registration Statement, preliminary Prospectus or final Prospectus or any such amendment or supplement, in reliance upon and in conformity with information furnished to the Company, in writing, by such selling holder expressly for use therein.

4.2 Indemnification by Holders of Registrable Securities. Each selling holder of Registrable Securities will, with respect to any Registration Statement where Registrable Securities were registered under the Securities Act, indemnify and hold harmless the Company, each of its directors and officers, and, in the case of an underwritten offering pursuant to this Agreement, each underwriter, their respective partners, members, directors, officers, affiliates and each other person, if any, who controls the Company (within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act) or underwriter, as applicable, against any losses, claims, judgments, damages or liabilities, whether joint or several, insofar as such losses, claims, judgments, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or allegedly untrue statement of a material fact contained in any Registration Statement under which the sale of such Registrable Securities was registered under the Securities Act, any preliminary Prospectus or final Prospectus contained in the Registration Statement, or any amendment or supplement to the Registration Statement, or arise out of or are based upon any omission or the alleged omission to state a material fact required to be stated therein or necessary to make the statement therein not misleading, if the statement or omission was made in reliance upon and in conformity with information furnished in writing to the Company by such selling holder expressly for use therein, and shall reimburse the Company, its directors and officers, and each such controlling person for any legal or other expenses reasonably incurred by any of them in connection with investigation or defending any such loss, claim, damage, liability or action. Each selling holder's indemnification obligations hereunder shall be several and not joint and shall be limited to the amount of any net proceeds actually received by such selling holder from the sale of Registrable Securities which gave rise to such indemnification obligation.

4.3 Conduct of Indemnification Proceedings. Promptly after receipt by any person of any notice of any loss, claim, damage or liability or any action in respect of which indemnity may be sought pursuant to Section 4.1 or 4.2, such person (the "***Indemnified Party***") shall, if a claim in respect thereof is to be made against any other person for indemnification hereunder, promptly notify such other person (the "***Indemnifying Party***") in writing of the loss, claim, judgment, damage, liability or action. If the Indemnified Party is seeking indemnification with respect to any claim or action brought against the Indemnified Party, then the Indemnifying Party shall be entitled to participate in such claim or action, and, to the extent that it elects, retain counsel reasonably satisfactory to the Indemnified Party to represent the Indemnified Party, and any others the Indemnifying Party may designate in such proceeding and shall pay the reasonable fees and disbursements of such counsel related to such proceeding. In any such proceeding, the Indemnified Party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party unless (i) the Indemnified Party and the Indemnifying Party shall have mutually agreed to the retention of such counsel, or (ii) the named parties to any such proceeding (including any impleaded parties) include both the

Indemnified Party and the Indemnifying Party and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interest between them. The Indemnifying Party shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or there is a final judgment for the plaintiff, the Indemnifying Party agrees to indemnify the Indemnified Party from and against any loss or liability by reason of such settlement or judgment. Notwithstanding the foregoing sentence, if at any time an Indemnified Party shall have requested an Indemnifying Party to reimburse the Indemnified Party for fees and expenses of counsel as contemplated in this Section 4.3, the Indemnifying Party agrees that it shall be liable for any settlement of any proceeding effected without its written consent if (i) such settlement is entered into more than thirty (30) days after receipt by such Indemnifying Party of the aforesaid request, and (ii) such Indemnifying Party shall not have reimbursed the Indemnified Party in accordance with such request prior to the date of such settlement (other than reimbursement for fees and expenses the Indemnifying Party is contesting in good faith). No Indemnifying Party shall, without the prior written consent of the Indemnified Party, consent to entry of judgment or effect any settlement of any claim or pending or threatened proceeding in respect of which the Indemnified Party is or could have been a party and indemnity could have been sought hereunder by such Indemnified Party, unless such judgment or settlement includes an unconditional release of such Indemnified Party from all liability arising out of such claim or proceeding.

4.4 Contribution.

4.4.1 If the indemnification provided for in the foregoing Sections 4.1, 4.2 and 4.3 is unavailable to any Indemnified Party in respect of any loss, claim, damage, liability or action referred to herein, then each such Indemnifying Party, in lieu of indemnifying such Indemnified Party, shall contribute to the amount paid or payable by such Indemnified Party as a result of such loss, claim, damage, liability or action in such proportion as is appropriate to reflect the relative benefits received by the Indemnified Parties on the one hand and the Indemnifying Parties on the other from the offering. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law or if the Indemnified Party failed to give the notice required under Section 4.3 above, then each Indemnifying Party shall contribute to such amount paid or payable by such Indemnified Party in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the Indemnified Parties on the one hand and the Indemnifying Parties on the other in connection with the actions or omissions which resulted in such loss, claim, damage, liability or action, as well as any other relevant equitable considerations. The relative fault of any Indemnified Party and any Indemnifying Party shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by such Indemnified Party or such Indemnifying Party and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

4.4.2 The parties hereto agree that it would not be just and equitable if contribution pursuant to this Section 4.4 were determined by *pro rata* allocation or by any other method of allocation which does not take account of the equitable considerations referred to in the immediately preceding Section 4.4.1. The amount paid or payable by an Indemnified Party as a result of any loss, claim, damage, liability or action referred to in the immediately preceding

paragraph shall be deemed to include, subject to the limitations set forth above, any legal or other expenses incurred by such Indemnified Party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 4.4, no holder of Registrable Securities shall be required to contribute any amount in excess of the dollar amount of the net proceeds (after payment of any underwriting fees, discounts, commissions or taxes) actually received by such holder from the sale of Registrable Securities which gave rise to such contribution obligation. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

5. MISCELLANEOUS.

5.1 Assignment; No Third Party Beneficiaries. This Agreement and the rights, duties and obligation of the Company hereunder may not be assigned or delegated by the Company in whole or in part. This Agreement and the rights, duties and obligations of the holders of Registrable Securities hereunder may be freely assigned or delegated by such holder of Registrable Securities in conjunction with and to the extent of any permitted transfer of Registrable Securities by any such holder in accordance with applicable law. This Agreement and the provisions hereof shall be binding upon and shall inure to the benefit of each of the parties and their respective successors and the permitted assigns of a holder of Registrable Securities or of any assignee of a holder of Registrable Securities. This Agreement is not intended to confer any rights or benefits on any persons that are not a party hereto other than as expressly set forth in Section 4 and this Section 5.1.

5.2 Notices. All notices, demands, requests, consents, approvals or other communications (collectively, “Notices”) required or permitted to be given hereunder or which are given with respect to this Agreement shall be in writing and shall be personally served, delivered by reputable air courier service with charges prepaid, or transmitted by hand delivery, telegram, telex or facsimile, addressed as set forth below, or to such other address as such party shall have specified most recently by written notice provided in accordance with this Section 5.2. Notice shall be deemed given on the date of service or transmission if personally served or transmitted by telegram, telex or facsimile; provided, that if such service or transmission is not on a Business Day or is after normal business hours, then such notice shall be deemed given on the next Business Day. Notice otherwise sent as provided herein shall be deemed given on the next Business Day following timely delivery of such notice to a reputable air courier service with an order for next-day delivery.

To the Company:

76 Batterson Park Road
Farmington, CT 06032
Fax No.: (860) 676-8655
Attention: Chief Executive Officer

with a copy to:

Squire, Sanders & Dempsey L.L.P.
221 E. Fourth Street, Suite 2900
Cincinnati, OH 45202-4095
Fax No.: (513) 361-1201
Attention: Stephen C. Mahon

To an Investor, to the address set forth below such Investor's name on the signature pages hereof.

5.3 Severability. This Agreement shall be deemed severable, and the invalidity or unenforceability of any term or provision hereof shall not affect the validity or enforceability of this Agreement or of any other term or provision hereof. Furthermore, in lieu of any such invalid or unenforceable term or provision, the parties hereto intend that there shall be added as a part of this Agreement a provision as similar in terms to such invalid or unenforceable provision as may be possible and be valid and enforceable.

5.4 Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, and all of which taken together shall constitute one and the same instrument.

5.5 Entire Agreement. This Agreement (including all agreements entered into pursuant hereto and all certificates and instruments delivered pursuant hereto and thereto) constitute the entire agreement of the parties with respect to the subject matter hereof and supersede all prior and contemporaneous agreements, representations, understandings, negotiations and discussions between the parties, whether oral or written.

5.6 Modifications and Amendments. No amendment, modification or termination of this Agreement shall be binding upon any party unless executed in writing by such party.

5.7 Titles and Headings. Titles and headings of sections of this Agreement are for convenience only and shall not affect the construction of any provision of this Agreement.

5.8 Waivers and Extensions. Any party to this Agreement may waive any right, breach or default which such party has the right to waive, provided, that such waiver will not be effective against the waiving party unless it is in writing, is signed by such party, and specifically refers to this Agreement. Waivers may be made in advance or after the right waived has arisen or the breach or default waived has occurred. Any waiver may be conditional. No waiver of any breach of any agreement or provision herein contained shall be deemed a waiver of any preceding or succeeding breach thereof nor of any other agreement or provision herein contained. No waiver or extension of time for performance of any obligations or acts shall be deemed a waiver or extension of the time for performance of any other obligations or acts.

5.9 Remedies Cumulative. In the event that the Company fails to observe or perform any covenant or agreement to be observed or performed under this Agreement, any holder of Registrable Securities may proceed to protect and enforce its rights by suit in equity or action at law, whether for specific performance of any term contained in this Agreement or for an injunction against the breach of any such term or in aid of the exercise of any power granted in this Agreement or to enforce any other legal or equitable right, or to take any one or more of

such actions, without being required to post a bond. None of the rights, powers or remedies conferred under this Agreement shall be mutually exclusive, and each such right, power or remedy shall be cumulative and in addition to any other right, power or remedy, whether conferred by this Agreement or now or hereafter available at law, in equity, by statute or otherwise.

5.10 Governing Law. This Agreement shall be governed by and interpreted and construed in accordance with the laws of the State of New York applicable to contracts formed and to be performed entirely within the State of New York, without regard to the conflicts of law provisions thereof to the extent such principles or rules would require or permit the application of the laws of another jurisdiction. The Company and the holders of the Registrable Securities irrevocably and unconditionally submit to the exclusive jurisdiction of the United States District Court for the Southern District of New York or, if such court does not have jurisdiction, the New York State Supreme Court in the Borough of Manhattan, in any action arising out of or relating to this Agreement, agree that all claims in respect of the action may be heard and determined in any such court and agree not to bring any action arising out of or relating to this Agreement in any other court. In any action, the Company and the holders of the Registrable Securities irrevocably and unconditionally waive and agree not to assert by way of motion, as a defense or otherwise any claims that it is not subject to the jurisdiction of the above court, that such action is brought in an inconvenient forum or that the venue of such action is improper. Without limiting the foregoing, the Company and the holders of the Registrable Securities agree that service of process at each parties respective addresses as provided for in Section 5.2 above shall be deemed effective service of process on such party.

5.11 Waiver of Trial by Jury. Each party hereby irrevocably and unconditionally waives the right to a trial by jury in any action, suit, counterclaim or other proceeding (whether based on contract, tort or otherwise) arising out of, connected with or relating to this Agreement, the transactions contemplated hereby, or the actions of any party in the negotiation, administration, performance or enforcement hereof.

5.12 Lock-Up Period. The Investors and their transferees hereby agree that in no event may any Registrable Securities be offered for resale on behalf of such Investor or transferees pursuant to the terms hereof except in accordance with the terms and conditions of any lock-up agreement to which they may be subject from time to time.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties have caused this Registration Rights Agreement to be executed and delivered by their duly authorized representatives as of the date first written above.

HORIZON TECHNOLOGY FINANCE CORPORATION

By: ______________________________
Name: ______________________________
Title: ______________________________

INVESTORS:

COMPASS HORIZON PARTNERS, LP

By: Navco Management, Ltd.

By: ______________________________
Name: ______________________________
Title: ______________________________

Address: 69 Pitts Bay Road
Belvedere Building - 4th Floor
Hamilton HM08, Bermuda

HTF-CHF HOLDINGS LLC

By: ______________________________
Name: ______________________________
Title: ______________________________

Address: 76 Batterson Park Road
Farmington, CT 06032

Exhibit (n)

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the use in this Pre-Effective Amendment No. 2 to Registration Statement (No. 333-165570) on Form N-2 of Horizon Technology Finance Corporation of our report dated March 19, 2010, relating to our audits of the consolidated financial statements of Compass Horizon Funding Company LLC, appearing in the Prospectus, which is part of this Registration Statement.

We also consent to the reference to our firm under the captions “Independent Registered Public Accounting Firm,” “Selected Financial and Other Data” and “Senior Securities” in such Prospectus.

/s/ McGladrey & Pullen, LLP

New Haven, Connecticut
July 1, 2010