UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2013

OR

£ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NUMBER: 814-00802

HORIZON TECHNOLOGY FINANCE CORPORATION

(Exact name of registrant as specified in its charter)

DELAWARE	**27-2114934**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
312 Farmington Avenue **Farmington, CT**	**06032**
(Address of principal executive offices)	*(Zip Code)*

Registrant's telephone number, including area code (860) 676-8654

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐.

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer" and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐	Accelerated filer ☑	Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller Reporting Company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑ .

As of August 6, 2013, the Registrant had 9,582,637 shares of common stock, $0.001 par value, outstanding.

HORIZON TECHNOLOGY FINANCE CORPORATION

FORM 10-Q
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PART I: FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

Horizon Technology Finance Corporation and Subsidiaries

Consolidated Statements of Assets and Liabilities (Unaudited)
(In thousands, except share data)

	June 30, 2013	December 31, 2012
Assets		
Non-affiliate investments at fair value (cost of $259,605 and $239,385, respectively) (Note 4)	$ 246,861	$ 228,613
Investment in money market funds	2,800	2,560
Cash	21,871	1,048
Interest receivable	3,867	2,811
Other assets	6,322	4,626
Total assets	$ 281,721	$ 239,658
Liabilities		
Borrowings (Note 6)	$ 133,000	$ 89,020
Dividends payable	3,305	3,301
Base management fee payable (Note 3)	470	402
Incentive fee payable (Note 3)	900	855
Other accrued expenses	1,359	1,108
Total liabilities	139,034	94,686
Net assets		
Preferred stock, par value $0.001 per share, 1,000,000 shares authorized, zero shares issued and outstanding as of June 30, 2013 and December 31, 2012	—	—
Common stock, par value $0.001 per share, 100,000,000 shares authorized, 9,580,446 and 9,567,225 shares outstanding as of June 30, 2013 and December 31, 2012, respectively	10	10
Paid-in capital in excess of par	154,577	154,384
Accumulated undistributed net investment income	1,194	1,428
Net unrealized depreciation on investments	(12,744)	(10,772)
Net realized loss on investments	(350)	(78)
Total net assets	142,687	144,972
Total liabilities and net assets	$ 281,721	$ 239,658
Net asset value per common share	$ 14.89	$ 15.15

See Notes to Consolidated Financial Statements

Horizon Technology Finance Corporation and Subsidiaries

Consolidated Statements of Operations (Unaudited)
(In thousands, except share data)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2013	**2012**	**2013**	**2012**
Investment income				
Interest income on non-affiliate investments	$ 8,407	$ 5,467	$ 15,754	$ 11,377
Fee income on non-affiliate investments	380	15	402	730
Total investment income	8,787	5,482	16,156	12,107
Expenses				
Interest expense	1,924	990	3,697	1,665
Base management fee (Note 3)	1,329	961	2,570	1,955
Performance based incentive fee (Note 3)	900	412	1,593	1,250
Administrative fee (Note 3)	317	246	602	502
Professional fees	311	292	693	599
General and administrative	325	323	546	525
Total expenses	5,106	3,224	9,701	6,496
Net investment income before excise tax	3,681	2,258	6,455	5,611
Provision for excise tax	(80)	—	(80)	—
Net investment income	3,601	2,258	6,375	5,611
Net realized and unrealized (loss) gain on investments				
Net realized loss on investments	(62)	(60)	(272)	(61)
Net unrealized (depreciation) appreciation on investments	(2,391)	18	(1,972)	(794)
Net realized and unrealized loss on investments	(2,453)	(42)	(2,244)	(855)
Net increase in net assets resulting from operations	$ 1,148	$ 2,216	$ 4,131	$ 4,756
Net investment income per common share	$ 0.38	$ 0.30	$ 0.67	$ 0.74
Net increase in net assets per common share	$ 0.12	$ 0.29	$ 0.43	$ 0.62
Dividends declared per share	$ 0.345	$ 0.45	$ 0.69	$ 0.90
Weighted average shares outstanding	9,578,421	7,640,833	9,574,626	7,638,721

See Notes to Consolidated Financial Statements

Horizon Technology Finance Corporation and Subsidiaries

Consolidated Statements of Changes in Net Assets (Unaudited)
(In thousands, except share data)

	Shares	Common Stock	Paid-In Capital in Excess of Par	Accumulated Undistributed Net Investment Income	Net Unrealized Depreciation on Investments	Net Realized Gains (Losses) on Investments	Total Net Assets
Balance at December 31, 2011	7,636,532	$ 8	$ 124,512	$ 4,965	$ (2,659)	$ 3,058	$ 129,884
Net increase in net assets resulting from operations	—	—	—	5,611	(794)	(61)	4,756
Issuance of common stock under dividend reinvestment plan	5,816	—	95	—	—	—	95
Dividends declared	—	—	—	(6,875)	—	—	(6,875)
Balance at June 30, 2012	7,642,348	$ 8	$ 124,607	$ 3,701	$ (3,453)	$ 2,997	$ 127,860
Balance at December 31, 2012	9,567,225	$ 10	$ 154,384	$ 1,428	$ (10,772)	$ (78)	$ 144,972
Net increase in net assets resulting from operations	—	—	—	6,375	(1,972)	(272)	4,131
Issuance of common stock under dividend reinvestment plan	13,221	—	193	—	—	—	193
Dividends declared	—	—	—	(6,609)	—	—	(6,609)
Balance at June 30, 2013	9,580,446	$ 10	$ 154,577	$ 1,194	$ (12,744)	$ (350)	$ 142,687

See Notes to Consolidated Financial Statements

Horizon Technology Finance Corporation and Subsidiaries

Consolidated Statements of Cash Flows (Unaudited)
(In thousands)

	For the Six Months Ended June 30,	
	2013	**2012**
Cash flows from operating activities:		
Net increase in net assets resulting from operations	$ 4,131	$ 4,756
Adjustments to reconcile net increase in net assets resulting from operations to net cash used in operating activities:		
Amortization of debt issuance costs	406	151
Net realized loss on investments	62	61
Net unrealized depreciation on investments	1,972	794
Purchase of investments	(57,643)	(50,256)
Principal payments received on investments	37,935	32,120
Proceeds from sale on investments	39	38
Changes in assets and liabilities:		
Net (increase) decrease in investments in money market funds	(240)	7,189
(Increase) decrease in interest receivable	(100)	383
Increase in end-of-term payments	(956)	(618)
Decrease in unearned loan income	(613)	(344)
Decrease (increase) in other assets	23	(324)
Increase (decrease) in other accrued expenses	251	(461)
Increase in base management fee payable	68	20
Increase (decrease) in incentive fee payable	45	(1,354)
Net cash used in operating activities	(14,620)	(7,845)
Cash flows from financing activities:		
Proceeds from issuance of 2019 Notes	—	33,000
Proceeds from issuance of Asset-Backed Notes	90,000	—
Dividends paid	(6,412)	(6,780)
Net decrease in Credit Facilities	(46,020)	(17,194)
Debt issuance costs	(2,125)	(1,302)
Net cash provided by financing activities	35,443	7,724
Net increase (decrease) in cash	20,823	(121)
Cash:		
Beginning of period	1,048	1,298
End of period	$ 21,871	$ 1,177
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 3,286	$ 1,449
Supplemental non-cash investing and financing activities:		
Warrant investments received & recorded as unearned loan income	$ 426	$ 622
Dividends Payable	$ 3,305	$ —

See Notes to Consolidated Financial Statements

Horizon Technology Finance Corporation and Subsidiaries

Consolidated Schedule of Investments (Unaudited)
June 30, 2013
(In thousands)

Portfolio Company (1)	Sector	Type of Investment (3)(4)(7)	Principal Amount	Cost of Investments (6)	Fair Value
Debt Investments — 165.9% (9)					
Debt Investments — Life Science — 30.9% (9)					
ACT Biotech Corporation (8)	Biotechnology	Term Loan (13.10% cash, 8.00% ETP, Due 9/1/14)	$ 3,947	$ 3,905	$ 500
Ambit Biosciences Corporation (2)	Biotechnology	Term Loan (12.25% cash, 3.00% ETP, Due 10/1/13)	909	908	908
Celsion Corporation (2)(5)	Biotechnology	Term Loan (11.75% cash, Due 10/1/15)	2,355	2,341	2,341
Inotek Pharmaceuticals Corporation	Biotechnology	Term Loan (11.00% cash, 3.00% ETP, Due 10/1/16)	3,500	3,448	3,448
N30 Pharmaceuticals, LLC (2)	Biotechnology	Term Loan (11.25% cash, 3.00% ETP, Due 9/1/14)	1,232	1,221	1,221
		Term Loan (11.25% cash, 3.00% ETP, Due 10/1/15)	2,500	2,466	2,466
New Haven Pharmaceuticals, Inc. (2)	Biotechnology	Term Loan (11.50% cash, 3.00% ETP, Due 5/1/16)	1,500	1,466	1,466
		Term Loan (11.50% cash, 3.00% ETP, Due 5/1/16)	500	489	489
Sample6 Technologies, Inc. (2)	Biotechnology	Term Loan (11.00% cash, 3.00% ETP, Due 1/1/16)	2,500	2,466	2,466
Sunesis Pharmaceuticals, Inc. (2)(5)	Biotechnology	Term Loan (8.95% cash, 3.75% ETP, Due 10/1/15)	1,775	1,764	1,764
		Term Loan (9.00% cash, 3.75% ETP, Due 10/1/15)	2,663	2,602	2,602
Xcovery Holding Company, LLC (2)	Biotechnology	Term Loan (12.50% cash, Due 8/1/15)	918	916	916
		Term Loan (12.50% cash, Due 8/1/15)	1,444	1,441	1,441
		Term Loan (12.50% cash, Due 10/1/15)	250	249	249
Direct Flow Medical, Inc. (2)	Medical Device	Term Loan (11.00% cash, 3.00% ETP, Due 7/1/16)	5,000	4,911	4,911
		Term Loan (11.00% cash, 3.00% ETP, Due 10/1/16)	2,500	2,450	2,450
Mitralign, Inc. (2)	Medical Device	Term Loan (12.00% cash, 3.00% ETP, Due 10/1/15)	1,714	1,690	1,690
		Term Loan (10.88% cash, 3.00% ETP, Due 11/1/15)	1,143	1,126	1,126
		Term Loan (10.50% cash, 3.00% ETP, Due 7/1/16)	1,143	1,106	1,106
PixelOptics, Inc. (2)	Medical Device	Term Loan (10.75% cash, 3.00% ETP, Due 11/1/14)	5,993	5,973	5,973
Tengion, Inc. (2)(5)	Medical Device	Term Loan (13.00% cash, Due 5/1/14)	3,660	3,614	3,614
Total Debt Investments — Life Science				46,552	43,147
Debt Investments — Technology — 91.7% (9)					
Avalanche Technology, Inc. (2)	Semiconductors	Term Loan (10.00% cash, 2.00% ETP, Due 7/1/16)	3,510	3,425	3,425
Kaminario, Inc.	Semiconductors	Term Loan (10.50% cash, 2.50% ETP, Due 11/1/16)	3,000	2,941	2,941
		Term Loan (10.50% cash, 2.50% ETP, Due 11/1/16)	3,000	2,941	2,941
Luxtera, Inc. (2)	Semiconductors	Term Loan (10.25% cash, 8.00% ETP, Due 12/1/15)	3,333	3,302	3,302
		Term Loan (10.25% cash, 8.00% ETP, Due 3/1/16)	1,667	1,648	1,648
Newport Media, Inc. (2)	Semiconductors	Term Loan (11.00% cash, 2.14% ETP, Due 1/1/16)	3,500	3,458	3,458
		Term Loan (11.00% cash, 2.14% ETP, Due 1/1/16)	3,500	3,458	3,458
NexPlanar Corporation (2)	Semiconductors	Term Loan (10.50% cash, 2.50% ETP, Due 12/1/16)	3,000	2,927	2,927
Xtera Communications, Inc. (2)	Semiconductors	Term Loan (11.50% cash, Due 3/1/15)	7,294	7,242	7,242
		Term Loan (11.50% cash, Due 10/1/15)	1,844	1,865	1,865
Overture Networks, Inc. (2)	Communications	Term Loan (10.75% cash, 4.75% ETP, Due 12/1/16)	5,000	4,848	4,848
Grab Networks, Inc. (2)	Internet and Media	Term Loan (12.00% cash, Due 1/1/16)	2,371	2,290	2,137
Optaros, Inc. (2)	Internet and Media	Term Loan (11.95% cash, 3.00% ETP, Due 10/1/15)	2,000	1,983	1,983
		Term Loan (11.95% cash, 3.00% ETP, Due 3/1/16)	500	496	496
SimpleTuition, Inc. (2)	Internet and Media	Term Loan (11.75% cash, Due 3/1/16)	4,647	4,577	4,577
Bolt Solutions, Inc. (2)	Software	Term Loan (11.65% cash, 4.00% ETP, Due 5/1/16)	5,000	4,948	4,948
		Term Loan (11.65% cash, 4.00% ETP, Due 5/1/16)	5,000	4,948	4,948
Construction Software Technologies, Inc. (2)	Software	Term Loan (11.75% cash, 5.00% ETP, Due 10/1/16)	4,200	4,164	4,164
		Term Loan (11.75% cash, 5.00% ETP, Due 10/1/16)	4,200	4,164	4,164
Courion Corporation (2)	Software	Term Loan (11.45% cash, Due 10/1/15)	3,296	3,283	3,283
		Term Loan (11.45% cash, Due 10/1/15)	3,296	3,283	3,283
Decisyon, Inc. (2)	Software	Term Loan (11.65% cash, 5.00% ETP, Due 9/1/16)	4,000	3,915	3,915
Fiberlink Communications Corporation (2)	Software	Term Loan (11.50% cash, 5.00% ETP, Due 7/1/16)	5,000	4,960	4,960
		Term Loan (11.50% cash, 5.00% ETP, Due 12/1/16)	3,000	2,971	2,971
Kontera Technologies, Inc. (2)	Software	Term Loan (11.50% cash, 3.00% ETP, Due 10/1/16)	4,000	3,933	3,933
		Term Loan (11.50% cash, 3.00% ETP, Due 10/1/16)	4,000	3,933	3,933
Lotame Solutions, Inc.	Software	Term Loan (11.50% cash, 3.00% ETP, Due 10/1/16)	4,000	3,945	3,945
Netuitive, Inc. (2)	Software	Term Loan (11.75% cash, Due 1/1/16)	2,844	2,801	2,801
Raydiance, Inc. (2)	Software	Term Loan (11.50% cash, 2.75% ETP, Due 9/1/16)	5,000	4,932	4,932
		Term Loan (11.50% cash, 2.75% ETP, Due 9/1/16)	1,000	984	984
Razorsight Corporation (2)	Software	Term Loan (11.75% cash, 3.00% ETP, Due 11/1/16)	1,500	1,439	1,439
Sys-Tech Solutions, Inc. (2)	Software	Term Loan (11.65% cash, Due 6/1/16)	7,500	7,257	7,257
Vidsys, Inc. (2)	Software	Term Loan (11.00% cash, 5.00% ETP, Due 6/1/16)	3,000	2,960	2,960
Visage Mobile, Inc. (2)	Software	Term Loan (12.00% cash, 3.50% ETP, Due 9/1/16)	1,000	964	964

See Notes to Consolidated Financial Statements

Horizon Technology Finance Corporation and Subsidiaries

Consolidated Schedule of Investments (Unaudited)
June 30, 2013
(In thousands)

Portfolio Company (1)	Sector	Type of Investment (3)(4)(7)	Principal Amount	Cost of Investments (6)	Fair Value
Aquion Energy, Inc. (2)	Power Management	Term Loan (10.25% cash, 4.00% ETP, Due 3/1/16)	3,245	3,229	3,229
		Term Loan (10.25% cash, 4.00% ETP, Due 3/1/16)	3,245	3,229	3,229
		Term Loan (10.25% cash, 4.00% ETP, Due 6/1/16)	3,333	3,315	3,315
Xtreme Power, Inc. (2)	Power Management	Term Loan (10.75% cash, 3.50% ETP, Due 5/1/16)	6,000	5,929	5,515
Total Debt Investments — Technology				132,887	132,320
Debt Investments — Cleantech — 20.9% (9)					
Renmatix, Inc. (2)	Alternative Energy	Term Loan (10.25% cash, 3.00% ETP, Due 2/1/16)	2,435	2,415	2,415
		Term Loan (10.25% cash, 3.00% ETP, Due 2/1/16)	2,435	2,415	2,415
		Term Loan (10.25% cash, Due 10/1/16)	5,000	4,941	4,941
Semprius, Inc. (2)	Alternative Energy	Term Loan (10.25% cash, 2.50% ETP, Due 6/1/16)	3,750	3,721	3,721
Cereplast, Inc. (5)(8)	Waste Recycling	Term Loan (12.00% cash, Due 8/1/14)	1,266	1,164	1,018
		Term Loan (12.00% cash, Due 8/1/14)	1,359	1,340	1,093
		Term Loan (15.00% cash, Due 8/1/13)	19	19	15
		Term Loan (15.00% cash, Due 8/1/13)	31	31	25
Aurora Algae, Inc. (2)	Energy Efficiency	Term Loan (10.50% cash, 2.00% ETP, Due 5/1/15)	1,688	1,680	1,680
Rypos, Inc.	Energy Efficiency	Term Loan (11.80% cash, Due 1/1/17)	3,000	2,916	2,916
Satcon Technology Corporation (5)(8)	Energy Efficiency	Term Loan (12.58% cash, Due 1/1/14)	5,076	5,011	—
Solarbridge Technologies, Inc. (2)	Energy Efficiency	Term Loan (11.65% cash, Due 4/1/16)	7,000	6,870	6,135
Tigo Energy, Inc. (2)	Energy Efficiency	Term Loan (13.00% cash, Due 6/1/15)	2,214	2,190	2,190
		Revolver (13.75% (Prime + 7.50%) cash, Due 12/31/13)	1,500	1,488	1,488
Total Debt Investments — Cleantech				36,201	30,052
Debt Investments — Healthcare information and services — 22.4% (9)					
Accumetrics, Inc. (2)	Diagnostics	Term Loan (10.90% cash, 5.00% ETP, Due 6/1/16)	4,000	3,886	3,886
BioScale, Inc. (2)	Diagnostics	Term Loan (11.51% cash, Due 1/1/14)	1,795	1,792	1,792
Radisphere National Radiology Group, Inc. (2)	Diagnostics	Revolver (11.25% (Prime + 8.00%) cash, Due 10/1/15)	14,000	13,882	13,882
Recondo Technology, Inc. (2)	Software	Term Loan (11.50% cash, 3.00% ETP, Due 4/1/15)	1,850	1,801	1,801
		Term Loan (11.00% cash, 3.00% ETP, Due 1/1/17)	2,500	2,467	2,467
Singulex, Inc. (2)	Other Healthcare	Term Loan (11.00% cash, 3.00% ETP, Due 3/1/14)	988	984	984
		Term Loan (11.00% cash, 3.00% ETP, Due 3/1/14)	658	656	656
Watermark Medical, Inc. (2)	Other Healthcare	Term Loan (12.00% cash, 4.00% ETP, Due 4/1/17)	3,500	3,442	3,442
		Term Loan (12.00% cash, 4.00% ETP, Due 4/1/17)	3,500	3,442	3,442
Total Debt Investments — Healthcare information and services				32,352	32,352
Total Debt Investments				247,992	237,871
Warrant Investments — 4.2% (9)					
Warrants — Life Science — 1.2% (9)					
ACT Biotech Corporation	Biotechnology	1,521,782 Preferred Stock Warrants	—	83	—
Ambit Biosciences, Inc.	Biotechnology	44,795 Common Stock Warrants	—	143	4
Anacor Pharmaceuticals, Inc. (2)(5)	Biotechnology	84,583 Common Stock Warrants	—	93	59
Celsion Corporation (5)	Biotechnology	25,685 Common Stock Warrants	—	15	—
Inotek, Pharmaceuticals Corporation	Biotechnology	114,387 Preferred Stock Warrants	—	17	17
N30 Pharmaceuticals, LLC	Biotechnology	214,200 Preferred Stock Warrants	—	122	248
New Haven Pharmaceuticals, Inc.	Biotechnology	34,729 Preferred Stock Warrants	—	23	23
Novalar Pharmaceuticals, Inc.	Biotechnology	84,845 Preferred Stock Warrants	—	69	—
Revance Therapeutics, Inc.	Biotechnology	687,091 Preferred Stock Warrants	—	223	555
Sample6 Technologies, Inc.	Biotechnology	200,582 Preferred Stock Warrants	—	27	24
Sunesis Pharmaceuticals, Inc. (5)	Biotechnology	116,203 Common Stock Warrants	—	83	358
Supernus Pharmaceuticals, Inc. (2)(5)	Biotechnology	42,083 Preferred Stock Warrants	—	94	90
Tranzyme, Inc. (2)(5)	Biotechnology	77,902 Common Stock Warrants	—	6	—
Direct Flow Medical, Inc.	Medical Device	176,922 Preferred Stock Warrants	—	144	135
EnteroMedics, Inc. (5)	Medical Device	141,026 Common Stock Warrants	—	347	—
Mitralign, Inc.	Medical Device	295,238 Common Stock Warrants	—	49	45
OraMetrix, Inc. (2)	Medical Device	812,348 Preferred Stock Warrants	—	78	—
PixelOptics, Inc.	Medical Device	381,612 Preferred Stock Warrants	—	96	—
Tengion, Inc. (2)(5)	Medical Device	1,708,273 Common Stock Warrants	—	123	—
ViOptix, Inc.	Medical Device	375,763 Preferred Stock Warrants	—	13	—
Total Warrants — Life Science				1,848	1,558
Warrants — Technology — 1.9% (9)					
OpenPeak, Inc.	Communications	18,997 Preferred Stock Warrants	—	89	—
Overture Networks, Inc.	Communications	344,574 Preferred Stock Warrants	—	55	55
Everyday Health, Inc.	Consumer-related Technologies	65,674 Preferred Stock Warrants	—	69	98
SnagAJob.com, Inc.	Consumer-related Technologies	365,396 Preferred Stock Warrants	—	23	268
Tagged, Inc.	Consumer-related Technologies	190,868 Preferred Stock Warrants	—	26	77

See Notes to Consolidated Financial Statements

Horizon Technology Finance Corporation and Subsidiaries

Consolidated Schedule of Investments (Unaudited)
June 30, 2013
(In thousands)

Portfolio Company (1)	Sector	Type of Investment (3)(4)(7)	Principal Amount	Cost of Investments (6)	Fair Value
Avalanche Technology, Inc.	Semiconductors	201,835 Preferred Stock Warrants	—	45	40
Impinj, Inc.	Semi-conductor	1 Preferred Stock Warrants	—	7	—
Kaminario, Inc.	Semi-conductor	1,087,203 Preferred Stock Warrants	—	59	59
Luxtera, Inc.	Semiconductors	1,827,485 Preferred Stock Warrants	—	34	43
Newport Media, Inc.	Semiconductors	188,764 Preferred Stock Warrants	—	41	41
NexPlanar Corporation	Semiconductors	172,801 Preferred Stock Warrants	—	24	24
Xtera Communications, Inc.	Semiconductors	983,607 Preferred Stock Warrants	—	206	1
XIOtech, Inc.	Data Storage	2,217,979 Preferred Stock Warrants	—	22	21
Cartera Commerce, Inc.	Internet and media	90,909 Preferred Stock Warrants	—	16	160
Grab Networks, Inc.	Internet and media	1,493,681 Preferred Stock Warrants	—	194	10
Optaros, Inc.	Internet and media	477,403 Preferred Stock Warrants	—	21	19
SimpleTuition, Inc.	Internet and media	189,573 Preferred Stock Warrants	—	63	11
IntelePeer, Inc.	Networking	141,549 Preferred Stock Warrants	—	39	489
Motion Computing, Inc.	Networking	260,707 Preferred Stock Warrants	—	7	294
Bolt Solutions, Inc.	Software	202,892 Preferred Stock Warrants	—	113	111
Clarabridge, Inc.	Software	104,503 Preferred Stock Warrants	—	28	27
Construction Software Technologies, Inc. (2)	Software	386,415 Preferred Stock Warrants	—	69	33
Courion Corporation	Software	772,543 Preferred Stock Warrants	—	107	98
Decisyon, Inc.	Software	314,686 Preferred Stock Warrants	—	45	41
DriveCam, Inc.	Software	71,639 Preferred Stock Warrants	—	20	120
Kontera Technologies, Inc. (2)	Software	99,476 Preferred Stock Warrants	—	101	88
Lotame Solutions, Inc.	Software	216,810 Preferred Stock Warrants	—	4	4
Netuitive, Inc.	Software	748,453 Preferred Stock Warrants	—	75	64
Raydiance, Inc.	Software	525,560 Preferred Stock Warrants	—	36	37
Razorsight Corporation	Software	194,553 Preferred Stock Warrants	—	33	33
Sys-Tech Solutions, Inc.	Software	375,000 Preferred Stock Warrants	—	242	242
Vidsys, Inc.	Software	178,802 Preferred Stock Warrants	—	23	24
Visage Mobile, Inc.	Software	1,692,047 Preferred Stock Warrants	—	19	20
Aquion Energy, Inc.	Power Management	115,051 Preferred Stock Warrants	—	8	61
Xtreme Power, Inc.	Power Management	182,723 Preferred Stock Warrants	—	76	59
Total Warrants — Technology				2,039	2,772
Warrants — Cleantech — 0.4% (9)					
Renmatix, Inc.	Alternative Energy	52,296 Preferred Stock Warrants	—	68	74
Semprius, Inc.	Alternative Energy	519,981 Preferred Stock Warrants	—	25	23
Cereplast, Inc. (5)	Waste Recycling	365,000 Common Stock Warrants	—	175	2
Enphase Energy, Inc. (5)	Energy Efficiency	161,959 Common Stock Warrants	—	175	300
Rypos, Inc.	Energy Efficiency	5,627 Preferred Stock Warrants	—	44	44
Satcon Technology Corporation (5)	Energy Efficiency	493,097 Common Stock Warrants	—	285	—
Solarbridge Technologies, Inc. (2)	Energy Efficiency	1,761,051 Preferred Stock Warrants	—	125	121
Tigo Energy, Inc. (2)	Energy Efficiency	804,604 Preferred Stock Warrants	—	100	29
Total Warrants — Cleantech				997	593
Warrants — Healthcare information and services — 0.7% (9)					
Accumetrics, Inc.	Diagnostics	1,028,571 Preferred Stock Warrants	—	107	138
BioScale, Inc. (2)	Diagnostics	315,618 Preferred Stock Warrants	—	54	—
Precision Therapeutics, Inc.	Diagnostics	561,409 Preferred Stock Warrants	—	73	143
Radisphere National Radiology Group, Inc. (2)	Diagnostics	519,943 Preferred Stock Warrants	—	378	290
Recondo Technology, Inc.	Software	360,645 Preferred Stock Warrants	—	62	175
Patientkeeper, Inc.	Other Healthcare	396,410 Preferred Stock Warrants	—	269	32
Singulex, Inc.	Other Healthcare	293,632 Preferred Stock Warrants	—	44	137
Talyst, Inc.	Other Healthcare	300,360 Preferred Stock Warrants	—	101	58
Watermark Medical, Inc.	Other Healthcare	12,216 Preferred Stock Warrants	—	66	68
Total Warrants — Healthcare information and services				1,154	1,041
Total Warrants				6,038	5,964

See Notes to Consolidated Financial Statements

Horizon Technology Finance Corporation and Subsidiaries

Consolidated Schedule of Investments (Unaudited)
June 30, 2013
(In thousands)

Portfolio Company (1)	Sector	Type of Investment (3)(4)(7)	Principal Amount	Cost of Investments (6)	Fair Value
Other Investments — 1.5% (9)					
Vette Technology, LLC	Data Storage	Royalty Agreement Due 4/18/2019	—	4,793	2,100
Total Other Investments				4,793	2,100
Equity — 0.6% (9)					
Insmed Incorporated (5)	Biotechnology	33,208 Common Stock	—	227	397
Revance Therapeutics, Inc.	Biotechnology	72,925 Preferred Stock	—	73	109
Overture Networks Inc.	Communications	386,191 Preferred Stock	—	482	420
Cereplast, Inc. (5)	Waste Recycling	200,000 Common Stock	—	—	—
Total Equity				782	926
Total Portfolio Investment Assets — 172.2% (9)				$ 259,605	$ 246,861
Short Term Investments — Money Market Funds — 1.9% (9)					
Blackrock Liquid Fed Funds Institutional (Fund #30)				$ 1,092	$ 1,092
Fidelity Prime Money Market (Class I Fund #690)				91	91
US Bank Money Market				1,617	1,617
Total Short Term Investments — Money Market Funds				$ 2,800	$ 2,800

(1) All of the Company's investments are in entities which are domiciled in the United States and/or have a principal place of business in the United States.
(2) Has been pledged as collateral under the Credit Facilities or Asset-Backed Notes.
(3) All investments are less than 5% ownership of the class and ownership of the portfolio company.
(4) All interest is payable in cash due monthly in arrears, unless otherwise indicated, and applies only to the Company's debt investments. Interest rate is the annual interest rate on the debt investment and does not include ETP and any additional fees related to the investments, such as deferred interest, commitment fees or prepayment fees. All debt investments are at fixed rates for the term of the loan, unless otherwise indicated. For each debt investment, we have provided the current interest rate in effect as of June 30, 2013.
(5) Portfolio company is a public company.
(6) For debt investments, represents principal balance less unearned income.
(7) Preferred and common stock warrants, equity interests and other investments are non-income producing.
(8) Debt is on non-accrual status at June 30, 2013 and is, therefore, considered non-income producing.
(9) Value as a percent of net assets.

See Notes to Consolidated Financial Statements

Horizon Technology Finance Corporation and Subsidiaries

Consolidated Schedule of Investments (Unaudited)
December 31, 2012
(In thousands)

Portfolio Company (1)	Sector	Type of Investment (3)(4)(7)	Principal Amount	Cost of Investments (6)	Fair Value
Debt Investments — 152.0% (9)					
Debt Investments — Life Science — 42.4% (9)					
ACT Biotech Corporation (8)	Biotechnology	Term Loan (13.10% cash, 8.00% ETP, Due 9/1/14)	$ 3,947	$ 3,906	$ 2,770
Ambit Biosciences Corporation (2)	Biotechnology	Term Loan (12.25% cash, 3.00% ETP, Due 10/1/13)	2,206	2,197	2,197
Anacor Pharmaceuticals, Inc. (2)(5)	Biotechnology	Term Loan (9.41% cash, 5.50% ETP, Due 4/1/15)	2,671	2,644	2,645
		Term Loan (9.67% cash, 5.50% ETP, Due 4/1/15)	2,139	2,109	2,109
		Term Loan (9.47% cash, 5.50% ETP, Due 4/1/15)	3,762	3,708	3,708
Celsion Corporation (2)(5)	Biotechnology	Term Loan (11.75% cash, Due 10/1/15)	2,500	2,466	2,466
N30 Pharmaceuticals, LLC (2)	Biotechnology	Term Loan (11.25% cash, 3.00% ETP, Due 9/1/14)	1,679	1,657	1,657
		Term Loan (11.25% cash, 3.00% ETP, Due 7/1/15)	2,500	2,450	2,450
Revance Therapeutics, Inc.	Biotechnology	Convertible Note (8.00% ETP, Due 2/10/13)	71	71	71
Sample6 Technologies, Inc. (2)	Biotechnology	Term Loan (11.00% cash, 3.00% ETP, Due 1/1/16)	2,500	2,454	2,454
Sunesis Pharmaceuticals, Inc. (2)(5)	Biotechnology	Term Loan (8.95% cash, 3.75% ETP, Due 10/1/15)	2,000	1,984	1,984
		Term Loan (9.00% cash, 3.75% ETP, Due 10/1/15)	3,000	2,911	2,911
Supernus Pharmaceuticals, Inc. (2)(5)	Biotechnology	Term Loan (11.00% cash, 3.00% ETP, Due 8/1/14)	2,090	2,079	2,079
		Term Loan (11.00% cash, 2.50% ETP, Due 1/1/15)	5,962	5,915	5,915
Xcovery Holding Company, LLC (2)	Biotechnology	Term Loan (12.50% cash, Due 8/1/15)	918	915	915
		Term Loan (12.50% cash, Due 8/1/15)	1,444	1,439	1,439
		Term Loan (12.50% cash, Due 10/1/15)	250	249	249
Direct Flow Medical, Inc. (2)	Medical Device	Term Loan (11.00% cash, 3.00% ETP, Due 7/1/16)	5,000	4,831	4,831
Mitralign, Inc. (2)	Medical Device	Term Loan (12.00% cash, 3.00% ETP, Due 10/1/15)	1,714	1,655	1,655
		Term Loan (10.88% cash, 3.00% ETP, Due 11/1/15)	1,143	1,119	1,119
OraMetrix, Inc. (2)	Medical Device	Term Loan (11.50% cash, 3.00% ETP, Due 4/1/14)	2,468	1,966	1,966
		Revolver (11.50% (Prime + 8.25%) cash, Due 12/1/15)	2,000	2,449	2,449
PixelOptics, Inc. (2)	Medical Device	Term Loan (10.75% cash, 3.00% ETP, Due 11/1/14)	7,900	7,865	7,865
Tengion, Inc. (2)(5)	Medical Device	Term Loan (13.00% cash, Due 5/1/14)	3,660	3,560	3,560
Total Debt Investments — Life Science				62,599	61,464
Debt Investments — Technology — 72.9% (9)					
Avalanche Technology, Inc. (2)	Semiconductors	Term Loan (10.00% cash, 2.00% ETP, Due 7/1/16)	4,000	3,866	3,866
Luxtera, Inc. (2)	Semiconductors	Term Loan (10.25% cash, 8.00% ETP, Due 12/1/15)	3,333	3,290	3,290
		Term Loan (10.25% cash, 8.00% ETP, Due 3/1/16)	1,667	1,642	1,642
Newport Media, Inc. (2)	Semiconductors	Term Loan (11.00% cash, 2.14% ETP, Due 1/1/16)	3,500	3,445	3,445
		Term Loan (11.00% cash, 2.14% ETP, Due 1/1/16)	3,500	3,445	3,445
Xtera Communications, Inc. (2)	Semiconductors	Term Loan (11.50% cash, Due 12/1/14)	8,222	8,136	8,136
		Term Loan (11.50% cash, Due 7/1/15)	2,000	1,972	1,972
Grab Networks, Inc. (2)	Internet and Media	Term Loan (12.00% cash, Due 1/1/16)	2,500	2,387	2,387
Optaros, Inc. (2)	Internet and Media	Term Loan (11.95% cash, 3.00% ETP, Due 10/1/15)	2,000	1,976	1,976
		Term Loan (11.95% cash, 3.00% ETP, Due 3/1/16)	500	495	495
SimpleTuition, Inc. (2)	Internet and Media	Term Loan (11.75% cash, Due 3/1/16)	5,000	4,905	4,905
Construction Software Technologies, Inc. (2)	Software	Term Loan (11.75% cash, 5.00% ETP, Due 10/1/16)	4,200	4,156	4,156
		Term Loan (11.75% cash, 5.00% ETP, Due 10/1/16)	4,200	4,156	4,156
Courion Corporation (2)	Software	Term Loan (11.45% cash, Due 10/1/15)	3,500	3,481	3,481
		Term Loan (11.45% cash, Due 10/1/15)	3,500	3,481	3,481
Fiberlink Communications Corporation (2)	Software	Term Loan (11.50% cash, 5.00% ETP, Due 7/1/16)	5,000	4,920	4,920
Kontera Technologies, Inc. (2)	Software	Term Loan (11.50% cash, 3.00% ETP, Due 10/1/16)	4,000	3,917	3,917
		Term Loan (11.50% cash, 3.00% ETP, Due 10/1/16)	4,000	3,917	3,917
Netuitive, Inc. (2)	Software	Term Loan (11.75% cash, Due 1/1/16)	3,000	2,939	2,939
Seapass Solutions, Inc. (2)	Software	Term Loan (11.65% cash, 4.00% ETP, Due 5/1/16)	5,000	4,933	4,933
		Term Loan (11.65% cash, 4.00% ETP, Due 5/1/16)	5,000	4,933	4,933
StreamBase Systems, Inc. (2)	Software	Term Loan (12.51% cash, Due 11/1/13)	1,360	1,353	1,353
		Term Loan (12.50% cash, Due 6/1/14)	558	553	553
		Term Loan (12.50% cash, Due 12/1/15)	1,500	1,477	1,477
Sys-Tech Solutions, Inc. (2)	Software	Term Loan (11.65% cash, Due 6/1/16)	7,500	7,193	7,193
Vidsys, Inc. (2)	Software	Term Loan (11.00% cash, 5.00% ETP, Due 6/1/16)	3,000	2,948	2,948
Aquion Energy, Inc. (2)	Power Management	Term Loan (10.25% cash, 4.00% ETP, Due 3/1/16)	3,333	3,312	3,312
		Term Loan (10.25% cash, 4.00% ETP, Due 3/1/16)	3,333	3,312	3,312
		Term Loan (10.25% cash, 4.00% ETP, Due 6/1/16)	3,333	3,309	3,309
Xtreme Power, Inc. (2)	Power Management	Term Loan (10.75% cash, 3.50% ETP, Due 5/1/16)	6,000	5,859	5,859
Total Debt Investments — Technology				105,708	105,708

See Notes to Consolidated Financial Statements

Horizon Technology Finance Corporation and Subsidiaries

Consolidated Schedule of Investments (Unaudited)
December 31, 2012
(In thousands)

Portfolio Company (1)	Sector	Type of Investment (3)(4)(7)	Principal Amount	Cost of Investments (6)	Fair Value
Debt Investments — Cleantech — 16.4% (9)					
Renmatix, Inc. (2)	Alternative Energy	Term Loan (10.25% cash, 3.00% ETP, Due 2/1/16)	2,500	2,402	2,402
		Term Loan (10.25% cash, 3.00% ETP, Due 2/1/16)	2,500	2,473	2,473
Semprius, Inc. (2)	Alternative Energy	Term Loan (10.25% cash, 2.50% ETP, Due 6/1/16)	3,750	3,712	3,712
Cereplast, Inc. (5)(8)	Waste Recycling	Term Loan (12.00% cash, Due 8/1/14)	1,683	1,515	890
		Term Loan (12.00% cash, Due 8/1/14)	1,806	1,787	1,116
		Term Loan (15.00% cash, Due 4/4/13)	75	75	47
		Term Loan (15.00% cash, Due 4/4/13)	125	125	78
Aurora Algae, Inc. (2)	Energy Efficiency	Term Loan (10.50% cash, 2.00% ETP, Due 5/1/15)	2,075	2,062	2,062
Satcon Technology Corporation (5)(8)	Energy Efficiency	Term Loan (12.58% cash, Due 1/1/14)	5,278	5,278	—
Solarbridge Technologies, Inc. (2)	Energy Efficiency	Term Loan (11.65% cash, Due 4/1/16)	7,000	6,826	6,826
Tigo Energy, Inc. (2)	Energy Efficiency	Term Loan (11.00% cash, Due 8/1/14)	2,326	2,306	2,306
		Revolver (10.75% (Prime + 7.50%) cash, Due 1/1/14)	1,859	1,821	1,821
Total Debt Investments — Cleantech				30,382	23,733
Debt Investments — Healthcare information and services — 20.3% (9)					
Accumetrics, Inc. (2)	Diagnostics	Term Loan (10.90% cash, 5.00% ETP, Due 6/1/16)	4,000	3,853	3,853
BioScale, Inc. (2)	Diagnostics	Term Loan (11.51% cash, Due 1/1/14)	2,643	2,630	2,630
Radisphere National Radiology Group, Inc. (2)	Diagnostics	Revolver (11.25% (Prime + 8.00%) cash, Due 10/1/15)	15,000	14,856	14,856
Recondo Technology, Inc. (2)	Software	Term Loan (11.50% cash, 3.00% ETP, Due 4/1/15)	2,000	1,968	1,968
		Term Loan (11.00% cash, 3.00% ETP, Due 1/1/17)	2,500	2,460	2,460
		Revolver (10.50% (Prime + 7.25%) cash, Due 4/1/15)	1,000	968	968
Singulex, Inc.	Other Healthcare	Term Loan (11.00% cash, 3.00% ETP, Due 3/1/14)	1,602	1,593	1,593
		Term Loan (11.00% cash, 3.00% ETP, Due 3/1/14)	1,068	1,064	1,064
Total Debt Investments — Healthcare information and services				29,392	29,392
Total Debt Investments				228,081	220,297
Warrant Investments — 3.8% (9)					
Warrants — Life Science — 1.1% (9)					
ACT Biotech Corporation	Biotechnology	1,390,910 Preferred Stock Warrants	—	83	—
Ambit Biosciences, Inc. (2)	Biotechnology	1,075,083 Preferred Stock Warrants	—	143	101
Anacor Pharmaceuticals, Inc. (2)(5)	Biotechnology	84,583 Common Stock Warrants	—	93	41
Anesiva, Inc.	Biotechnology	198,898 Common Stock Warrants	—	18	—
Celsion Corporation (2)(5)	Biotechnology	25,685 Common Stock Warrants	—	15	136
N30 Pharmaceuticals, LLC (2)	Biotechnology	214,200 Preferred Stock Warrants	—	122	252
Novalar Pharmaceuticals, Inc.	Biotechnology	84,845 Preferred Stock Warrants	—	69	—
Revance Therapeutics, Inc.	Biotechnology	199,470 Preferred Stock Warrants	—	224	404
Sample6 Technologies, Inc. (2)	Biotechnology	200,582 Preferred Stock Warrants	—	27	28
Sunesis Pharmaceuticals, Inc. (2)(5)	Biotechnology	116,203 Common Stock Warrants	—	83	251
Supernus Pharmaceuticals, Inc. (2)(5)	Biotechnology	42,083 Preferred Stock Warrants	—	94	117
Tranzyme, Inc. (2)(5)	Biotechnology	77,902 Common Stock Warrants	—	6	—
Direct Flow Medical, Inc. (2)	Medical Device	176,922 Preferred Stock Warrants	—	145	145
EnteroMedics, Inc. (5)	Medical Device	141,026 Common Stock Warrants	—	347	2
Mitralign, Inc. (2)	Medical Device	295,238 Common Stock Warrants	—	49	43
OraMetrix, Inc. (2)	Medical Device	812,348 Preferred Stock Warrants	—	78	—
PixelOptics, Inc. (2)	Medical Device	381,612 Preferred Stock Warrants	—	96	35
Tengion, Inc. (2)(5)	Medical Device	1,716,339 Common Stock Warrants	—	124	62
ViOptix, Inc.	Medical Device	375,763 Preferred Stock Warrants	—	13	—
Total Warrants — Life Science				1,829	1,617
Warrants — Technology — 1.9% (9)					
OpenPeak, Inc.	Communications	18,997 Preferred Stock Warrants	—	89	—
Everyday Health, Inc.	Consumer-related Technologies	65,674 Preferred Stock Warrants	—	69	97
SnagAJob.com, Inc.	Consumer-related Technologies	365,396 Preferred Stock Warrants	—	23	269
Tagged, Inc.	Consumer-related Technologies	190,868 Preferred Stock Warrants	—	27	80
Avalanche Technology, Inc. (2)	Semiconductors	201,835 Preferred Stock Warrants	—	45	46
Impinj, Inc.	Semi-conductor	1 Preferred Stock Warrants	—	7	—
Luxtera, Inc. (2)	Semiconductors	1,827,485 Preferred Stock Warrants	—	34	30
Newport Media, Inc. (2)	Semiconductors	188,764 Preferred Stock Warrants	—	40	40
Xtera Communications, Inc. (2)	Semiconductors	983,607 Preferred Stock Warrants	—	206	1

See Notes to Consolidated Financial Statements

Horizon Technology Finance Corporation and Subsidiaries

Consolidated Schedule of Investments (Unaudited)
December 31, 2012
(In thousands)

Portfolio Company (1)	Sector	Type of Investment (3)(4)(7)	Principal Amount	Cost of Investments (6)	Fair Value
XIOtech, Inc.	Data Storage	2,217,979 Preferred Stock Warrants	—	22	20
Cartera Commerce, Inc.	Internet and media	90,909 Preferred Stock Warrants	—	16	162
Grab Networks, Inc. (2)	Internet and media	1,493,681 Preferred Stock Warrants	—	194	119
Optaros, Inc. (2)	Internet and media	477,403 Preferred Stock Warrants	—	20	18
SimpleTuition, Inc. (2)	Internet and media	189,573 Preferred Stock Warrants	—	63	56
IntelePeer, Inc.	Networking	141,549 Preferred Stock Warrants	—	39	481
Motion Computing, Inc.	Networking	260,707 Preferred Stock Warrants	—	7	293
Clarabridge, Inc.	Software	104,503 Preferred Stock Warrants	—	28	17
Construction Software Technologies, Inc. (2)	Software	386,415 Preferred Stock Warrants	—	69	49
Courion Corporation (2)	Software	772,543 Preferred Stock Warrants	—	107	98
DriveCam, Inc.	Software	71,639 Preferred Stock Warrants	—	19	120
Kontera Technologies, Inc. (2)	Software	99,476 Preferred Stock Warrants	—	101	101
Netuitive, Inc. (2)	Software	748,453 Preferred Stock Warrants	—	75	61
Seapass Solutions, Inc. (2)	Software	202,892 Preferred Stock Warrants	—	113	105
StreamBase Systems, Inc. (2)	Software	306,041 Preferred Stock Warrants	—	83	63
Sys-Tech Solutions, Inc. (2)	Software	375,000 Preferred Stock Warrants	—	242	242
Vidsys, Inc. (2)	Software	178,802 Preferred Stock Warrants	—	23	23
Aquion Energy, Inc. (2)	Power Management	82,644 Preferred Stock Warrants	—	7	4
Xtreme Power, Inc. (2)	Power Management	182,723 Preferred Stock Warrants	—	76	68
Total Warrants — Technology				1,844	2,663
Warrants — Cleantech — 0.2% (9)					
Renmatix, Inc. (2)	Alternative Energy	52,296 Preferred Stock Warrants	—	69	70
Semprius, Inc. (2)	Alternative Energy	519,981 Preferred Stock Warrants	—	25	27
Cereplast, Inc. (5)	Waste Recycling	365,000 Common Stock Warrants	—	175	2
Enphase Energy, Inc. (5)	Energy Efficiency	161,959 Common Stock Warrants	—	176	4
Satcon Technology Corporation (5)	Energy Efficiency	493,097 Common Stock Warrants	—	285	—
Solarbridge Technologies, Inc. (2)	Energy Efficiency	1,761,051 Preferred Stock Warrants	—	125	112
Tigo Energy, Inc. (2)	Energy Efficiency	190,901 Preferred Stock Warrants	—	101	72
Total Warrants — Cleantech				956	287
Warrants — Healthcare information and services — 0.6% (9)					
Accumetrics, Inc. (2)	Diagnostics	1,028,57 Preferred Stock Warrants	—	107	107
BioScale, Inc. (2)	Diagnostics	315,618 Preferred Stock Warrants	—	55	46
Precision Therapeutics, Inc.	Diagnostics	561,409 Preferred Stock Warrants	—	73	142
Radisphere National Radiology Group, Inc. (2)	Diagnostics	519,943 Preferred Stock Warrants	—	378	288
Recondo Technology, Inc. (2)	Software	360,645 Preferred Stock Warrants	—	60	144
Patientkeeper, Inc.	Other Healthcare	396,410 Preferred Stock Warrants	—	269	31
Singulex, Inc.	Other Healthcare	293,632 Preferred Stock Warrants	—	44	71
Talyst, Inc.	Other Healthcare	300,360 Preferred Stock Warrants	—	100	72
Total Warrants — Healthcare information and services				1,086	901
Total Warrants				5,715	5,468
Other Investments — 1.4% (9)					
Vette Technology, LLC	Data Storage	Royalty Agreement Due 4/18/2019		4,880	2,100
Total Other Investments				4,880	2,100
Equity — 0.5% (9)					
Insmed Incorporated (5)	Biotechnology	33,208 Common Stock		227	222
Overture Networks Inc.	Communications	386,191 Preferred Stock		482	526
Total Equity				709	748
Total Portfolio Investment Assets — 157.7% (9)				$ 239,385	$ 228,613

See Notes to Consolidated Financial Statements

Horizon Technology Finance Corporation and Subsidiaries

Consolidated Schedule of Investments (Unaudited)
December 31, 2012
(In thousands)

Portfolio Company (1)	Sector	Type of Investment (3)(4)(7)	Principal Amount	Cost of Investments (6)	Fair Value
Short Term Investments — Money Market Funds — 1.8% (9)					
Blackrock Liquid Fed Funds Institutional (Fund #30)				$ 2,197	$ 2,197
Fidelity Prime Money Market (Class I Fund #690)				91	91
US Bank Money Market				272	272
Total Short Term Investments — Money Market Funds				$ 2,560	$ 2,560

(1) All of the Company's investments are in entities which are domiciled in the United States and/or have a principal place of business in the United States.
(2) Has been pledged as collateral under the Credit Facilities.
(3) All investments are less than 5% ownership of the class and ownership of the portfolio company.
(4) All interest is payable in cash due monthly in arrears, unless otherwise indicated, and applies only to the Company's debt investments. Interest rate is the annual interest rate on the debt investment and does not include ETP and any additional fees related to the investments, such as deferred interest, commitment fees or prepayment fees. All debt investments are at fixed rates for the term of the loan, unless otherwise indicated. For each debt investment, we have provided the current interest rate in effect as of December 31, 2012.
(5) Portfolio company is a public company.
(6) For debt investments, represents principal balance less unearned income.
(7) Preferred and common stock warrants, equity interests and other investments are non-income producing.
(8) Debt is on non-accrual status at December 31, 2012 and is, therefore, considered non-income producing.
(9) Value as a percent of net assets.

See Notes to Consolidated Financial Statements

Note 1. Organization

Horizon Technology Finance Corporation (the "Company") was organized as a Delaware corporation on March 16, 2010 and is an externally managed, non-diversified, closed-end investment company. The Company has elected to be regulated as a business development company ("BDC") under the Investment Company Act of 1940, as amended ("1940 Act"). In addition, for tax purposes, the Company has elected to be treated as a regulated investment company ("RIC") as defined in Subtitle A, Chapter 1, under Subchapter M of the Internal Revenue Code of 1986, as amended (the "Code"). As a RIC, the Company is not subject to federal income tax on the portion of its taxable income and capital gains the Company distributes to the stockholders. The Company primarily makes secured loans to development-stage companies in the technology, life science, healthcare information and services and cleantech industries. Substantially all of the Company's debt investments consisting of loans are secured by all of, or a portion of, the applicable debtor company's tangible and intangible assets.

On October 28, 2010, the Company completed an initial public offering ("IPO") and its common stock trades on the NASDAQ Global Select Market under the symbol "HRZN." The Company was formed to continue and expand the business of Compass Horizon Funding Company LLC ("CHF"), a Delaware limited liability company, which commenced operations in March 2008 and became the Company's wholly owned subsidiary with the completion of the IPO.

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 a separate legal entity from the Company and CHF. There has been no activity in Credit I during the six months ended June 30, 2013.

Horizon Credit II LLC ("Credit II") was formed as a Delaware limited liability company on June 28, 2011, with the Company as the sole equity member. Credit II is a special purpose bankruptcy remote entity and is a separate legal entity from the Company. Any assets conveyed to Credit II are not available to creditors of the Company or any other entity other than Credit II's lenders.

Horizon Credit III LLC ("Credit III") was formed as a Delaware limited liability company on May 30, 2012, with the Company as the sole equity member. Credit III is a special purpose bankruptcy remote entity and is a separate legal entity from the Company. Any assets conveyed to Credit III are not available to creditors of the Company or any other entity other than Credit III's lenders.

Longview SBIC GP LLC and Longview SBIC LP (collectively, "Horizon SBIC") were formed as a Delaware limited liability company and Delaware limited partnership, respectively, on February 11, 2011. Horizon SBIC are wholly owned subsidiaries of the Company and were formed in anticipation of obtaining a license to operate a small business investment company from the U. S. Small Business Administration. There has been no activity in Horizon SBIC since its inception.

The Company formed Horizon Funding 2013-1 LLC ("2013-1 LLC") as a Delaware limited liability company on June 7, 2013 and Horizon Funding Trust 2013-1 ("2013-1 Trust" and, together with the 2013-1 LLC, the "2013-1 Entities") as a Delaware trust on June 18, 2013. The 2013-1 Entities are special purpose bankruptcy remote entities and are separate legal entities from the Company. The Company formed the 2013-1 Entities for purposes of securitizing $189.3 million of secured loans and issuing fixed-rate asset-backed notes in an aggregate principal amount of $90 million (the "Asset-Backed Notes").

The Company's investment strategy is to maximize the investment portfolio's return by generating current income from the debt investments made and the capital appreciation from the warrants received when making such debt investments. The Company has entered into an investment management agreement (the "Investment Management Agreement") with Horizon Technology Finance Management LLC (the "Advisor"), under which the Advisor manages the day-to-day operations of, and provides investment advisory services to, the Company.

Note 2. Basis of Presentation and Significant Accounting Policies

Basis of Financial Statement Presentation

The accompanying consolidated financial statements of the Company have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") and pursuant to the requirements for reporting on Form 10-Q and Articles 6 or 10 of Regulation S-X. In the opinion of management, the consolidated financial statements reflect all adjustments and reclassifications that are necessary for the fair presentation of financial results as of and for the periods presented. All intercompany balances and transactions have been eliminated. The current period's results of operations are not necessarily indicative of results that ultimately may be achieved for the year. Therefore, the unaudited financial statements and related notes should be read in conjunction with the audited financial statements and notes thereto for the year ended December 31, 2012.

Principles of Consolidation

As permitted under Regulation S-X and the AICPA Audit and Accounting Guide for Investment Companies, the Company will generally not consolidate its investment in a company other than an investment company subsidiary or a controlled operating company whose business consists of providing services to the Company. Accordingly, the Company consolidated the results of the Company's subsidiaries in its consolidated financial statements.

Use of Estimates

In preparing the consolidated financial statements in accordance with GAAP, 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 valuation of investments.

Fair Value

The Company measures substantially all of its investments at fair value in accordance with relevant GAAP, which establishes a framework used to measure fair value and requires disclosures for fair value measurements. The Company has categorized its investments carried at fair value, based on the priority of the valuation technique, into a three-level fair value hierarchy as more fully described in Note 5. Fair value is a market-based measure considered from the perspective of the market participant who holds the financial instrument rather than an entity specific measure. Therefore, when market assumptions are not readily available, the Company's own assumptions are set to reflect those that management believes market participants would use in pricing the financial instrument at the measurement date.

The availability of observable inputs can vary depending on the financial instrument and is affected by a wide variety of factors, including, for example, the type of product, whether the product is new, whether the product is traded on an active exchange or in the secondary market and the current market conditions. To the extent that the valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Company in determining fair value is greatest for financial instruments classified as Level 3.

In May 2011, the FASB issued Accounting Standards Update (ASU) 2011-04, Amendments to Achieve Common Fair Value Measurements and Disclosure Requirements in U.S. GAAP and IFRSs, (ASU 2011-04). ASU 2011-04 converges the fair value measurement guidance in U.S. GAAP and IFRSs. Some of the amendments clarify the application of existing fair value measurement requirements, while other amendments change a particular principle in existing guidance. In addition, ASU 2011-04 requires additional fair value disclosures. The Company has adopted ASU 2011-04 and included additional disclosures in Note 5.

See Note 5 for additional information regarding fair value.

Segments

The Company has determined that it has a single reporting segment and operating unit structure. The Company lends to and invests in portfolio companies in various technology, life science, healthcare information and services and cleantech industries. The Company separately evaluates the performance of each of its lending and investment relationships. However, because each of these loan and investment relationships has similar business and economic characteristics, they have been aggregated into a single lending and investment segment.

Investments

Investments are recorded at fair value. The Company's board of directors (the "Board") determines the fair value of its portfolio investments. The Company intends to hold its debt investments for the foreseeable future or until maturity or payoff.

Interest on debt investments is accrued and included in income based on contractual rates applied to principal amounts outstanding. Interest income is determined using a method that results in a level rate of return on principal amounts outstanding. Generally, 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. As of June 30, 2013, there were three investments on non-accrual status with an approximate cost of $11.5 million and an approximate fair value of $2.7 million. As of December 31, 2012, there were three investments on non-accrual status with an approximate cost of $12.9 million and an approximate fair value of $4.9 million.

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. 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 status, the amortization of the related fees 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 ("ETP"), which is accrued into interest 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.

In connection with substantially all of the Company's lending arrangements, the Company receives warrants to purchase shares of stock from the borrower. 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. Subsequent to loan origination, the warrants are also 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 investments. Gains from the disposition of the warrants or stock acquired from the exercise of warrants are recognized as realized gains on investments.

Debt Issuance Costs

Debt issuance costs are fees and other direct incremental costs incurred by the Company in obtaining debt financing from its lenders and issuing debt securities. Debt issuance costs 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 June 30, 2013 and December 31, 2012, included in other assets, was $5.4 million and $3.7 million, respectively. The accumulated amortization balance of debt issuance cost as of June 30, 2013 and December 31, 2012 was $1.0 million and $0.6 million, respectively. The amortization expense for the six months ended June 30, 2013 and 2012 was $0.4 and $0.2 million, respectively.

Income Taxes

The Company elected to be treated as a RIC under subchapter M of the Code and operates in a manner so as to qualify for the tax treatment applicable to RICs. In order to qualify as a RIC, among other things, the Company is required to meet certain source of income and asset diversification requirements and timely distribute to its stockholders at least 90% of investment company taxable income, as defined by the Code, for each year. The Company, among other things, has made and intends to continue to make the requisite distributions to its stockholders, which will generally relieve the Company from U.S. federal income taxes.

Depending on the level of taxable income earned in a tax year, the Company may choose to carry forward taxable income in excess of current year dividend distributions into the next tax year and pay a 4% excise tax on such income, as required. To the extent that the Company determines that its estimated current year annual taxable income will be in excess of estimated current year dividend distributions, the Company accrues excise tax, if any, on estimated excess taxable income as taxable income is earned. For the six months ended June 30, 2013, $0.1 million was recorded for U.S. federal excise tax. For the six months ended June 30, 2012, no amount was recorded for U.S. federal excise tax.

The Company evaluates tax positions taken in the course of preparing the Company's tax returns to determine whether the tax positions are "more-likely-than-not" to be sustained by the applicable tax authority. Tax benefits of positions not deemed to meet the more-likely-than-not threshold, or uncertain tax positions, would be recorded as a tax expense in the current year. It is the Company's policy to recognize accrued interest and penalties related to uncertain tax benefits in income tax expense. There were no material uncertain tax positions at June 30, 2013 and December 31, 2012. The 2011, 2010 and 2009 tax years remain subject to examination by U.S. federal and state tax authorities.

Dividends

Dividends to common stockholders are recorded on the declaration date. The amount to be paid out as a dividend is determined by the Board. Net realized long-term capital gains, if any, are distributed at least annually, although the Company may decide to retain such capital gains for investment.

The Company has adopted a dividend reinvestment plan that provides for reinvestment of cash distributions and other distributions on behalf of its stockholders, unless a stockholder elects to receive cash. As a result, if the Board authorizes, and the Company declares, a cash dividend, then stockholders who have not "opted out" of the dividend reinvestment plan will have their cash dividends automatically reinvested in additional shares of the Company's common stock, rather than receiving the cash dividend. The Company may use newly issued shares to implement the plan (especially if the Company's shares are trading at a premium to net asset value), or the Company may purchase shares in the open market in connection with the obligations under the plan.

Transfers of Financial Assets

Assets related to transactions that do not meet ASC Topic 860 — *Transfers and Servicing* requirements for accounting sale treatment are reflected in the Company's consolidated statements of financial condition as investments. Those assets are owned by special purpose entities that are consolidated in the Company's financial statements. The creditors of the special purpose entities have received security interests in such assets and such assets are not intended to be available to the creditors of the Company (or any affiliate of the Company).

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.

Note 3. Related Party Transactions

Investment Management Agreement

On October 28, 2010, the Company entered into the Investment Management Agreement with the Advisor, under which the Advisor manages the day-to-day operations of, and provides investment advisory services to, the Company. Under the terms of the Investment Management Agreement, the Advisor determines the composition of the Company's investment portfolio, the nature and timing of the changes to the investment portfolio and the manner of implementing such changes; identifies, evaluates and negotiates the structure of the investments the Company makes (including performing due diligence on the Company's prospective portfolio companies); and closes, monitors and administers the investments the Company makes, including the exercise of any voting or consent rights.

The Advisor's services under the Investment Management Agreement are not exclusive to the Company, and the Advisor is free to furnish similar services to other entities so long as its services to the Company are not impaired. The Advisor is a registered investment adviser with the U.S. Securities and Exchange Commission. The Advisor receives fees for providing services, consisting of two components, a base management fee and an incentive fee.

The base management fee under the Investment Management Agreement is calculated at an annual rate of 2.00% of the Company's 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. The management fee payable at June 30, 2013 and December 31, 2012 was $0.5 million and $0.4 million, respectively. The base management fee expense was $1.3 million and $1.0 million for the three months ended June 30, 2013 and 2012, respectively. The base management fee expense was $2.6 million and $2.0 million for the six months ended June 30, 2013 and 2012, respectively.

The incentive fee has two parts, as follows:

The first part is calculated and payable quarterly in arrears based on the Company's 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 or other fees received from portfolio companies) accrued during the calendar quarter, minus 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 the pre-incentive fee net income is 20.00% of the amount, if any, by which the 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, the Advisor receives no incentive fee until the net investment income equals the hurdle rate of 1.75%, but then receives, as a "catch-up," 100.00% of the 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, the Advisor will receive 20.00% of the 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 the Company may pay an incentive fee in a quarter in which the Company incurs a loss. For example, if the Company receives pre-incentive fee net investment income in excess of the quarterly minimum hurdle rate, the Company will pay the applicable incentive fee even if the Company has incurred a loss in that quarter due to realized and unrealized capital losses. The Company's net investment income used to calculate this part of the incentive fee is also included in the amount of the Company's gross assets used to calculate the 2.00% base management fee. These calculations are appropriately prorated for any period of less than three months and adjusted for any share issuances or repurchases during the current quarter.

(In thousands, except shares and per share data)

The second part of the incentive fee is determined and payable in arrears as of the end of each calendar year (or upon termination of the Investment Management Agreement, as of the termination date), and equals 20.00% of the Company's aggregate realized capital gains, if any, on a cumulative basis from the date of the election to be a BDC through the end of each calendar year, computed net of all realized capital losses and unrealized capital depreciation through the end of such year, less all previous amounts paid in respect of the capital gain incentive fee.

The performance based incentive fee expense was $0.9 million and $0.4 million for the three months ended June 30, 2013 and 2012, respectively. The performance based incentive fee expense was $1.6 million and $1.3 million for the six months ended June 30, 2013 and 2012, respectively. The entire performance based incentive fee expense for both the three and six months ended June 30, 2013 and 2012, represents part one of the incentive fee. The incentive fee payable for both June 30, 2013 and December 31, 2012 was $0.9 million. The entire incentive fee payable as of June 30, 2013 and December 31, 2012 represents part one of the incentive fee.

Administration Agreement

The Company entered into an administration agreement (the "Administration Agreement") with the Advisor to provide administrative services to the Company. For providing these services, facilities and personnel, the Company reimburses the Advisor for the Company's allocable portion of overhead and other expenses incurred by the Advisor in performing its obligations under the Administration Agreement, including rent, the fees and expenses associated with performing compliance functions and the Company's allocable portion of the costs of compensation and related expenses of the Company's chief compliance officer and chief financial officer and their respective staffs. For the three months ended June 30, 2013 and 2012, $0.3 million and $0.2 million were charged to operations under the Administration Agreement, respectively. For the six months ended June 30, 2013 and 2012, $0.6 million and $0.5 million were charged to operations under the Administration Agreement, respectively.

Note 4. Investments

Investments, all of which are with portfolio companies in the United States, consisted of the following:

	June 30, 2013		December 31, 2012	
	Cost	Fair Value	Cost	Fair Value
Money market funds	$ 2,800	$ 2,800	$ 2,560	$ 2,560
Non-affiliate investments				
Debt	$ 247,992	$ 237,871	$ 228,081	$ 220,297
Warrants	6,038	5,964	5,715	5,468
Other Investments	4,793	2,100	4,880	2,100
Equity	782	926	709	748
Total non-affiliate investments	$ 259,605	$ 246,861	$ 239,385	$ 228,613

(In thousands, except shares and per share data)

The following table shows the Company's portfolio investments by industry sector:

	June 30, 2013		December 31, 2012	
	Cost	Fair Value	Cost	Fair Value
Life Science				
Biotechnology	$ 26,980	$ 24,161	$ 40,358	$ 39,569
Medical Device	21,720	21,050	24,296	23,733
Technology				
Consumer-Related Technologies	118	443	118	445
Networking	46	783	46	774
Software	70,699	70,726	55,220	55,237
Data Storage	4,815	2,121	4,901	2,121
Internet and Media	9,640	9,393	10,056	10,118
Communications	5,474	5,323	571	526
Semiconductors	33,623	33,415	26,128	25,913
Power Management	15,786	15,408	15,875	15,864
Cleantech				
Energy Efficiency	20,884	14,903	18,914	13,138
Waste Recycling	2,729	2,153	3,744	2,199
Alternative Energy	13,585	13,589	8,680	8,683
Healthcare Information and Services				
Diagnostics	20,172	20,131	21,952	21,921
Other Healthcare Related Services	9,004	8,819	3,067	2,829
Software	4,330	4,443	5,459	5,543
Total non-affiliate investments	$ 259,605	$ 246,861	$ 239,385	$ 228,613

Note 5. 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.

Investments are valued at fair value as determined in good faith by the Board, based on input of management, the audit committee and independent valuation firms that have been engaged at the direction of the Board to assist in the valuation of each portfolio investment without a readily available market quotation at least once during a trailing twelve-month period under a valuation policy and a consistently applied valuation process. This valuation process is conducted at the end of each fiscal quarter, with approximately 25% (based on fair value) of the Company's valuation of portfolio companies without readily available market quotations subject to review by an independent valuation firm.

Cash and 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 and are categorized as Level 1 within the fair value hierarchy described above.

Money Market Funds: The carrying amounts are valued at their net asset value as of the close of business on the day of valuation. These financial instruments are recorded at fair value on a recurring basis and are categorized as Level 2 within the fair value hierarchy described above as these funds can be redeemed daily.

Debt Investments: For variable rate debt investments which re-price frequently and have no significant change in credit risk, carrying values are a reasonable estimate of fair values. The fair value of fixed rate debt investments is estimated by discounting the expected future cash flows using the year end rates at which similar debt investments would be made to borrowers with similar credit ratings and for the same remaining maturities. At both June 30, 2013 and December 31, 2012, the discount rates used ranged from 9% to 25%. Significant increases (decreases) in this unobservable input would result in a significantly lower (higher) fair value measurement. These assets are recorded at fair value on a recurring basis and are categorized as Level 3 within the fair value hierarchy described above.

Under certain circumstances, the Company may use an alternative technique to value debt investments that better reflects its fair value such as the use of multiple probability weighted cash flow models when the expected future cash flows contain elements of variability.

Warrant Investments: The Company values its warrants using the Black-Scholes valuation model 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. Significant increases (decreases) in this unobservable input would result in a significantly higher (lower) fair value measurement.

- 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. Significant increases (decreases) in this unobservable input would result in a significantly higher (lower) fair value investment.

- 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 on private company warrants, are estimated based on management's judgment about the general industry environment. Significant increases (decreases) in this unobservable input would result in significantly lower (higher) fair value measurement.

- Historical portfolio experience on cancellations and exercises of warrants are utilized as the basis for determining the estimated time to exit of the warrants in each financial reporting period. Warrants may be exercised in the event of acquisitions, mergers or IPOs, and cancelled due to events such as bankruptcies, restructuring activities or additional financings. These events cause the expected remaining life assumption to be shorter than the contractual term of the warrants. Significant increases (decreases) in this unobservable input would result in significantly higher (lower) fair value measurement.

(In thousands, except shares and per share data)

Under certain circumstances the Company may use an alternative technique to value warrants that better reflects the warrants fair value, such as an expected settlement of a warrant in the near term or a model that incorporates a put feature associated with the warrant. The fair value may be determined based on the expected proceeds to be received from such settlement or based on the net present value of the expected proceeds from the put option.

The fair value of the Company's warrants held in publicly traded companies is 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 above. The fair value of the Company's warrants held in private companies is 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 above. These assets are recorded at fair value on a recurring basis.

Equity Investments: The fair value of an equity investment in a privately held company is initially the face value of the amount invested. The Company adjusts the fair value of equity investments in private companies upon the completion of a new third-party round of equity financing. The Company may make adjustments to fair value, absent a new equity financing event, based upon positive or negative changes in a portfolio company's financial or operational performance. Significant increases (decreases) in this unobservable input would result in a significantly higher (lower) fair value measurement. The Company has categorized these equity investments as Level 3 with the fair value hierarchy described above. The fair value of an equity investment in a publicly traded company is based upon the closing public share price on the date of measurement. Therefore, the Company has categorized these equity investments as Level 1 with the fair value hierarchy described above. These assets are recorded at fair value on a recurring basis.

Other Investments: Other investments will be valued based on the facts and circumstances of the underlying agreement. The Company currently values one contractual agreement using a multiple probability weighted cash flow model as the contractual future cash flows contain elements of variability. Significant changes in the estimated cash flows and probability weightings would result in a significantly higher or lower fair value measurement. The Company has categorized this other investment as Level 3 within the fair value hierarchy described above. These assets are recorded at fair value on a recurring basis.

The following tables provide a summary of quantitative information about the Company's Level 3 fair value measurements of investments as of June 30, 2013 and December 31, 2012. In addition to the techniques and inputs noted in the table below, according to the Company's valuation policy the Company may also use other valuation techniques and methodologies when determining fair value measurements. The tables below are not intended to be all-inclusive, but rather provide information on the significant Level 3 inputs as they relate to the Company's fair value measurements:

	June 30, 2013			
Investment Type	**Fair Value**	**Valuation Techniques/ Methodologies**	**Unobservable Input**	**Range**
Debt investments	$ 235,220	Discounted Expected Future Cash Flows	Hypothetical Market Yield	9% - 18%
		Multiple Probability Weighted Cash Flow	Discount Rate	25%
	2,651	Model	Probability Weighting	0% - 50%
Warrant investments		Black-Scholes Valuation Model	Price per share	$0.0 – $63.98
	5,150		Average Industry Volatility	21%
			Marketability Discount	20%
			Estimated Time to Exit	1 to 10 years
Other investments		Multiple Probability Weighted Cash Flow	Discount Rate	25%
	2,100	Model	Probability Weighting	10% - 45%
Equity investments	529	Most Recent Equity Investment	Price Per Share	$1.09 – 1.50
Total Level 3 investments	$ 245,650			

(In thousands, except shares and per share data)

	December 31, 2012			
Investment Type	**Fair Value**	**Valuation Techniques/ Methodologies**	**Unobservable Input**	**Range**
Debt investments	$ 215,396	Discounted Expected Future Cash Flows	Hypothetical Market Yield	8% - 25%
		Multiple Probability Weighted Cash Flow Model	Discount Rate	25%
	4,901		Probability Weighting	10% - 60%
Warrant investments		Black-Scholes Valuation Model	Price per share	$0.0 - $9.56
	4,914		Average Industry Volatility	21%
			Marketability Discount	20%
			Estimated Time to Exit	1 to 10 years
Other investments		Multiple Probability Weighted Cash Flow Model	Discount Rate	25%
	2,100		Probability Weighting	10% - 45%
Equity investments	526	Market Comparable Companies	Revenue Multiple	1.5x – 2.0x
Total Level 3 investments	$ 227,837			

Borrowings: The carrying amount of borrowings under the Credit Facilities (as defined in Note 6) approximates fair value due to the variable interest rate of the Credit Facilities and are categorized as Level 2 within the fair value hierarchy described above. Additionally, the Company considers its creditworthiness in determining the fair value of such borrowings. The fair value of the fixed rate 2019 Notes (as defined in Note 6) is based on the closing public share price on the date of measurement. At June 30, 2013, the 2019 Notes were trading on the New York Stock Exchange for $25.70 per note, or $33.9 million. Therefore, the Company has categorized this borrowing as Level 1 within the fair value hierarchy described above. Based on market quotations on or around June 30, 2013, the Asset-Backed Notes (as defined in Note 6) were trading for $0.9985 per dollar at par value, or $89.9 million, and are categorized as Level 3 with the fair value hierarchy described above. These liabilities are not 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. Therefore, the Company has categorized these instruments as Level 3 within the fair value hierarchy described above.

The following tables detail the assets and liabilities that are carried at fair value and measured at fair value on a recurring basis as of June 30, 2013 and December 31, 2012 and indicate the fair value hierarchy of the valuation techniques utilized by the Company to determine the fair value:

	June 30, 2013			
	Total	**Level 1**	**Level 2**	**Level 3**
Money market funds	$ 2,800	$ —	$ 2,800	$ —
Debt investments	$ 237,871	$ —	$ —	$ 237,871
Warrant investments	$ 5,964	$ —	$ 814	$ 5,150
Other investments	$ 2,100	$ —	$ —	$ 2,100
Equity investments	$ 926	$ 397	$ —	$ 529

	December 31, 2012			
	Total	**Level 1**	**Level 2**	**Level 3**
Money market funds	$ 2,560	$ —	$ 2,560	$ —
Debt investments	$ 220,297	$ —	$ —	$ 220,297
Warrant investments	$ 5,468	$ —	$ 554	$ 4,914
Other investments	$ 2,100	$ —	$ —	$ 2,100
Equity investments	$ 748	$ 222	$ —	$ 526

(In thousands, except shares and per share data)

The following tables show a reconciliation of the beginning and ending balances for Level 3 assets for the three months ended June 30, 2013:

	Three Months Ended June 30, 2013				
	Debt Investments	Warrant Investments	Equity Investments	Other Investments	Total
Level 3 assets, beginning of period	$ 238,749	$ 5,378	$ 635	$ 2,100	$ 246,862
Purchase of investments	29,143	—	—	—	29,143
Warrants and equity received and classified as Level 3	—	254	—	—	254
Principal payments received on investments	(27,973)	—	—	—	(27,973)
Proceed from sale of warrants	—	(39)	—	—	(39)
Unrealized depreciation included in earnings	(2,179)	(282)	(106)	—	(2,567)
Realized loss included in earnings	—	(45)	—	—	(45)
Transfer out of Level 3	—	(116)	—	—	(116)
Other	131	—	—	—	131
Level 3 assets, end of period	$ 237,871	$ 5,150	$ 529	$ 2,100	$ 245,650

The Company's transfers between levels are recognized at the end of the reporting period. During the three months ended June 30, 2013, there were no transfers between Level 1 and Level 2. The transfer out of Level 3 relates to warrants held in one portfolio company, with a value of $0.1 million, that were transferred into Level 2 due to the portfolio company becoming a public company during the three months ended June 30, 2013. Because 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, the Company has categorized the warrants as Level 2 within the fair value hierarchy described above as of June 30, 2013.

	Three Months Ended June 30, 2012				
	Debt Investments	Warrant Investments	Equity Investments	Other Investments	Total
Level 3 assets, beginning of period	$ 162,009	$ 4,219	$ 526	$ —	$ 166,754
Purchase of investments	37,295	—	—	—	37,295
Warrants and equity received and classified as Level 3	—	360	—	—	360
Principal payments received on investments	(8,795)	—	—	—	(8,795)
Unrealized (depreciation) appreciation included in earnings	(24)	(57)	—	—	(81)
Transfer out of Level 3	—	(167)	—	—	(167)
Transfer from debt to other investments	(2,000)	—	—	2,000	—
Other	(553)	—	—	—	(553)
Level 3 assets, end of period	$ 187,932	$ 4,355	$ 526	$ 2,000	$ 194,813

During the three months ended June 30, 2012, there were no transfers between Level 1 and Level 2. The transfer out of Level 3 relates to warrants held in one portfolio company, with a value of $0.2 million, that were transferred into Level 2 due to the portfolio company becoming a public company during the three months ended June 30, 2012. Because 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, the Company has categorized the warrants as Level 2 within the fair value hierarchy described above as of June 30, 2012.

(In thousands, except shares and per share data)

The following tables show a reconciliation of the beginning and ending balances for Level 3 assets for the six months ended June 30, 2013:

	Six Months Ended June 30, 2013				
	Debt Investments	Warrant Investments	Equity Investments	Other Investments	Total
Level 3 assets, beginning of period	$ 220,297	$ 4,914	$ 526	$ 2,100	$ 227,837
Purchase of investments	57,643	—	—	—	57,643
Warrants and equity received and classified as Level 3	—	426	—	—	426
Principal payments received on investments	(37,935)	—	—	—	(37,935)
Proceed from sale of warrants	—	(39)	—	—	(39)
Unrealized (depreciation) appreciation included in earnings	(2,249)	10	(70)	—	(2,309)
Realized loss included in earnings	—	(45)	—	—	(45)
Transfer out of Level 3	—	(116)	—	—	(116)
Transfer from debt to equity investment	(73)	—	73	—	—
Other	188	—	—	—	188
Level 3 assets, end of period	$ 237,871	$ 5,150	$ 529	$ 2,100	$ 245,650

The Company's transfers between levels are recognized at the end of the reporting period. During the six months ended June 30, 2013, there were no transfers between Level 1 and Level 2. The transfer out of Level 3 relates to warrants held in one portfolio company, with a value of $0.1 million, that were transferred into Level 2 due to the portfolio company becoming a public company during the six months ended June 30, 2013. Because 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, the Company has categorized the warrants as Level 2 within the fair value hierarchy described above as of June 30, 2013.

The change in unrealized depreciation included in the consolidated statement of operations attributable to Level 3 investments still held at June 30, 2013 includes $2.2 million unrealized depreciation on loans, $0.03 million unrealized depreciation on warrants and $0.1 million unrealized depreciation on equity.

	Six Months Ended June 30, 2012				
	Debt Investments	Warrant Investments	Equity Investments	Other Investments	Total
Level 3 assets, beginning of period	$ 173,286	$ 4,048	$ 526	$ —	$ 177,860
Purchase of investments	50,256	—	—	—	50,256
Warrants and equity received and classified as Level 3	—	540	—	—	540
Principal payments received on investments	(32,120)	—	—	—	(32,120)
Unrealized (depreciation) appreciation included in earnings	(1,210)	45	—	—	(1,165)
Transfer out of Level 3	—	(278)	—	—	(278)
Transfer from debt to other investments	(2,000)	—	—	2,000	—
Other	(280)	—	—	—	(280)
Level 3 assets, end of period	$ 187,932	$ 4,355	$ 526	$ 2,000	$ 194,813

During the six months ended June 30, 2012, there were no transfers between Level 1 and Level 2. The transfer out of Level 3 relates to warrants held in two portfolio companies, with a value of $0.3 million, that were transferred into Level 2 due to the portfolio company becoming a public company during the six months ended June 30, 2012. Because the fair value of 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, the Company has categorized these warrants as of June 30, 2012 as Level 2 within the fair value hierarchy described above.

(In thousands, except shares and per share data)

The Company discloses fair value information about financial instruments, whether or not recognized in the statement of assets and liabilities, 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 fair value amounts have been measured as of the reporting date and have not been reevaluated or updated for purposes of these financial statements subsequent to that date. As such, the fair values of these financial instruments subsequent to the reporting date may be different than amounts reported.

As of June 30, 2013 and December 31, 2012, the recorded book balances equaled fair values of all the Company's financial instruments, except for the Company's 2019 Notes and Asset-Backed Notes, as previously described.

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 Company expects the fair values of its financial instruments to 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 6. Borrowings

A summary of the Company's borrowings as of June 30, 2013 and December 31, 2012 is as follows:

	June 30, 2013		
	Total Commitment	Balance Outstanding	Unused Commitment
Asset-Backed Notes	$ 90,000	$ 90,000	$ —
Wells Facility	75,000	—	75,000
Fortress Facility	75,000	10,000	65,000
2019 Notes	33,000	33,000	—
Total	$ 273,000	$ 133,000	$ 140,000

	December 31, 2012		
	Total Commitment	Balance Outstanding	Unused Commitment
Wells Facility	$ 75,000	$ 46,020	$ 28,980
Fortress Facility	75,000	10,000	65,000
2019 Notes	33,000	33,000	—
Total	$ 183,000	$ 89,020	$ 93,980

In accordance with the 1940 Act, with certain limited exceptions, the Company is only allowed to borrow amounts such that the asset coverage, as defined in the 1940 Act, is at least 200% after such borrowings. As of June 30, 2013, the asset coverage for borrowed amounts was 207%.

The Company entered into a revolving credit facility (the "Wells Facility") with Wells Fargo Capital Finance, LLC ("Wells") effective July 14, 2011. The Wells Facility has an accordion feature which allows for an increase in the total loan commitment to $150 million from the current $75 million commitment provided by Wells. The Wells Facility is collateralized by all loans and warrants held by Credit II and permits an advance rate of up to 50% of eligible loans held by Credit II. The Wells Facility contains covenants that, among other things, require the Company to maintain a minimum net worth and to restrict the loans securing the Wells Facility to certain criteria for qualified loans and includes portfolio company concentration limits as defined in the related loan agreement. The Wells Facility has a three-year revolving term followed by a three-year amortization period and matures on July 14, 2017. The interest rate was based upon the one-month LIBOR plus a spread of 4.00%, with a LIBOR floor of 1.00%. On May 28, 2013, the Company and Wells amended the Wells Facility. As amended, effective May 1, 2013, the stated interest rate was reduced to one-month LIBOR plus a spread of 3.25%, with a LIBOR floor of 1.00%. In general, all other terms and conditions of the Wells Facility remain unchanged. The rate at June 30, 2013 and December 31, 2012 was 4.25% and 5.0%, respectively. The average rate for the three months ended June 30, 2013 and 2012 was 4.5% and 5.0%, respectively. The average rate for the six months ended June 30, 2013 and 2012 was 4.8% and 5.0%, respectively. The average amounts of borrowings were approximately $55.9 million and $10.6 million for the three months ended June 30, 2013 and 2012, respectively. The average amounts of borrowings were approximately $52.8 million and $15.1 million for the six months ended June 30, 2013 and 2012, respectively.

On March 23, 2012, the Company issued and sold an aggregate principal amount of $30 million of 7.375% senior unsecured notes due in 2019, and, on April 18, 2012, pursuant to the underwriters' 30 day option to purchase additional notes, the Company sold an additional $3 million of such notes (collectively, the "2019 Notes"). The 2019 Notes will mature on March 15, 2019 and may be redeemed in whole or in part at the Company's option at any time or from time to time on or after March 15, 2015 at a redemption price of $25 per security plus accrued and unpaid interest. The 2019 Notes bear interest at a rate of 7.375% per year payable quarterly on March 15, June 15, September 15 and December 15 of each year. The 2019 Notes are the Company's direct unsecured obligations and (i) rank equally with the Company's future senior unsecured indebtedness; (ii) rank senior to any of the Company's future indebtedness that expressly provides it is subordinated to the 2019 Notes; (iii) are effectively subordinated to all of the Company's existing and future secured indebtedness (including indebtedness that is initially unsecured to which we subsequently grant security) to the extent of the value of the assets securing such indebtedness and (iv) are structurally subordinated to all existing and future indebtedness and other obligations of any of the Company's subsidiaries. As of June 30, 2013, the Company was in material compliance with the terms of the 2019 Notes. The 2019 Notes are listed on the New York Stock Exchange under the symbol "HTF."

The Company entered into a term loan credit facility (the "Fortress Facility" and, together with the Wells Facility, the "Credit Facilities") with Fortress Credit Co LLC effective August 23, 2012. The Fortress Facility is collateralized by all loans and warrants held by Credit III. The Fortress Facility contains covenants that, among other things, require the Company to maintain a minimum net worth and to restrict the loans securing the Fortress Facility to certain criteria for qualified loans and includes portfolio company concentration limits as defined in the related loan agreement. The Fortress Facility, among other things, has a three-year term subject to two one-year extensions with a draw period of up to four years. The Fortress Facility requires the payment of an unused line fee in an amount equal to 1.00% of any unborrowed amount available under the facility annually and has an effective advance rate of approximately 66% against eligible loans. The Fortress Facility generally bears interest based upon the one-month LIBOR plus a spread of 6.00%, with a LIBOR floor of 1.00%. The rate at both June 30, 2013 and December 31, 2012 was 7.00%, and the average rate for both the three and six months ended June 30, 2013 was 7.00%. The average amount of borrowings was approximately $10.0 million for both the three and six months ended June 30, 2013.

On June 28, 2013, the Company completed a $189.3 million securitization of secured loans which it originated. 2013-1 Trust, a newly formed wholly owned subsidiary of the Company, issued $90 million in aggregate principal amount of fixed-rate asset-backed notes (the "Asset-Backed Notes"), which are rated A2(sf) by Moody's Investors Service, Inc. The Company is the sponsor, originator and servicer for the transaction. The Asset-Backed Notes bear interest at a fixed rate of 3.00% per annum and have a stated maturity of May 15, 2018.

The Asset-Backed Notes were issued by 2013-1 Trust pursuant to a Note Purchase Agreement (the "Note Purchase Agreement"), dated as of June 28, 2013, by and among the Company, 2013-1 LLC, as trust depositor, 2013-1 Trust and Guggenheim Securities, LLC ("Guggenheim Securities"), as initial purchaser, and are backed by a pool of loans made to certain portfolio companies of the Company and secured by certain assets of such portfolio companies. The pool of loans is to be serviced by the Company. In connection with the issuance and sale of the Asset-Backed Notes, the Company has made customary representations, warranties and covenants in the Note Purchase Agreement. The Asset-Backed Notes are secured obligations of 2013-1 Trust and are non-recourse to the Company.

As part of the transaction, the Company entered into a Sale and Contribution Agreement, dated as of June 28, 2013 (the "Sale and Contribution Agreement"), with 2013-1 LLC pursuant to which the Company has agreed to sell or has contributed to 2013-1 LLC certain secured loans made to certain portfolio companies of the Company (the "Loans"). The Company has made customary representations, warranties and covenants in the Sale and Contribution Agreement with respect to the Loans as of the date of the transfer of the Loans to 2013-1 LLC. The Company has also entered into a sale and servicing agreement, dated as of June 28, 2013, with 2013-1 LLC and 2013-1 Trust pursuant to which 2013-1 LLC has agreed to sell or has contributed the Loans to 2013-1 Trust. The Company has made customary representations, warranties and covenants in the sale and servicing agreement. The Company will also serve as administrator to 2013-1 Trust pursuant to an administration agreement, dated as of June 28, 2013, with 2013-1 Trust, Wilmington Trust, National Association, and U.S. Bank National Association. 2013-1 Trust also entered into an indenture, dated as of June 28, 2013, which governs the Asset-Backed Notes and includes customary covenants and events of default. In addition, 2013-1 LLC entered into an amended and restated trust agreement, dated as of June 28, 2013, which includes customary representations, warranties and covenants. The Asset-Backed Notes were sold through an unregistered private placement to "qualified institutional buyers" in compliance with the exemption from registration provided by Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"), and to institutional "accredited investors" (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act) who, in each case, are "qualified purchasers" for purposes of Section 3(c)(7) under the 1940 Act.

On June 3, 2013, the Company and Guggenheim Securities entered into a Promissory Note (the "Promissory Note") whereby Guggenheim Securities made a term loan in the original principal amount of $15 million (the "Term Loan") to the Company. The Company granted Guggenheim Securities a security interest in all of its assets to secure the Term Loan. On June 28, 2013, the Company used a portion of the proceeds of the private placement of the Asset-Backed Notes to repay all of its outstanding obligations under the Term Loan and the security interest of Guggenheim Securities was released.

Note 7. 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 statement of assets and liabilities. 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 $16.0 million and $24.6 million as of June 30, 2013 and December 31, 2012, respectively. Commitments to extend credit consist principally of the unused portions of commitments that obligate the Company to extend credit, such as revolving credit arrangements or similar transactions. Commitments may also include a financial or non-financial 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 8. Concentrations of Credit Risk

The Company's debt investments consist primarily of loans to development-stage companies at various stages of development in the technology, life science, healthcare information and services and cleantech industries. Many of these companies may have relatively limited operating histories and also may experience variation in operating results. Many of these companies conduct 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 21% and 23% of total loans outstanding as of June 30, 2013 and December 31, 2012, respectively. No single loan represents more than 10% of the total loans as of June 30, 2013 and December 31, 2012. 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 22% and 32% of total interest income on investments for the three months ended June 30, 2013 and 2012, respectively. Interest income from the five largest loans accounted for approximately 23% and 31% of total interest income on investments for the six months ended June 30, 2013 and 2012, respectively.

(In thousands, except shares and per share data)

Note 9. Dividends and Distributions

The Company's dividends and distributions are recorded on the record date. The following table summarizes the Company's dividend declaration and distribution activity since inception:

Date Declared	Record Date	Payment Date	Amount Per Share	Cash Distribution	DRIP Shares Issued	DRIP Share Value
Six Months Ended June 30, 2013						
5/3/13	8/19/13	9/16/13	$ 0.115	$ —	—	$ —
5/3/13	7/17/13	8/15/13	$ 0.115	$ —	—	$ —
5/3/13	6/20/13	7/15/13	$ 0.115	$ 1,070	2,191	$ 31
3/8/13	5/20/13	6/17/13	$ 0.115	$ 1,086	1,099	$ 15
3/8/13	4/18/13	5/15/13	$ 0.115	$ 1,087	1,035	$ 15
3/8/13	3/20/13	4/15/13	$ 0.115	$ 1,046	3,867	$ 55
			$ 0.690	$ 4,289	8,192	$ 116
Year Ended December 31, 2012						
11/27/12	2/21/13	3/15/13	$ 0.115	$ 1,050	3,392	$ 50
11/27/12	1/18/13	2/15/13	$ 0.115	$ 1,087	898	$ 14
11/27/12	12/20/12	1/15/13	$ 0.115	$ 1,056	2,930	$ 44
11/2/12	11/16/12	11/30/12	$ 0.450	$ 4,243	4,269	$ 61
8/7/12	8/17/12	8/31/12	$ 0.450	$ 4,105	11,608	$ 193
5/3/12	5/17/12	5/31/12	$ 0.450	$ 3,402	2,299	$ 37
3/12/12	3/23/12	3/30/12	$ 0.450	$ 3,378	3,517	$ 58
			$ 2.145	$ 18,321	28,913	$ 457
Year Ended December 31, 2011						
11/8/11	11/23/11	11/30/11	$ 0.450	$ 3,281	9,814	$ 151
8/9/11	8/23/11	8/30/11	$ 0.400	$ 2,836	13,193	$ 209
5/10/11	5/19/11	5/26/11	$ 0.330	$ 2,190	20,104	$ 316
			$ 1.180	$ 8,307	43,111	$ 676
Year Ended December 31, 2010						
12/15/10	12/28/10	12/31/10	$ 0.220	$ 1,097	38,297	$ 565

On August 2, 2013, the Board declared monthly dividends payable as set forth in the table below.

Record Dates	Payment Date	Dividends Declared
November 19, 2013	December 16, 2013	$ 0.115
October 17, 2013	November 15, 2013	$ 0.115
September 18, 2013	October 15, 2013	$ 0.115

(In thousands, except shares and per share data)

Note 10. Financial Highlights

The financial highlights for the Company are as follows:

	Six Months Ended June 30,	
	2013	2012
Per share data:		
Net asset value at beginning of period	$ 15.15	$ 17.01
Net investment income	0.67	0.74
Realized loss on investments	(0.03)	(0.01)
Unrealized depreciation on investments	(0.21)	(0.11)
Net increase in net assets resulting from operations	0.43	0.62
Dividends declared	(0.69)	(0.90)
Net asset value at end of period	$ 14.89	$ 16.73
Per share market value, end of period	$ 13.74	$ 16.49
Total return based on a market value	(3.3)%(1)	6.6%(1)
Shares outstanding at end of period	9,580,446	7,642,348
Ratios to average net assets:		
Expenses without incentive fees	11.3%(2)	8.1%(2)
Incentive fees	2.2%(2)	1.9%(2)
Total expenses	13.5%(2)	10.0%(2)
Provision for excise tax	0.2%(2)	—%(2)
Net investment income with incentive fees	8.8%(2)	8.7%(2)
Average net asset value	$ 144,139	$ 128,930
Average debt per share	10.38	7.89
Portfolio turnover ratio	24.5%	29.2%

(1) The total return for the six months ended June 30, 2013 and 2012, equals the change in the ending market value over the beginning of period price per share plus dividends paid per share during the period, divided by the beginning price.
(2) Annualized.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

In this quarterly report on Form 10-Q, except where the context suggests otherwise, the terms "we," "us," "our" and "Horizon Technology Finance" refer to Horizon Technology Finance Corporation and its consolidated subsidiaries. The information contained in this section should be read in conjunction with our consolidated financial statements and related notes thereto appearing elsewhere in this quarterly report on Form 10-Q. Amounts are stated in thousands, except shares and per share data and where otherwise noted.

Forward-Looking Statements

This quarterly report on Form 10-Q, including the Management's Discussion and Analysis of Financial Condition and Results of Operations, contains statements that constitute forward-looking statements, which relate to future events or our future performance or financial condition. These forward-looking statements are not historical facts, but rather are based on current expectations, estimates and projections about our industry, our beliefs and our assumptions. The forward-looking statements contained in this quarterly report on Form 10-Q involve risks and uncertainties, including statements as to:

- 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 investment advisor, Horizon Technology Management LLC, or the 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 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 Small Business Investment Company;
- 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.

We use words such as "anticipates," "believes," "expects," "intends," "seeks" and similar expressions to identify forward-looking statements. Undue influence should not be placed on the forward looking statements as our actual results could differ materially from those projected in the forward-looking statements for any reason, including the factors set forth as "Risk Factors" in our annual report on Form 10-K for the year ended December 31, 2012, and elsewhere in this quarterly report on Form 10-Q.

We have based the forward-looking statements included in this report on information available to us on the date of this report, and we assume no obligation to update any such forward-looking statements. Although we undertake no obligation to revise or update any forward-looking statements in this quarterly report on Form 10-Q, whether as a result of new information, future events or otherwise, you are advised to consult any additional disclosures that we may make directly to you or through reports that we in the future may file with the U.S. Securities and Exchange Commission, or the SEC, including, periodic reports on Form 10-Q and Form 10-K and current reports on Form 8-K.

Overview

We are a specialty finance company that lends to and invests 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 "Venture Loans," to companies backed by established venture capital and private equity firms in our Target Industries, which we refer to as "Venture Lending." We also selectively lend to publicly traded companies in our Target Industries.

We are an externally managed, closed-end, non-diversified management investment company that has elected to be regulated as a business development company, or BDC, under the Investment Company Act of 1940, as amended, or the 1940 Act. In addition, for U.S. federal income tax purposes, we have elected to be treated as a regulated investment company, or RIC, under Subchapter M of the Internal Revenue Code of 1986, as amended, or the Code. As a BDC, we are required to comply with regulatory requirements, including limitations on our use of debt. We are permitted to, and expect to, finance our investments through borrowings. However, as a BDC, we are only generally allowed to borrow amounts such that our asset coverage, as defined in the 1940 Act, equals at least 200% after such borrowing. The amount of leverage that we employ depends on our assessment of market conditions and other factors at the time of any proposed borrowing.

Compass Horizon Funding Company LLC, or Compass Horizon, our predecessor company, commenced operations in March 2008. We were formed in March 2010 for the purpose of acquiring Compass Horizon and continuing its business as a public entity.

Our investment activities are managed by the Advisor and supervised by our board of directors, or the Board, of which a majority of the members are independent of us. Under an investment management agreement, or the Investment Management Agreement, we have agreed to pay the Advisor a base management fee and an incentive fee for its advisory services to us. We have also entered into an administration agreement, or the Administration Agreement, with the Advisor under which we have agreed to reimburse the Advisor for our allocable portion of overhead and other expenses incurred by the Advisor in performing its obligations under the Administration Agreement.

Portfolio Composition and Investment Activity

The following table shows our portfolio by asset class as of June 30, 2013 and December 31, 2012:

	June 30, 2013			December 31, 2012		
	# of Investments	Fair Value	Percentage of Total Portfolio	# of Investments	Fair Value	Percentage of Total Portfolio
Term loans	50	$ 222,525	90.1%	41	$ 200,685	87.8%
Revolving loans	2	15,346	6.2%	4	19,612	8.6%
Total loans	52	237,871	96.3%	45	220,297	96.4%
Warrants	72	5,964	2.4%	62	5,468	2.4%
Other investments	1	2,100	0.9%	1	2,100	0.9%
Equity	4	926	0.4%	2	748	0.3%
Total		$ 246,861	100.0%		$ 228,613	100.0%

Total portfolio investment activity as of and for the periods ended June 30, 2013 and 2012 was as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2013	2012	2013	2012
Beginning portfolio	$ 247,781	$ 167,296	$ 228,613	$ 178,013
New loan funding	29,143	37,295	57,643	68,995
Less refinanced balances and participation	—	—	—	(18,739)
Net new loan funding	29,143	37,295	57,643	50,256
Principal payments received on investments	(8,695)	(8,795)	(18,657)	(17,915)
Early pay-offs	(19,278)	—	(19,278)	(14,205)
Accretion of loan fees	753	450	1,301	1,092
New loan fees	(368)	(566)	(688)	(748)
New equity	—	—	73	—
Proceeds from sale on investments	(39)	(38)	(39)	(38)
Net realized loss on investments	(45)	(60)	(62)	(61)
Net appreciation (depreciation) on investments	(2,391)	18	(1,972)	(794)
Other	—	—	(73)	—
Ending Portfolio	$ 246,861	$ 195,600	$ 246,861	$ 195,600

We receive payments in our loan portfolio based on scheduled amortization of the outstanding balances. In addition, we receive repayments of some of our loans prior to their scheduled maturity date. The frequency or volume of these repayments may fluctuate significantly from period to period.

The following table shows our loan portfolio by industry sector as of June 30, 2013 and December 31, 2012:

	June 30, 2013		December 31, 2012	
	Loans at Fair Value	Percentage of Total Portfolio	Loans at Fair Value	Percentage of Total Portfolio
Life Science				
Biotechnology	$ 22,277	9.4%	$ 38,018	17.3%
Medical Device	20,870	8.8%	23,446	10.6%
Technology				
Software	69,784	29.3%	54,358	24.7%
Internet and Media	9,193	3.8%	9,763	4.4%
Communication	4,848	2.0%	—	—
Semiconductors	33,207	14.0%	25,795	11.7%
Power Management	15,288	6.4%	15,792	7.2%
Cleantech				
Energy Efficiency	14,409	6.1%	12,950	5.9%
Waste Recycling	2,151	0.9%	2,197	1.0%
Alternative Energy	13,492	5.7%	8,586	3.9%
Healthcare Information and Services				
Diagnostics	19,560	8.2%	21,340	9.7%
Other Healthcare Related Services	8,524	3.6%	2,655	1.2%
Software	4,268	1.8%	5,397	2.4%
Total	$ 237,871	100.0%	$ 220,297	100.0%

The largest loans may vary from year to year as new loans are recorded and repaid. Our five largest loans represented approximately 21% and 23% of total loans outstanding as of June 30, 2013 and December 31, 2012, respectively. No single loan represented more than 10% of our total loans as of June 30, 2013 and December 31, 2012.

Loan Portfolio Asset Quality

We use an internal 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 represents an increased level of risk and while no loss is currently anticipated for a 2 rated loan, there is potential for future loss of principal. A rating of 1 represents a deteriorating credit quality and increased risk. Our internal credit rating system is not a national credit rating system. The following table shows the classification of our loan portfolio by credit rating as of June 30, 2013 and December 31, 2012:

	June 30, 2013		December 31, 2012	
	Loans at Fair Value	Percentage of Loan Portfolio	Loans at Fair Value	Percentage of Loan Portfolio
Credit Rating				
4	$ 25,169	10.6%	$ 30,818	14.0%
3	190,794	80.2%	181,019	82.2%
2	19,257	8.1%	3,560	1.6%
1	2,651	1.1%	4,900	2.2%
Total	$ 237,871	100.0%	$ 220,297	100.0%

As of June 30, 2013 and December 31, 2012, our loan portfolio had a weighted average credit rating of 3.1 and 3.2, respectively. As of June 30, 2013, there were five investments with a credit rating of 2. As of December 31, 2012, there was one investment with a credit rating of 2. As of both June 30, 2013 and December 31, 2012, there were three investments with a credit rating of 1, all of which were on non-accrual status.

Consolidated Results of Operations

As a BDC and a RIC for U.S. federal income tax purposes, we are subject to certain constraints on our operations, including limitations imposed by the 1940 Act and the Code. The results of operations described below may not be indicative of the results we report in future periods.

Consolidated operating results for the three months ended June 30, 2013 and 2012 are as follows:

	For the three Months Ended June 30,	
	2013	2012
Total investment income	$ 8,787	$ 5,482
Total expenses	5,106	3,224
Net investment income before excise tax	3,681	2,258
Provision for excise tax	(80)	—
Net investment income	3,601	2,258
Net realized loss on investments	(62)	(60)
Net unrealized (deprecation) appreciation on investments	(2,391)	18
Net increase in net assets resulting from operations	$ 1,148	$ 2,216
Average investments, at fair value	$ 241,655	$ 170,605
Average debt outstanding	$ 105,959	$ 57,065

Net increase in net asset resulting from operations can vary substantially from period to period for various reasons, including the recognition of realized gains and losses and unrealized appreciation and depreciation. As a result, quarterly comparisons of net income may not be meaningful.

Comparison of the three months ended June 30, 2013 and 2012

Investment Income

Investment income increased by $3.3 million, or 60.3%, for the three months ended June 30, 2013 as compared to the three months ended June 30, 2012. For the three months ended June 30, 2013, total investment income consisted primarily of $8.4 million in interest income from investments, which included $1.8 million in income from the accretion of origination fees and end-of-term payments, or ETPs. Interest income on investments and other investment income increased primarily due to the increased average size of the loan portfolio and higher fee income. Fee income of $0.4 million was primarily earned from prepayment fees collected from our portfolio companies, as we experienced early payoffs of approximately $19.3 million. For the three months ended June 30, 2012, total investment income consisted primarily of $5.5 million in interest income from investments, which included $0.8 million in income from the accretion of origination fees and ETPs.

For the three months ended June 30, 2013 and 2012, our dollar-weighted average annualized yield on average debt investments was approximately 14.5% and 12.9%, respectively. We calculate the yield on dollar-weighted average debt investments for any period measured as (1) total investment income during the period divided by (2) the average of the fair value of debt investments outstanding on (a) the last day of the calendar month immediately preceding the first day of the period and (b) the last day of each calendar month during the period.

Investment 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 22% and 32% of investment income for the three months ended June 30, 2013 and 2012, respectively.

As of June 30, 2013 and December 31, 2012, interest receivables were $3.9 million and $2.8 million, respectively, which represent accreted ETPs and one month of accrued interest income on substantially all of our loans.

Expenses

Total expenses increased by $1.9 million, or 58.4%, to $5.1 million for the three months ended June 30, 2013 as compared to the three months ended June 30, 2012. Total operating expenses for each period consisted principally of management fees, incentive and administrative fees, interest expense and, to a lesser degree, professional fees and general and administrative expenses.

Interest expense for the three months ended June 30, 2013 and 2012 was $1.9 million and $1.0 million, respectively. Interest expense for the three months ended June 30, 2013 increased primarily due to an increase in our average debt outstanding, as well as an increase in borrowing cost associated with our term loan credit facility.

Management fee expense for the three months ended June 30, 2013 and 2012 was $1.3 million and $1.0 million, respectively. Management fee expense increased compared to the three months ended June 30, 2012 as a result of an increase in average gross assets.

Performance based incentive fee for the three months ended June 30, 2013 increased compared to the three months ended June 30, 2012 due to higher pre-incentive fee net investment income in the three months ended June 30, 2013. The incentive fees for the three months ended June 30, 2013 and 2012 were approximately $0.9 million and $0.4 million, respectively, and consisted entirely of incentive fees payable on pre-incentive fee net investment income.

Administrative fee expense for the three months ended June 30, 2013 and 2012 was $0.3 million and $0.2 million, respectively. Administrative fee expense increased compared to the three months ended June 30, 2012 due to an increase in costs associated with servicing a growing investment portfolio.

Professional fees and general and administrative expenses primarily include legal and audit fees and insurance premiums. These expenses for the three months ended June 30, 2013 remained flat compared to the three months ended June 30, 2012.

Net Realized Gains and Net Unrealized Appreciation and Depreciation

Realized gains or losses on investments are measured by the difference between the net proceeds from the repayment or sale and the cost basis of our investments without regard to unrealized appreciation or depreciation previously recognized and includes investments charged off during the period, net of recoveries. The net change in unrealized appreciation or depreciation on investments primarily reflects the change in portfolio investment fair values during the reporting period, including the reversal of previously recorded unrealized appreciation or depreciation when gains or losses are realized.

During the three months ended June 30, 2013, we recognized realized losses totaling approximately $0.1 million primarily in connection with the disposal of a portfolio company's warrants. During the three months ended June 30, 2012, we recognized realized losses of approximately $0.1 million primarily due to the charge off of warrants in one portfolio company.

During the three months ended June 30, 2013, net unrealized depreciation on investments totaled approximately $2.4 million which was primarily due to the change in fair values of our investment portfolio during the period. During the three months ended June 30, 2012, net unrealized appreciation on investments totaled approximately $0.02 million which was primarily due to the change in fair values of our investment portfolio during the period.

Consolidated operating results for the six months ended June 30, 2013 and 2012 are as follows:

	For the six Months Ended June 30,	
	2013	**2012**
Total investment income	$ 16,156	$ 12,107
Total expenses	9,701	6,496
Net investment income before excise tax	6,455	5,611
Provision for excise tax	(80)	—
Net investment income	6,375	5,611
Net realized loss on investments	(272)	(61)
Net unrealized depreciation on investments	(1,972)	(794)
Net increase in net assets resulting from operations	$ 4,131	$ 4,756
Average investments, at fair value	$ 235,105	$ 172,061
Average debt outstanding	$ 99,349	$ 60,262

Net increase in net assets resulting from operations can vary substantially from period to period for various reasons, including the recognition of realized gains and losses and unrealized appreciation and depreciation. As a result, quarterly comparisons of net income may not be meaningful.

Comparison of the six months ended June 30, 2013 and 2012

Investment Income

Investment income increased by $4.0 million, or 33.4%, for the six months ended June 30, 2013 as compared to the six months ended June 30, 2012. For the six months ended June 30, 2013, total investment income consisted primarily of $15.8 million in interest income from investments, which included $3.0 million in income from the accretion of origination fees and ETPs. Interest income on investments increased primarily due to the increased average size of the loan portfolio.

For the six months ended June 30, 2012, total investment income consisted primarily of $11.4 million in interest income from investments, which included $2.0 million in income from the accretion of origination fees and ETPs. Fee income of $0.7 million was primarily earned from prepayment fees collected from our portfolio companies as we experienced early payoffs and refinances of approximately $27.6 million.

For the six months ended June 30, 2013 and 2012, our dollar-weighted average annualized yield on average debt investments was approximately 13.7% and 14.1%, respectively. We calculate the yield on dollar-weighted average debt investments for any period measured as (1) total investment income during the period divided by (2) the average of the fair value of debt investments outstanding on (a) the last day of the calendar month immediately preceding the first day of the period and (b) the last day of each calendar month during the period.

Investment 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 31% of investment income for the six months ended June 30, 2013 and 2012, respectively.

Expenses

Total expenses increased by $3.2 million, or 49.3%, to $9.7 million for the six months ended June 30, 2013 as compared to the six months ended June 30, 2012. Total operating expenses for each period consisted principally of management fees, incentive and administrative fees, interest expense and, to a lesser degree, professional fees and general and administrative expenses.

Interest expense for the six months ended June 30, 2013 and 2012 was $3.7 million and $1.7 million, respectively. Interest expense for the six months ended June 30, 2013 increased primarily due to an increase in our average debt outstanding, as well as an increase in borrowing cost associated with our Fortress Facility and our 2019 Notes.

Management fee expense for the six months ended June 30, 2013 and 2012 was $2.6 million and $2.0 million, respectively. Management fee expense increased compared to the six months ended June 30, 2012 as a result of an increase in average gross assets.

Performance based incentive fees for the six months ended June 30, 2013 increased compared to the six months ended June 30, 2012 due to higher pre-incentive fee net investment income in the six months ended June 30, 2013. The incentive fees for the six months ended June 30, 2013 and 2012 were approximately $1.6 million and $1.3 million, respectively, and consisted entirely of incentive fees payable on pre-incentive fee net investment income.

Administrative fee expense for the six months ended June 30, 2013 and 2012 was $0.6 million and $0.5 million, respectively. Administrative fee expense increased compared to the six months ended June 30, 2012 due to an increase in costs associated with servicing a growing investment portfolio.

Professional fees and general and administrative expenses primarily include legal and audit fees and insurance premiums. These expenses for the six months ended June 30, 2013 remained flat compared to the six months ended June 30, 2012.

Net Realized Gains and Net Unrealized Appreciation and Depreciation

Realized gains or losses on investments are measured by the difference between the net proceeds from the repayment or sale and the cost basis of our investments without regard to unrealized appreciation or depreciation previously recognized and includes investments charged off during the period, net of recoveries. The net change in unrealized appreciation or depreciation on investments primarily reflects the change in portfolio investment fair values during the reporting period, including the reversal of previously recorded unrealized appreciation or depreciation when gains or losses are realized.

During the six months ended June 30, 2013, we recognized realized losses totaling approximately $0.3 million primarily in connection with the disposal of portfolio companies' warrants. During the six months ended June 30, 2012, we recognized realized losses of approximately $0.1 million primarily due to the charge off of warrants in one portfolio company.

During the six months ended June 30, 2013, net unrealized depreciation on investments totaled approximately $2.0 million which was primarily due to the change in fair values of our investment portfolio during the period. During the six months ended June 30, 2012, net unrealized depreciation on investments totaled approximately $0.8 million which was primarily due to $1.2 million of net unrealized depreciation on our debt and other investments which was partially offset by unrealized appreciation on our warrants and equity investments.

Liquidity and Capital Resources

As of June 30, 2013 and December 31, 2012, we had cash and investments in money market funds of $24.7 million and $3.6 million, respectively. As of June 30, 2013 and December 31, 2012, we had availability under our existing Credit Facilities of approximately $10.0 million and $56.0 million, respectively. These amounts are available to fund new investments, reduce borrowings under a revolving credit facility with Wells Fargo Capital Finance, LLC, or the Wells Facility, and a term loan credit facility with Fortress Credit Co LLC, or the Fortress Facility, pay down the $90 million principal amount of fixed-rate asset-backed notes, or Asset-Backed Notes, pay operating expenses and pay dividends. In this quarterly report on Form 10-Q, we refer to the Wells Facility and the Fortress Facility, collectively, as the Credit Facilities. Our primary sources of capital have been from our private and public common stock offerings, use of our Credit Facilities and issuance of our Asset-Backed Notes and 7.375% senior unsecured notes due in 2019, or the 2019 Notes.

As of June 30, 2013, there was no outstanding principal balance under the Wells Facility. As of June 30, 2013, we had available borrowing capacity of approximately $75.0 million under our Wells Facility, subject to existing terms and advance rates.

As of June 30, 2013, the outstanding principal balance under the Fortress Facility was $10.0 million. As of June 30, 2013, we had available borrowing capacity of approximately $65.0 million under our Fortress Facility, subject to existing terms and advance rates.

Our operating activities used cash of $14.6 million for the six months ended June 30, 2013, and our financing activities provided cash of $35.4 million for the same period. Our operating activities used cash primarily for investing in portfolio companies, net of principal payments received. Our financing activities provided cash primarily from the issuance of our Asset-Backed Notes, offset by a net decrease in borrowings under our Credit Facilities and our dividends paid in the period.

Our operating activities used cash of $7.8 million for the six months ended June 30, 2012 and our financing activities provided cash of $7.7 million for the same period. Our operating activities used cash primarily for investing in portfolio companies. Our financing activity provided cash primarily from our issuance of our 2019 Notes offset by a net decrease in borrowings under our Credit Facilities and the payment of our dividends.

Our primary use of available funds is to make investments in portfolio companies and for general corporate purposes. We expect to raise additional equity and debt capital opportunistically 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.

In order to satisfy the Code requirements applicable to a RIC, we distribute to our stockholders all or substantially all of our income except for certain net capital gains. In addition, as a BDC, we are required to meet a coverage ratio of 200%. This requirement limits the amount that we may borrow. As of June 30, 2013, the asset coverage for borrowed amounts was 207%.

We believe that our current cash and investments in money market funds, cash generated from operations, and funds available from our Credit Facilities will be sufficient to meet our working capital and capital expenditure commitments for at least the next 12 months.

Current Borrowings

A summary of our borrowings as of June 30, 2013 and December 31, 2012 is as follows:

	June 30, 2013		
	Total Commitment	Balance Outstanding	Unused Commitment
Asset-Backed Notes	$ 90,000	$ 90,000	$ —
Wells Facility	75,000	—	75,000
Fortress Facility	75,000	10,000	65,000
2019 Notes	33,000	33,000	—
Total	$ 273,000	$ 133,000	$ 140,000

	December 31, 2012		
	Total Commitment	Balance Outstanding	Unused Commitment
Wells Facility	$ 75,000	$ 46,020	$ 28,980
Fortress Facility	75,000	10,000	65,000
2019 Notes	33,000	33,000	—
Total	$ 183,000	$ 89,020	$ 93,980

We, through our wholly owned subsidiary, Horizon Credit II LLC, or Credit II, entered into the Wells Facility on July 14, 2011. The interest rate was based upon the one-month LIBOR plus a spread of 4.00%, with a LIBOR floor of 1.00%. On May 28, 2013, we entered into an agreement with Wells Fargo Capital Finance, LLC to amend the Wells Facility. As amended, effective May 1, 2013, the stated interest rate of the Wells Facility was reduced to the one-month LIBOR plus a spread of 3.25%, with a LIBOR floor of 1.00%. In general, all other terms and conditions of the Wells Facility remain unchanged. The interest rate was 4.25% and 5.00% as of June 30, 2013 and December 31, 2012, respectively.

We may request advances under the Wells Facility through July 14, 2014, or the Revolving Period. After the Revolving Period, we may not request new advances, and we must repay the outstanding advances under the Wells 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 Wells Facility, particularly the condition that the principal balance of the Wells Facility does not exceed fifty percent (50%) of the aggregate principal balance of our eligible loans to our portfolio companies. All outstanding advances under the Wells Facility are due and payable on July 14, 2017.

The Wells Facility is collateralized by loans held by Credit II and permits an advance rate of up to 50% of eligible loans held by Credit II. The Wells Facility contains covenants that, among other things, require us to maintain a minimum net worth, to restrict the loans securing the Wells Facility to certain criteria for qualified loans and to comply with portfolio company concentration limits as defined in the related loan agreement.

On March 23, 2012, we issued and sold $30 million aggregate principal amount of 2019 Notes, and on April 18, 2012, pursuant to the underwriters' 30 day option to purchase additional notes, we sold an additional $3 million of such notes. The 2019 Notes will mature on March 15, 2019 and may be redeemed in whole or in part at our option at any time or from time to time on or after March 15, 2015 at a redemption price of $25 per security plus accrued and unpaid interest. The 2019 Notes bear interest at a rate of 7.375% per year payable quarterly on March 15, June 15, September 15 and December 15 of each year. The 2019 Notes are our direct, unsecured obligations and rank (1) equally in right of payment with our future senior unsecured indebtedness; (2) senior in right of payment to any of our future indebtedness that expressly provides it is subordinated to the 2019 Notes; (3) effectively subordinated to all of our existing and future secured indebtedness (including indebtedness that is initially unsecured to which we subsequently grant security), to the extent of the value of the assets securing such indebtedness and (4) structurally subordinated to all existing and future indebtedness and other obligations of any of our subsidiaries. As of June 30, 2013, we were in material compliance with the terms of the 2019 Notes. The 2019 Notes are listed on the New York Stock Exchange under the symbol "HTF".

We, through our wholly owned subsidiary Horizon Credit III LLC, or Credit III, entered into the Fortress Facility on August 23, 2012. The interest rate on the Fortress Facility is based upon the one-month LIBOR plus a spread of 6.00%, with a LIBOR floor of 1.00%. The interest rate was 7.00% as of June 30, 2013 and December 31, 2012.

We may request advances under the Fortress Facility through August 23, 2016, or the Draw Period. After the Draw Period, we may not request new advances and we must repay the outstanding advances under the Fortress 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 Fortress Facility, particularly the condition that the principal balance of the Fortress Facility does not exceed approximately sixty-six percent (66%) of the aggregate principal balance of our eligible loans to our portfolio companies. All outstanding advances under the Fortress Facility are due and payable on August 23, 2017.

The Fortress Facility is collateralized by loans held by Credit III and permits an advance rate of up to approximately 66% of eligible loans held by Credit III. The Fortress Facility contains covenants that, among other things, require us to maintain a minimum net worth, to restrict the loans securing the Fortress Facility to certain criteria for qualified loans and to comply with portfolio company concentration limits as defined in the related loan agreement.

On June 28, 2013, we completed a $189.3 million securitization of secured loans which we originated. Horizon Funding Trust 2013-1, or 2013-1 Trust, a newly formed wholly owned subsidiary of ours, issued the Asset-Backed Notes, which are rated A2(sf) by Moody's Investors Service, Inc. We are the sponsor, originator and servicer for the transaction. The Asset-Backed Notes bear interest at a fixed rate of 3.00% per annum and have a stated maturity of May 15, 2018.

The Asset-Backed Notes were issued by 2013-1 Trust pursuant to a Note Purchase Agreement, dated as of June 28, 2013, by and among us, Horizon Funding 2013-1 LLC, or 2013-1 LLC, as trust depositor, 2013-1 Trust and Guggenheim Securities, LLC, or Guggenheim Securities, as initial purchaser, and are backed by a pool of loans made to certain portfolio companies of ours and secured by certain assets of such portfolio companies. The pool of loans is to be serviced by us. In connection with the issuance and sale of the Asset-Backed Notes, we have made customary representations, warranties and covenants in the Note Purchase Agreement. The Asset-Backed Notes are secured obligations of 2013-1 Trust and are non-recourse to us.

As part of the transaction, we entered into a Sale and Contribution Agreement, dated as of June 28, 2013, with 2013-1 LLC, pursuant to which we have agreed to sell or have contributed to 2013-1 LLC, certain secured loans made to certain portfolio companies of ours, or the Loans. We have made customary representations, warranties and covenants in the Sale and Contribution Agreement with respect to the Loans as of the date of the transfer of the Loans to 2013-1 LLC. We have also entered into a sale and servicing agreement, dated as of June 28, 2013, with 2013-1 LLC and 2013-1 Trust pursuant to which 2013-1 LLC has agreed to sell or has contributed the Loans to 2013-1 Trust. We have made customary representations, warranties and covenants in the sale and servicing agreement. We will also serve as administrator to 2013-1 Trust pursuant to an administration agreement, dated as of June 28, 2013, with 2013-1 Trust, Wilmington Trust, National Association, and U.S. Bank National Association. 2013-1 Trust also entered into an indenture, dated as of June 28, 2013, which governs the Asset-Backed Notes and includes customary covenants and events of default. In addition, 2013-1 LLC entered into an amended and restated trust agreement, dated as of June 28, 2013, which includes customary representations, warranties and covenants. The Asset-Backed Notes were sold through an unregistered private placement to "qualified institutional buyers" in compliance with the exemption from registration provided by Rule 144A under the Securities Act of 1933 as amended, or the Securities Act, and to institutional "accredited investors" (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act) who, in each case, are "qualified purchasers" for purposes of Section 3(c)(7) under the 1940 Act.

On June 3, 2013, we entered into a Promissory Note with Guggenheim Securities, or the Promissory Note, whereby Guggenheim Securities made a term loan in the original principal amount of $15 million, or the Term Loan, to us. We granted Guggenheim Securities a security interest in all of its assets to secure the Term Loan. On June 28, 2013, the Company used a portion of the proceeds of the private placement of the Asset-Backed Notes to repay all of its outstanding obligations under the Term Loan and the security interest of Guggenheim Securities was released.

As of June 30, 2013 and December 31, 2012, other assets were $6.3 million and $4.6 million, respectively, which were primarily, comprised of debt issuance costs.

Contractual Obligations and Off-Balance Sheet Arrangements

A summary of our significant contractual payment obligations and off-balance sheet arrangements as of June 30, 2013 is as follows:

	Payments due by period				
	Total	Less than 1 year	1 – 3 Years	3-5 Years	After 5 years
Borrowings	$ 133,000	$ 18,175	$ 77,606	$ 4,219	$ 33,000
Unfunded commitments	16,000	15,000	1,000	—	—
Total	$ 149,000	$ 33,175	$ 78,606	$ 4,219	$ 33,000

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 June 30, 2013, we had unfunded commitments of approximately $16.0 million. These commitments will be subject to the same underwriting and ongoing portfolio maintenance as are the 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.

In addition to the Wells Facility and Fortress Facility, we have certain commitments pursuant to our Investment Management Agreement entered into with 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. 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 Chief Compliance Officer and their respective staffs. See Note 3 to our Consolidated Financial Statements for additional information regarding our Investment Management Agreement and our Administration Agreement.

Distributions

In order to qualify as a RIC and to avoid corporate level tax on the income we distribute to our stockholders, we are required under the Code to distribute at least 90% of our net ordinary income and net short-term capital gains in excess of net long-term capital losses, if any, to our stockholders on an annual basis. Additionally, we must distribute at least 98% of our ordinary income and 98.2% of our capital gain net income on an annual basis and any net ordinary income and net capital gains for preceding years that were not distributed during such years and on which we previously paid no U.S. federal income tax to avoid a U.S. federal excise tax. We intend to distribute monthly dividends to our stockholders as determined by our Board.

We may not be able to achieve operating results that will allow us to make distributions at a specific level or to increase the amount of our distributions from time to time. In addition, we may be limited in our ability to make distributions due to the asset coverage requirements applicable to us as a BDC under the 1940 Act. If we do not distribute a certain percentage of our income annually, we will suffer adverse tax consequences, including the possible loss of our qualification as a RIC. We cannot assure stockholders that they will receive any distributions.

To the extent our taxable earnings fall below the total amount of our distributions for that fiscal year, a portion of those distributions may be deemed a return of capital to our stockholders for U.S. federal income tax purposes. Thus, the source of a distribution to our stockholders may be the original capital invested by the stockholder rather than our income or gains. Stockholders should read any written disclosure accompanying a dividend payment carefully and should not assume that the source of any distribution is our ordinary income or gains.

We have adopted an "opt out" dividend reinvestment plan for our common stockholders. As a result, if we declare a distribution, then stockholders' cash distributions will be automatically reinvested in additional shares of our common stock unless a stockholder specifically "opts out" of our dividend reinvestment plan. If a stockholder opts out, that stockholder will receive cash distributions. Although distributions paid in the form of additional shares of our common stock will generally be subject to U.S. federal, state and local taxes in the same manner as cash distributions, stockholders participating in our dividend reinvestment plan will not receive any corresponding cash distributions with which to pay any such applicable taxes.

Related Party Transactions

We have entered into a number of business relationships with affiliated or related parties, including the following:

- We entered into the Investment Management Agreement with our Advisor. Mr. Robert D. Pomeroy Jr., Chairman of the Board and our Chief Executive Officer, is a manager of the Advisor, and Mr. Gerald A. Michaud, our President and a Director, is a manager of our Advisor.

- Our Advisor provides us with the office facilities and administrative services necessary to conduct day-to- day operations pursuant to our Administration Agreement.

- We have entered into a license agreement with the predecessor of the Advisor, pursuant to which it has granted us a non-exclusive, royalty-free license to use the name "Horizon Technology Finance."

Our Advisor may manage other investment vehicles with the same investment strategy as us, which we refer to in this report as "Advisor Funds." Our Advisor may provide us an opportunity to co-invest with the Advisor Funds. Under the 1940 Act, absent receipt of exemptive relief from the SEC, we and our affiliates may be precluded from co-investing in such investments. Accordingly, we may apply for exemptive relief which would permit us to co-invest subject to certain conditions, including approval of such investments by both a majority of our directors who have no financial interest in such transaction and a majority of directors who are not interested directors as defined in the 1940 Act.

Critical Accounting Policies

The discussion of our financial condition and results of operation is based upon our financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles, or "GAAP." The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Changes in the economic environment, financial markets and any other parameters used in determining such estimates could cause actual results to differ. In addition to the discussion below, we describe our significant accounting policies in the notes to our consolidated financial statements.

We have identified the following items as critical accounting policies.

Valuation of Investments

Investments are recorded at fair value. Our Board determines the fair value of our portfolio investments. We measure substantially all of our investments at fair value in accordance with relevant GAAP, which establishes a framework used to measure fair value and requires disclosures for fair value measurements. We have categorized our investments carried at fair value, based on the priority of the valuation technique, into a three-level fair value hierarchy. Fair value is a market-based measure considered from the perspective of the market participant who holds the financial instrument rather than an entity specific measure. Therefore, when market assumptions are not readily available, our own assumptions are set to reflect those that management believes market participants would use in pricing the financial instrument at the measurement date.

The availability of observable inputs can vary depending on the financial instrument and is affected by a wide variety of factors, including, for example, the type of product, whether the product is new, whether the product is traded on an active exchange or in the secondary market and the current market conditions. To the extent that the valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. 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.

Our Board determines the fair value of investments in good faith, based on the input of management, the audit committee and independent valuation firms that have been engaged at the direction of our Board to assist in the valuation of each portfolio investment without a readily available market quotation at least once during a trailing twelve-month period under our valuation policy and a consistently applied valuation process. The Board conducts this valuation process at the end of each fiscal quarter, with approximately 25% (based on fair value) of our valuation of portfolio companies that do not have a readily available market quotations subject to review by an independent valuation firm.

Income Recognition

Interest on loan investments is accrued and included in income based on contractual rates applied to principal amounts outstanding. Interest income 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.

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. 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 fees and unearned income is discontinued until the loan is returned to accrual status.

Certain loan agreements also require the borrower to make an ETP, 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.

In connection with substantially all of our lending arrangements, we receive warrants to purchase shares of stock from the borrower. We record the warrants as assets at estimated fair value on the grant date using the Black-Scholes valuation model. We consider the warrants loan fees and also record 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 our income recognition policy. Subsequent to loan origination, we also measure the warrants 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.

Income taxes

We have elected to be treated as a RIC under subchapter M of the Code and operate in a manner so as to qualify for the tax treatment applicable to RICs. In order to qualify as a RIC, among other things, we are required to meet certain source of income and asset diversification requirements and we must timely distribute to our stockholders at least 90% of investment company taxable income, as defined by the Code, for each year. We, among other things, have made and intend to continue to make the requisite distributions to our stockholders, which will generally relieve us from U.S. federal income taxes.

Depending on the level of taxable income earned in a tax year, we may choose to carry forward taxable income in excess of current year dividend distributions into the next tax year and pay a 4% excise tax on such income, as required. To the extent that we determine that our estimated current year annual taxable income will be in excess of estimated current year dividend distributions, we will accrue excise tax, if any, on estimated excess taxable income as taxable income is earned.

We evaluate tax positions taken in the course of preparing our tax returns to determine whether the tax positions are "more-likely-than-not" to be sustained by the applicable tax authority. Tax benefits of positions not deemed to meet the more-likely-than-not threshold, or uncertain tax positions, would be recorded as a tax expense in the current year. It is our policy to recognize accrued interest and penalties related to uncertain tax benefits in income tax expense. We had no material uncertain tax positions at June 30, 2013 and December 31, 2012.

Recently Issued Accounting Standards

In May 2011, the FASB issued Accounting Standards Update (ASU) 2011-04, Amendments to Achieve Common Fair Value Measurements and Disclosure Requirements in U.S. GAAP and IFRs, (ASU 2011-04). ASU 2011-04 converges the fair value measurement guidance in U.S. GAAP and International Financial Reporting Standards (IFRSs). Some of the amendments clarify the application of existing fair value measurement requirements, while other amendments change a particular principle in existing guidance. In addition, ASU 2011-04 requires additional fair value disclosures. We adopted ASU 2011-04 in the quarter ended March 31, 2012.

Item 3. 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 mostly at fixed rates 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.

Assuming that the consolidated statement of assets and liabilities as of June 30, 2013 was to remain constant and no actions were taken to alter the existing interest rate sensitivity, a hypothetical immediate 1% change in interest rates may affect net income by more than 1% over a one-year horizon. Although management believes that this measure is indicative of our sensitivity to interest rate changes, it does not adjust for potential changes in the credit market, credit quality, size and composition of the assets on the consolidated statement of assets and liabilities and other business developments that could affect net increase in net assets resulting from operations, or net income. Accordingly, no assurances can be given that actual results would not differ materially from the statement above.

While our Asset-Backed Notes and 2019 Notes bear interest at a fixed rate, our Credit Facilities have a floating interest rate provision based on a LIBOR index which resets daily, and we expect that 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 expect to continue to fund, our investments with borrowings, our net income depends 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.

Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

As of June 30, 2013, we, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended, or the Exchange Act). Based on that evaluation, our management, including our Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective and provided reasonable assurance that information required to be disclosed in our periodic SEC filings is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. However, in evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of such possible controls and procedures.

(b) Changes in Internal Controls Over Financial Reporting.

There have been no material changes in our internal controls over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) during our most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II

Item 1: Legal Proceedings.

Neither we nor our Advisor are currently subject to any material legal proceedings, nor, to our knowledge, is any material legal proceeding threatened against us or against our Advisor.

Item 1A: Risk Factors.

In addition to other information set forth in this report, you should carefully consider the "Risk Factors" discussed in our annual report on Form 10-K for the year ended December 31, 2012, which could materially affect our business, financial condition and/or operating results. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially affect our business, financial condition and/or operating results. There have been no material changes during the six months ended June 30, 2013 to the risk factors set forth in "Item 1A. Risk Factors" of our annual report on Form 10-K for the year ended December 31, 2012.

Item 2: Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3: Defaults Upon Senior Securities.

None.

Item 4: Mine Safety Disclosures.

Not applicable

Item 5: Other Information.

None.

Item 6: Exhibits.

EXHIBIT INDEX

Exhibit No.	Description
4.1*	Indenture, dated as of June 28, 2013, between Horizon Technology Funding Trust 2013-1 and U.S. Bank National Association
10.1*	Amended and Restated Trust Agreement, dated as of June 28, 2013, by and between Horizon Funding 2013-1 LLC and Wilmington Trust, National Association
10.2*	Sale and Servicing Agreement, dated as of June 28, 2013, by and among the Company, Horizon Funding Trust 2013-1, Horizon Funding 2013-1 LLC and U.S. Bank National Association
10.3*	Sale and Contribution Agreement, dated June 28, 2013, between the Company and Horizon Funding 2013-1 LLC
10.4*	Note Purchase Agreement, dated June 28, 2013, by and among the Company, Horizon Funding 2013-1 LLC, Horizon Funding Trust 2013-1 and Guggenheim Securities, LLC
31.1*	Certifications by Chief Executive Officer pursuant to Exchange Act Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certifications by Chief Financial Officer pursuant to Exchange Act Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

* Filed herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Quarterly Report on Form 10-Q to be signed on its behalf by the undersigned, thereunto duly authorized.

Horizon Technology Finance Corporation

Date: August 6, 2013

By: /s/ Robert D. Pomeroy, Jr.
Name: Robert D. Pomeroy, Jr.
Title: Chief Executive Officer and Chairman of the Board of Directors

Date: August 6, 2013

By: /s/ Christopher M. Mathieu
Name: Christopher M. Mathieu
Title: Chief Financial Officer

EXECUTION COPY

INDENTURE

by and between

HORIZON FUNDING TRUST 2013-1,
as the Issuer,

and

U.S. BANK NATIONAL ASSOCIATION,
as the Trustee

Dated as of June 28, 2013

Horizon Funding Trust 2013-1
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EXHIBITS

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Exhibit B	—	List of Loans
Exhibit C	—	Form of Wiring Instructions
Exhibit D-1	—	Form of Transferee Letter Non-Rule 144A
Exhibit D-2	—	Form of Rule 144A Certification
Exhibit E	—	Form of Transfer Certificate for Rule 144A Global Note to Regulation S Global Note during Distribution Compliance Period
Exhibit F	—	Form of Transfer Certificate for Rule 144A Global Note to Regulation S Global Note after Distribution Compliance Period
Exhibit G	—	Form of Transfer Certificate for Regulation S Global Note to Rule 144A Global Note during Distribution Compliance Period
Exhibit H	—	Form of Transfer Certificate for Regulation S Global Note during Distribution Compliance Period

INDENTURE

THIS INDENTURE, dated as of June 28, 2013 (as amended, modified, restated, supplemented or waived from time to time, this "Indenture"), is by and between HORIZON FUNDING TRUST 2013-1, a Delaware statutory trust, as the issuer (together with its successors and assigns, in such capacity, the "Issuer"), and U.S. BANK NATIONAL ASSOCIATION, a national banking association (" U.S. Bank") not in its individual capacity, but solely in its capacity as the trustee (together with its successors and assigns, in such capacity, the "Trustee").

Each party hereto agrees as follows for the benefit of the other party and for the equal and ratable benefit of the Holders of the Issuer's Notes.

GRANTING CLAUSE

The Issuer hereby Grants to the Trustee, on behalf of and for the benefit of the Holders of the Notes, without recourse, subject to the terms of this Indenture and the other Transaction Documents and subject to any Permitted Liens with respect thereto, a continuing security interest in and lien on all of its right, title and interest in and to all accounts, cash and currency, chattel paper, copyrights, copyright licenses, equipment, fixtures, general intangibles, instruments, commercial tort claims, deposit accounts, inventory, investment property, letter of credit rights, software, supporting obligations, accessions, and other property consisting of, arising out of, or related to (i) the Loans and all Related Property included or to be included from time to time in the Loan Assets, whether now existing or hereafter arising or acquired; (ii) Collections on the Loans received after the Cutoff Date; (iii) the security interests in Related Property securing the Loans; (iv) the Loan Files relating to the Loans; (v) an assignment of all rights to Proceeds from liquidating the Loans; (vi) an assignment of the Trust Depositor's rights against Obligors under agreements between the Seller and the Obligors under the Loans; (vii) the Collection Account, the Reserve Account, the Lockbox Account and the Distribution Account, all amounts deposited therein or credited thereto, the Permitted Investments purchased with funds therefrom or deposited therein and all income from the investment of funds therein; (viii) other rights under the Transaction Documents; (ix) all proceeds from the items described above; and (x) all present and future claims, demands, causes and choses in action in respect of any or all of the foregoing and all payments on or under and all proceeds of every kind and nature whatsoever in respect of any or all of the foregoing, including all proceeds of the conversion, voluntary or involuntary, into cash or other liquid property, all cash proceeds, accounts, accounts receivable, notes, drafts, acceptances, chattel paper, checks, deposit accounts, insurance proceeds, condemnation awards, rights to payment of any and every kind and other forms of obligations and receivables, instruments and other property which at any time constitute all or part of or are included in the proceeds of any of the foregoing; *provided* that all right, title and interest of the Issuer in and to each Excluded Amount, the Certificate Account and any and all proceeds of any Excluded Amount or the Certificate Account (collectively, the " Excluded Property") shall be excluded from the foregoing Grant by the Issuer (collectively, the "Indenture Collateral").

The foregoing Grant is made in trust to secure (x) the payment of principal of and interest on, and any other amounts owing in respect of, the Notes and all other sums owing by the Issuer hereunder or under any other Transaction Document, and (y) to secure compliance with the covenants and agreement in this Indenture and the other Transaction Documents.

The Trustee, on behalf of the Noteholders (1) acknowledges such Grant, and (2) accepts the trusts under this Indenture in accordance with this Indenture and agrees to perform its duties required in this Indenture to the best of its ability to the end that the interests of the Noteholders may be adequately and effectively protected.

ARTICLE I
DEFINITIONS

Section 1.01 Definitions.

Certain defined terms used throughout this Indenture are defined above or in this Section 1.01. In addition, except as otherwise expressly provided herein or unless the context otherwise requires, capitalized terms used but not otherwise defined herein shall have the meanings given to such terms in the Sale and Servicing Agreement (as defined below), which are incorporated by reference herein.

"Applicable Procedures" has the meaning provided in Section 4.02(l)(i).

"Authorized Newspaper" means a newspaper of general circulation in the Borough of Manhattan, The City of New York, printed in the English language and customarily published on each Business Day, whether or not published on Saturdays, Sundays or holidays.

"Beneficial Owner" means, with respect to a Global Note, the Person who is the beneficial owner of such Note, as reflected on the books of DTC or on the books of a Person maintaining an account with such Depository (directly or as an indirect participant, in accordance with the rules of such Depository), as the case may be.

"Certificate Registrar" means initially, the Trustee, and thereafter, any successor appointed pursuant to the Trust Agreement.

"Clearstream" means Clearstream Banking, a société anonyme, a limited liability company organized under the laws of Luxembourg.

"Confidential Information" means any and all information concerning any Disclosing Party disclosed by, or at the request or on behalf of, any Disclosing Party to any Receiving Party or its representatives pursuant to this Indenture, excluding, however, any information that at the time of disclosure: (a) was generally available to the public, other than as a result of a disclosure by any Receiving Party or its representatives in violation of this Indenture; (b) was available to any Receiving Party on a non-confidential basis from a source other than the Disclosing Party or its representatives; (c) was already known to the Receiving Party and not subject to restrictions on use or disclosure; or (d) was independently developed by or on behalf of the Receiving Party (other than at the request of or for the benefit of the Disclosing Party) by individuals who did not directly or indirectly receive Confidential Information.

"Corporate Trust Office" means in the case of the Trustee: with respect to Note transfers and presentment of Notes for final payment, at U.S. Bank National Association, 60 Livingston Avenue, EP-MN-WS3D, St. Paul, Minnesota 55107, Attention: Horizon 2013-1, and for all other purposes, to the Trustee at U.S. Bank National Association, Global Corporate Trust Services, 190 S. LaSalle Street, 7th Floor, Chicago, IL 60603, Attention: Horizon Funding Trust 2013-1, Tel: 312-332-7496, Fax: 312-332-7996, Email: melissa.rosal@usbank.com or at such other address as the Trustee may designate from time to time by notice to the Issuer, or the principal corporate trust officer of any successor Trustee at the address designated by such successor by notice to the Issuer.

"Default" means any occurrence that is, or with notice or the lapse of time or both would become, an Event of Default.

"Direct Participant" means any broker-dealer, bank or other financial institution for whom the nominee of DTC holds an interest in any Note.

"Disclosing Party" means each of the Issuer, the Trust Depositor, the Servicer and the Seller and "Disclosing Parties" means collectively all such parties.

"Distribution Compliance Period" means the 40 day period prescribed by Regulation S commencing on the later of (a) the date upon which Notes are first offered to Persons other than the Initial Purchaser and any other distributor (as such term is defined in Regulation S) of the Notes and (b) the Closing Date.

"DTC" or the "Depository" means The Depository Trust Company, and its successors.

"DTC Custodian" means the Trustee as a custodian for DTC.

"DTC Participant" means a Person for whom, from time to time, DTC effects book-entry transfers and pledges of securities deposited with DTC.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, or any successor legislation thereto and the regulations promulgated and the rulings issued thereunder.

"Euroclear" means the Euroclear System, operated by Morgan Guaranty Trust Company of New York, Brussels office.

"Excluded Property" has the meaning provided in the Granting Clause.

"Event of Default" has the meaning provided in Section 5.01.

"FATCA" means Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version) and any current or future regulations or official interpretations thereof.

"Global Note" means any Note registered in the name of DTC or its nominee, beneficial interests in which are reflected on the books of DTC or on the books of a Person maintaining any account with such Depository (directly or as an indirect participant in accordance with the rules of such Depository). The definition of "Global Note" shall include the Rule 144A Global Notes and the Regulation S Global Notes.

"Grant" means to mortgage, pledge, sell, bargain, warrant, alienate, remise, release, convey, assign, transfer, create, and grant a lien upon and a security interest in and right of set-off against, deposit, set over and confirm pursuant to this Indenture. A Grant of Indenture Collateral or of any other agreement or instrument shall include all rights, powers and options (but none of the obligations) of the granting party thereunder, including the immediate and continuing right to claim for, collect, receive and give receipt for principal and interest payments in respect of such collateral or other agreement or instrument and all other moneys payable thereunder, to give and receive notices and other communications, to make waivers or other agreements, to exercise all rights and options, to bring proceedings in the name of the granting party or otherwise, and generally to do and receive anything that the granting party is or may be entitled to do or receive thereunder or with respect thereto.

"Indenture Collateral" has the meaning provided in the Granting Clause.

"Indirect Participant" means any financial institution for whom any Direct Participant holds an interest in any Note.

"Initial Purchaser" means Guggenheim Securities, LLC.

"Institutional Accredited Investor" means any Person meeting the requirements of Rule 501 (a) (1), (2), (3) or (7) of Regulation D under the Securities Act.

"Issuer Documents" has the meaning provided in Section 3.25(a).

"Issuer Order" means a written order or request signed in the name of the Issuer by any one of its Responsible Officers or by the Servicer or the Administrator on behalf of the Issuer and delivered to the Trustee.

"Legal Final Payment Date" means May 15, 2018.

"Letter of Representations" means the Letter of Representations, dated as of June 28, 2013 by and between the Issuer and DTC.

"Minimum Denomination" of any Note shall mean, (x) in respect of Notes purchased by the Initial Purchaser and subsequently retransferred to the first transferee thereof (provided that such initial transferee provides to the Initial Purchaser and the Issuer a written certification that such transferee is both a Qualified Purchaser and a Qualified Institutional Buyer), a minimum denomination of $250,000 initial principal amount and integral multiples of $1,000 in excess thereof and (y) with respect to all subsequent transfers of Notes, a minimum denomination of $250,000 initial principal amount and integral multiples of $1,000 in excess thereof; *provided* that one Note may be in a smaller multiple in excess of the minimum denomination.

"Non-Permitted Holder" has the meaning provided in Section 4.02(s)(ii).

"Note Register" has the meaning provided in Section 4.02(a).

"Note Registrar" has the meaning provided in Section 4.02(a).

"Outstanding" means, as of any date of determination, all Notes theretofore executed, authenticated and delivered under this Indenture except: (i) Notes in exchange for or in lieu of which other Notes have been executed, authenticated and delivered pursuant to this Indenture unless proof satisfactory to the Trustee is presented that any such Notes are held by a holder in due course; (ii) Notes to be redeemed in connection with an Optional Redemption and in respect of which money in the necessary amount to pay the Redemption Price, has been theretofore deposited with the Trustee in trust for the Noteholders; and (iii) Notes otherwise cancelled by the Note Registrar in accordance with the express terms of this Indenture; *provided* that, in determining whether the Holders of the requisite amount of any Notes have given any request, demand, authorization, direction, notice, consent or waiver hereunder or under the Sale and Servicing Agreement, (1) Notes beneficially owned by the Issuer shall be disregarded and deemed not to be Outstanding and (2) Notes beneficially owned by the Servicer, Seller, any Affiliate of the Seller or the Servicer or any account managed on a discretionary basis by the Servicer or an Affiliate of the Servicer shall be disregarded and deemed not to be Outstanding with respect to any assignment by the Servicer or termination of the Servicer under the Sale and Servicing Agreement or this Indenture (including the exercise of any rights to remove the Servicer or approve or object to a Successor Servicer); *except* that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Notes that the Trustee knows to be beneficially owned in the manner indicated above shall be so disregarded; *provided* that the Trustee shall be entitled to rely on a certificate of the Servicer attesting to the ownership of Notes by the Seller, the Servicer, any of their respective Affiliates or any account managed on a discretionary basis by the Servicer or an Affiliate of the Servicer, if any.

"Owner" means each Holder of a Note.

"Owner Trustee" means Wilmington Trust, National Association, not in its individual capacity but solely as owner trustee under the Trust Agreement, and any successor Owner Trustee thereunder.

"Participant" means a Person that has an account with DTC.

"Physical Note" means any Note in certificated form registered in the name of a holder other than DTC or its nominee.

"Plan" has the meaning provided in Section 4.02(t).

"Proceeding" means any suit in equity, action at law or other judicial or administrative proceeding.

"PTCE" has the meaning provided in Section 4.02(t).

"Qualified Institutional Buyer" has the meaning provided in Rule 144A under the Securities Act.

"Qualified Purchaser" has the meaning provided in Section 2(a)(51) under the 1940 Act.

"Receiving Party" means each Holder of a Note, the Trustee and the Owner Trustee.

"Regulation S" means Regulation S under the Securities Act.

"Regulation S Global Notes" means the Notes sold in offshore transactions in reliance on Regulation S and represented by one or more Global Notes deposited with the Trustee as custodian for DTC.

"Replacement Notes" has the meaning provided in Section 10.02.

"Rule 144A Certification" means a letter substantially in the form attached to this Indenture as Exhibit D-2.

"Rule 144A Global Notes" means the Notes initially sold to Qualified Institutional Buyers who are Qualified Purchasers represented by one or more Global Notes in fully registered form without interest coupons, deposited with the Trustee as custodian for DTC and registered in the name of Cede & Co., as nominee of DTC.

"Sale" has the meaning provided in Section 5.15.

"Sale and Contribution Agreement" means the Sale and Contribution Agreement, dated as of the date hereof, by and between Horizon Technology Finance Corporation, as Seller, and Horizon Funding 2013-1 LLC, as the Trust Depositor.

"Sale and Servicing Agreement" means the Sale and Servicing Agreement, dated as of date hereof, by and among Horizon Funding Trust 2013-1, as the Issuer, Horizon Funding 2013-1 LLC, as the Trust Depositor, Horizon Technology Finance Corporation, as the Seller and as the Servicer, and U.S. Bank National Association, as the Trustee.

"Securities Legend" means a legend that reads as follows: "THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE APPLICABLE SECURITIES LAWS OF ANY STATE. ACCORDINGLY, TRANSFER OF THIS NOTE IS SUBJECT TO CERTAIN RESTRICTIONS SET FORTH IN SECTION 4.02 OF THE INDENTURE. BY ITS ACCEPTANCE OF THIS NOTE, THE HOLDER OF THIS NOTE IS DEEMED TO, OR WITH RESPECT TO INVESTORS IN PHYSICAL NOTES SHALL, REPRESENT TO THE ISSUER AND THE TRUSTEE THAT IT IS (I) IF LOCATED IN THE UNITED STATES (A) A "QUALIFIED INSTITUTIONAL BUYER", AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT THAT IS A "QUALIFIED PURCHASER" AS DEFINED IN SECTION 2(A)(51) OF THE INVESTMENT COMPANY ACT OF 1940 (EACH SUCH PERSON, A "QUALIFIED PURCHASER") OR (B) AN INSTITUTION THAT QUALIFIES AS AN "ACCREDITED INVESTOR" MEETING THE REQUIREMENTS OF RULE 501(A)(1), (2), (3) OR (7) OF REGULATION D UNDER THE SECURITIES ACT (AN "INSTITUTIONAL ACCREDITED INVESTOR") THAT IS A QUALIFIED PURCHASER AS DEFINED IN SECTION 2(A)(51) OF THE INVESTMENT COMPANY ACT OF 1940 PURSUANT TO AN EXEMPTION UNDER THE SECURITIES ACT AND, IN EITHER CASE, IS ACQUIRING SUCH NOTE FOR ITS OWN ACCOUNT (AND NOT FOR THE ACCOUNT OF OTHERS) OR AS A FIDUCIARY OR AGENT FOR OTHERS (WHICH OTHERS ALSO ARE INSTITUTIONAL ACCREDITED INVESTORS), PURSUANT TO AN EXEMPTION FROM REGISTRATION REQUIREMENTS UNDER THE SECURITIES ACT; OR (II) A NON-U.S. PERSON ACQUIRING INTEREST IN THIS NOTE OUTSIDE THE UNITED STATES IN ACCORDANCE WITH REGULATION S OF THE SECURITIES ACT ("REGULATION S") THAT IS A QUALIFIED PURCHASER.

NO SALE, PLEDGE OR OTHER TRANSFER OF THIS NOTE SHALL BE MADE UNLESS SUCH SALE, PLEDGE OR OTHER TRANSFER IS (A) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, (B) FOR SO LONG AS THE NOTES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT, TO A PERSON THE TRANSFEROR REASONABLY BELIEVES AFTER DUE INQUIRY IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A WHO IS A QUALIFIED PURCHASER (AS DEFINED ABOVE) AND THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A "QUALIFIED INSTITUTIONAL BUYER" TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (C) TO AN INSTITUTIONAL ACCREDITED INVESTOR WHO IS A QUALIFIED PURCHASER AND IS ACQUIRING SUCH NOTE FOR ITS OWN ACCOUNT (AND NOT FOR THE ACCOUNT OF OTHERS) OR AS A FIDUCIARY OR AGENT FOR OTHERS (WHICH OTHERS ALSO ARE INSTITUTIONAL ACCREDITED INVESTORS) OR (D) TO A NON-U.S. PERSON THAT IS A QUALIFIED PURCHASER ACQUIRING AN INTEREST IN THIS NOTE IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR 904 (AS APPLICABLE) OF REGULATION S UNDER THE SECURITIES ACT. THE TRUSTEE MAY REQUIRE AN OPINION OF COUNSEL TO BE DELIVERED TO IT IN CONNECTION WITH ANY SALE, PLEDGE OR OTHER TRANSFER OF THIS NOTE PURSUANT TO CLAUSES (A) OR (C) ABOVE. ALL OPINIONS OF COUNSEL REQUIRED IN CONNECTION WITH ANY TRANSFER SHALL BE IN A FORM REASONABLY ACCEPTABLE TO THE TRUSTEE. IN CONNECTION WITH A TRANSFER UNDER CLAUSES (C) OR (D) ABOVE, THE TRUSTEE SHALL REQUIRE THAT THE PROSPECTIVE TRANSFEREE CERTIFY TO THE TRUSTEE AND THE SELLER, IN WRITING THE FACTS SURROUNDING SUCH TRANSFER, WHICH CERTIFICATION SHALL BE IN FORM AND SUBSTANCE DESCRIBED IN THE INDENTURE. ANY ATTEMPTED TRANSFER IN CONTRAVENTION OF THE IMMEDIATELY PRECEDING RESTRICTION WILL BE VOID AB INITIO AND THE PURPORTED TRANSFEROR WILL CONTINUE TO BE TREATED AS THE OWNER OF THE NOTES FOR ALL PURPOSES."

In addition, the Notes will include the following:

"EACH INVESTOR IN THIS NOTE OR ANY INTEREST HEREIN WILL BE DEEMED TO, OR WITH RESPECT TO INVESTORS IN PHYSICAL NOTES SHALL, HAVE REPRESENTED AND WARRANTED THAT EITHER (I) IT IS NOT, AND IS NOT DIRECTLY OR INDIRECTLY ACQUIRING THIS NOTE FOR, ON BEHALF OF OR WITH ANY ASSETS OF, AN EMPLOYEE BENEFIT PLAN OR OTHER ARRANGEMENT SUBJECT TO PART 4, SUBTITLE B, TITLE I OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), A PLAN SUBJECT TO SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), OR AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE PLAN ASSETS OF ANY SUCH PLANS (COLLECTIVELY, A "BENEFIT PLAN INVESTOR") OR A PLAN OR OTHER ARRANGEMENT SUBJECT TO ANY PROVISIONS UNDER ANY FEDERAL, STATE, LOCAL, NON-U.S. OR OTHER LAWS OR REGULATIONS THAT ARE SUBSTANTIVELY SIMILAR TO THE FOREGOING PROVISIONS OF ERISA OR THE CODE ("SIMILAR LAW") OR (II) ITS ACQUISITION, HOLDING AND DISPOSITION OF SUCH NOTE OR ANY INTEREST THEREIN WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, OR A NON-EXEMPT VIOLATION OF SIMILAR LAW.

THE ISSUER HAS THE RIGHT, UNDER THE INDENTURE, TO COMPEL ANY BENEFICIAL OWNER OF AN INTEREST IN THIS NOTE THAT IS NOT BOTH (A) A QUALIFIED PURCHASER OR A CORPORATION, PARTNERSHIP, LIMITED LIABILITY COMPANY OR OTHER ENTITY (OTHER THAN A TRUST) EACH SHAREHOLDER, PARTNER, MEMBER OR OTHER EQUITY OWNER OF WHICH IS A QUALIFIED PURCHASER AND (B)(1) A QUALIFIED INSTITUTIONAL BUYER OR AN INSTITUTIONAL ACCREDITED INVESTOR OR (2) A NON-U.S. PERSON IN AN OFFSHORE TRANSACTION IN RELIANCE ON REGULATION S UNDER THE SECURITIES ACT, TO SELL ITS INTEREST IN THIS NOTE, OR MAY SELL SUCH INTEREST ON BEHALF OF SUCH OWNER.""

In addition, each Regulation S Global Note will include the following:

"THIS REGULATION S GLOBAL NOTE IS A GLOBAL NOTE WHICH IS EXCHANGEABLE FOR INTERESTS IN OTHER GLOBAL NOTES AND DEFINITIVE NOTES SUBJECT TO THE TERMS AND CONDITIONS SET FORTH HEREIN AND IN THE INDENTURE (AS DEFINED HEREIN). EACH HOLDER OF THIS REGULATION S GLOBAL NOTE MUST PROVIDE A WRITTEN CERTIFICATION TO THE ISSUER THAT SUCH HOLDER IS A "QUALIFIED PURCHASER" AS DEFINED IN SECTION 2(A)(51) OF THE INVESTMENT COMPANY ACT OF 1940 AND MAY NOT TRANSFER ITS INTEREST IN SUCH NOTE UNLESS IT REASONABLY BELIEVES THAT THE TRANSFEREE IS ALSO A "QUALIFIED PURCHASER" AS DEFINED IN SECTION 2(A)(51) OF THE INVESTMENT COMPANY ACT OF 1940."

"Series" means 2013-1.

"Similar Law" has the meaning provided in Section 4.02(t).

"Super-Majority Noteholders" means prior to the payment in full of the Notes, the Noteholders evidencing more than 66 2/3% of the aggregate Outstanding Principal Balance of Notes.

"Transferee Letter" means the letter set forth in Exhibit D-1 to this Indenture.

"Trust Certificate" means a certificate evidencing ownership of the beneficial interest of a Certificateholder in the Issuer, substantially in the form of Exhibit A attached to the Trust Agreement.

"Trust Company" means Wilmington Trust, National Association (and any successor thereto or assign thereof), in its individual capacity, and any other Person who shall act as Owner Trustee under the Trust Agreement, in its individual capacity.

"Trust Indenture Act" or "TIA" means the Trust Indenture Act of 1939, as amended from time to time, as in effect on any relevant date.

"Trustee" has the meaning provided in the Preamble.

"U.S. Person" means a person that is a citizen or resident of the United States, a corporation or partnership (except as provided in applicable Treasury regulations) created or organized in or under the laws of the United States, any State or the District of Columbia, including any entity treated as a corporation or partnership for federal income tax purposes, an estate whose income is subject to United States federal income tax regardless of its source, or a trust if a court within the United States is able to exercise primary supervision over the administration of such trust, and one or more such U.S. Persons have the authority to control all substantial decisions of such trust (or, to the extent provided in applicable Treasury regulations, certain trusts in existence on August 20, 1996 which are eligible to elect to be treated as a U.S. Person).

"USA PATRIOT Act " means the United States Uniting and Strengthening America By Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, signed into law on and effective as of October 26, 2001, which, among other things, requires that financial institutions, a term that includes banks, broker-dealers and investment companies, establish and maintain compliance programs to guard against money laundering activities.

Section 1.02 Rules of Construction.

Unless the context otherwise requires:

(i) a term has the meaning given to it;

(ii) an accounting term not otherwise defined has the meaning given to it in accordance with generally accepted accounting principles;

(iii) "or" is not exclusive;

(iv) "including" means including without limitation;

(v) words in the singular include the plural and words in the plural include the singular;

(vi) any pronouns shall be deemed to cover all genders; and

(vii) any agreement, instrument or statute defined or referred to herein or in any instrument or certificate delivered in connection herewith means such agreement, instrument or statute as from time to time amended, modified, waived or supplemented and includes (in the case of agreements or instruments) references to all attachments thereto and instruments incorporated therein; references to a Person are also to its permitted successors and assigns.

ARTICLE II
THE NOTES

Section 2.01 Form.

The Notes, together with the Trustee's certificate of authentication, shall be in substantially the forms set forth as Exhibits A-1 and A-2 to this Indenture with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may, consistently herewith, be determined by the appropriate Responsible Officers executing such Notes, as evidenced by their execution of the Notes. Any portion of the text of any Note may be set forth on the reverse thereof, with an appropriate reference thereto on the face of the Note.

The Notes shall be typewritten, printed, lithographed or engraved or produced by any combination of these methods (with or without steel engraved borders), all as determined by the Responsible Officers executing such Notes, as evidenced by their execution of such Notes.

The terms of the Notes set forth in Exhibits A-1 and A-2 are part of the terms of this Indenture.

Section 2.02 Execution, Authentication and Delivery.

The Notes shall be executed on behalf of the Issuer by any of its Responsible Officers. The signature of any such Responsible Officer on the Notes may be manual or facsimile.

Notes bearing the manual or facsimile signature of individuals who were at any time Responsible Officers of the Issuer shall bind the Issuer, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Notes or did not hold such offices at the date of such Notes.

The Trustee shall upon receipt of an Issuer Order authenticate and deliver the Notes for original issue in an aggregate amount equal to the Initial Note Principal Balance.

Each Note shall be dated the date of its authentication. The Notes shall be issued in fully registered form in minimum initial denominations equal to the applicable Minimum Denomination and in integral multiples of $1,000 in excess thereof; *provided* that one Note may be issued in a smaller multiple in excess of the minimum denomination

No Note shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose, unless there appears on such Note a certificate of authentication substantially in the form provided for herein executed by the Trustee by the manual signature of one of its authorized signatories, and such certificate upon any Note shall be conclusive evidence, and the only evidence, that such Note has been duly authenticated and delivered hereunder.

Section 2.03 Opinions of Counsel.

On the Closing Date, the Trustee shall have received: (i) an Opinion of Counsel, with respect to securities law matters; (ii) an Opinion of Counsel, with respect to the tax status of the arrangement created by this Indenture and the tax treatment of the Notes; (iii) an Opinion of Counsel to the Issuer, with respect to the due authorization, valid execution and delivery of this Indenture and with respect to its binding effect on the Issuer; (iv) an Opinion of Counsel with respect to certain "true sale" and "non-consolidation" issues relating to Seller and Trust Depositor; and (v) an Opinion of Counsel with respect to certain trust and limited liability matters and with respect to certain "perfection and priority" issues.

ARTICLE III
COVENANTS

Section 3.01 Transaction Accounts.

The Securities Intermediary shall establish and maintain as required therein or herein, as applicable, the Collection Account, the Reserve Account and the Distribution Account specified in Sections 7.01, 7.02 and 7.03 of the Sale and Servicing Agreement. The Issuer shall establish as required therein or herein, as applicable, the Lockbox Account specified in Section 7.01 of the Sale and Servicing Agreement. Subject to the Priority of Payments, the Trustee shall make all payments of principal of and interest on the Notes, subject to Section 3.03 and as provided in Section 3.05, from moneys on deposit in the Distribution Account in accordance with the instructions of the Servicer pursuant to Section 7.05 of the Sale and Servicing Agreement.

Section 3.02 Maintenance of Office or Agency.

The Issuer will maintain with the Trustee an office or agency where, subject to satisfaction of conditions set forth herein, Notes may be surrendered for registration of transfer or exchange, and where notices and demands to or upon the Issuer in respect of the Notes and this Indenture may be served. The Issuer hereby initially appoints the Trustee to serve as its agent for the foregoing purposes. The Issuer will give prompt written notice to the Trustee of the location, and of any change in the location, of any such office or agency. If at any time the Issuer shall fail to maintain any such office or agency or shall fail to furnish the Trustee with the address thereof (if such office or agency is no longer maintained with the Trustee), such surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee, and the Issuer hereby appoints the Trustee as its agent to receive all such surrenders, notices and demands.

Section 3.03 Money for Payments To Be Held in Trust; Paying Agent.

The Issuer hereby appoints the Trustee to act as agent for the payment (the "Paying Agent") of principal and interest on the Notes and all other amounts payable pursuant to the Sale and Servicing Agreement (including without limitation the Priority of Payments) and this Indenture. As provided in Section 3.01, all payments of amounts due and payable with respect to any Notes that are to be made from amounts withdrawn from the Distribution Account shall be made on behalf of the Issuer by the Paying Agent, and no amounts so withdrawn from the Distribution Account for payments of Notes shall be paid over to the Issuer except as provided in this Section 3.03 and in Section 3.05.

The Issuer may at any time and from time to time vary or terminate the appointment of any such agent or appoint any additional agents for any or all of such purposes; *provided* that no Paying Agent shall be appointed in a jurisdiction that subjects payments on the Notes to withholding tax; *provided* that unless such agent has short-term debt rated "P-1" by Moody's it may not hold funds pursuant to this Indenture overnight. The Issuer shall give prompt written notice to the Trustee, the Rating Agency and the Noteholders of the appointment or termination of any such agent and of the location and any change in the location of any such office or agency.

On the Business Day prior to each Payment Date, or on the Business Day prior to any Redemption Date, as applicable, the Paying Agent (provided that sufficient funds therefor are available) shall deposit or cause to be deposited in the Distribution Account from amounts on deposit in the Collection Account an aggregate sum sufficient to pay the amounts then becoming due, such sum to be held in trust for the benefit of the Persons entitled thereto and (unless the Trustee is the Paying Agent) shall promptly notify the Issuer in writing of its action or failure so to act.

The Issuer will cause each party other than the Trustee that it appoints as Paying Agent to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee (and if the Trustee acts as Paying Agent, it hereby so agrees), subject to the provisions of this Section 3.03, that such Paying Agent will:

(i) hold all sums held by it for the payment of amounts due with respect to the Notes in trust for the benefit of the Persons entitled thereto until such sums shall be paid to such Persons or otherwise disposed of as herein provided and pay such sums to such Persons as herein provided;

(ii) at any time during the continuance of any Event of Default, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held in trust by such Paying Agent;

(iii) immediately resign as Paying Agent and forthwith pay to the Trustee all sums held by it in trust for the payment of Notes if at any time it ceases to meet the standards required to be met by a Paying Agent at the time of its appointment; and

(iv) to the extent such Paying Agent is located in, or makes payments within, the United States, comply with all requirements of the Code with respect to the withholding from any payments made by it on any Notes of any applicable withholding taxes imposed thereon and with respect to any applicable reporting requirements in connection therewith.

The Issuer may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, by Issuer Order direct any Paying Agent to pay to the Trustee all sums held in trust by such Paying Agent, such sums to be held by the Trustee upon the same trusts as those upon which the sums were held by such Paying Agent; and upon such payment by any Paying Agent to the Trustee, such Paying Agent shall be released from all further liability with respect to such money.

Subject to applicable laws with respect to escheat of funds, any money held by the Paying Agent in trust for the payment of any amount due with respect to any Note and remaining unclaimed for two years after such amount has become due and payable shall be discharged from such trust and be paid to the Issuer on an Issuer Order; and the Holder of such Note shall thereafter, as an unsecured general creditor, look only to the Issuer for payment thereof (but only to the extent of the amounts so paid to the Issuer), and all liability of the Paying Agent with respect to such trust money shall thereupon cease; *provided* that the Paying Agent, before being required to make any such repayment, shall at the expense and direction of the Issuer cause to be published once, in an Authorized Newspaper, notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such publication, any unclaimed balance of such money then remaining will be repaid to the Issuer. The Trustee shall also adopt and employ, at the expense and direction of the Issuer, any other reasonable means of notification of such repayment (including, but not limited to, mailing notice of such repayment to Holders whose Notes have been called but have not been surrendered for redemption or whose right to or interest in moneys due and payable but not claimed is determinable from the records of the Trustee or of any other party acting as Paying Agent, at the last address of record for each such Holder).

Section 3.04 **Existence; Separate Legal Existence.**

(a) The Issuer will keep in full effect its existence, rights and franchises as a statutory trust under the laws of the State of Delaware (unless it becomes, or any successor Issuer hereunder is or becomes, organized under the laws of any other state or of the United States, in which case the Issuer will keep in full effect its existence, rights and franchises under the laws of such other jurisdiction) and will obtain and preserve its qualification to do business in each jurisdiction in which such qualification is or shall be necessary to protect the validity and enforceability of this Indenture, the Notes, the other Transaction Documents, the Indenture Collateral and each other instrument or agreement included in the Indenture Collateral.

(b) The Issuer shall:

(i) Maintain its own deposit account or accounts, separate from those of any Affiliate, with commercial banking institutions and in accordance with the terms of this Indenture. The funds of the Issuer will not be diverted to any other Person or for other than authorized uses of the Issuer.

(ii) Ensure that it is at all times in compliance with Section 4.01 of the Trust Agreement.

(iii) Ensure that, to the extent that it jointly contracts with any of its beneficial owners or Affiliates to do business with vendors or service providers or to share overhead expenses, the costs incurred in so doing shall be allocated fairly among such entities, and each such entity shall bear its fair share of such costs. To the extent that the Issuer contracts or does business with vendors or service providers when the goods and services provided are partially for the benefit of any other Person, the costs incurred in so doing shall be fairly allocated to or among such entities for whose benefit the goods and services are provided, and each such entity shall bear its fair share of such costs. All material transactions between Issuer and any of its Affiliates shall be only at fair market value on an arm's length basis and, as applicable thereto, in accordance with the Sale and Servicing Agreement.

(iv) Conduct its affairs strictly in accordance with its organizational documents and observe all necessary, appropriate and customary statutory trust formalities, including, but not limited to, holding all regular and special board of trustees meetings, if any, as required under the terms of the Trust Agreement appropriate to authorize all statutory trust action, keeping separate and accurate minutes of its meetings, passing all resolutions or consents necessary to authorize actions taken or to be taken, and maintaining accurate and separate books, records and accounts, including, but not limited to, payroll and intercompany transaction accounts.

(v) Conduct its affairs in its own name, duly correct any known misunderstandings regarding its separate identity and shall not take any action or conduct its affairs in a manner that is likely to result in its separate existence being ignored or its assets and liabilities being substantively consolidated with any other Person in a bankruptcy, reorganization or other insolvency proceeding.

Section 3.05 Payment of Principal and Interest.

The Issuer will duly and punctually pay the principal of and interest on the Notes, in accordance with the terms of such Notes, this Indenture and the Sale and Servicing Agreement (including the Priority of Payments therein). The Issuer will cause to be distributed all amounts on deposit in the Distribution Account on a Payment Date, or such other date selected by the Trustee pursuant to Section 5.04(b), deposited therein pursuant to the Sale and Servicing Agreement for the benefit of the Notes, to the applicable Noteholders. Amounts properly withheld under the Code or any applicable state law by any Person from a payment to any Noteholder of interest and/or principal shall be considered as having been paid by the Issuer to such Noteholder for all purposes of this Indenture.

Section 3.06 Protection of Indenture Collateral.

(a) The Issuer intends the security interest Granted pursuant to this Indenture in favor of the Trustee on behalf of the Noteholders to be prior to all other liens in respect of the Indenture Collateral other than Permitted Liens, and the Issuer shall take or shall cause the Servicer to take all actions necessary to obtain and maintain, for the benefit of the Trustee on behalf of the Noteholders, a first lien on and a first priority, perfected security interest in the Indenture Collateral, subject to any Permitted Liens with respect thereto. In connection therewith, pursuant to Section 2.08 of the Sale and Servicing Agreement, the Issuer shall cause to be delivered into the possession of the Trustee as pledgee hereunder, indorsed in blank, any "instruments" (within the meaning of the UCC), not constituting part of chattel paper, evidencing any Loan which is part of the Indenture Collateral and all other portions of the Loan Files. The Trustee acknowledges and agrees that (i) it holds the Loan Assets delivered to it under the Sale and Contribution Agreement for the benefit of the Trust Depositor, (ii) it holds the Loan Assets delivered to it under the Sale and Servicing Agreement for the benefit of the Issuer, and (iii) it holds the Indenture Collateral delivered to it pursuant to this Indenture for the benefit of the Noteholders. The Trustee agrees to maintain continuous possession of such delivered instruments and the Loan Files as pledgee hereunder until this Indenture shall have terminated in accordance with its terms or until, pursuant to the terms hereof or of the Sale and Servicing Agreement, the Trustee is otherwise authorized to release such instrument from the Indenture Collateral. The Issuer will or will cause the Servicer from time to time to prepare (or shall cause to be prepared), execute and deliver all such supplements and amendments hereto and all such financing statements, continuation statements, instruments of further assurance and other instruments, and will take such other action necessary or advisable to:

(i) maintain or preserve the lien and security interest (and the priority thereof) of this Indenture or carry out more effectively the purposes hereof;

(ii) perfect, publish notice of or protect the validity of any Grant made or to be made by this Indenture;

(iii) enforce any of the Loans transferred to the Issuer as and to the extent commercially reasonable and in accordance with the Sale and Servicing Agreement; or

(iv) preserve and defend title to the Indenture Collateral and the rights of the Trustee and the Noteholders in such Indenture Collateral against the claims of all persons and parties.

Except as otherwise provided in or permitted by the Sale and Servicing Agreement or this Indenture, the Trustee shall not remove any portion of the Indenture Collateral held by it that consists of money or is evidenced by an instrument, certificate or other writing from the jurisdiction in which it was held at the date of the most recent Opinion of Counsel delivered pursuant to Section 3.07 (or from the jurisdiction in which it was held as described in the Opinion of Counsel delivered at the Closing Date pursuant to Section 3.07(a), if no Opinion of Counsel has yet been delivered pursuant to Section 3.07(b)) unless the Trustee shall have first received an Opinion of Counsel to the effect that the lien and security interest created by this Indenture with respect to such property will continue to be maintained after giving effect to such action or actions.

The Issuer hereby designates the Trustee its agent and attorney-in-fact to execute any financing statement, continuation statement or other instrument required to be executed pursuant to this Section 3.06.

Section 3.07 Opinions as to Indenture Collateral.

(a) On or before the Closing Date, the Issuer shall furnish to the Trustee an Opinion of Counsel either stating that, in the opinion of such counsel, such action has been taken with respect to the delivery of the Underlying Notes and any other requisite documents, and with respect to the execution and filing of any financing statements and continuation statements, as is necessary to perfect and make effective the lien and security interest of this Indenture and reciting the details of such action, or stating that, in the opinion of such counsel, no such action is necessary to make such lien and security interest effective.

(b) On or before June 30 in each calendar year, beginning in 2014, the Servicer on behalf of the Issuer will furnish to the Trustee and the Rating Agency an Opinion of Counsel at the expense of the Issuer either stating that, in the opinion of such counsel, such action has been taken with respect to any other requisite documents and with respect to the execution and filing of any financing statements and continuation statements as is necessary to maintain the perfection of the lien and security interest created by this Indenture and reciting the details of such action or stating that in the opinion of such counsel no such action is necessary to maintain the perfection of such lien and security interest. Such Opinion of Counsel shall also describe any other requisite documents and the execution and filing of any financing statements and continuation statements that will, in the opinion of such counsel, be required to maintain the lien and security interest of this Indenture until June 30 in the following calendar year.

Section 3.08 Furnishing of Rule 144A Information.

The Issuer will furnish, upon the written request of any Noteholder or of any owner of a beneficial interest therein, such information as is specified in paragraph (d)(4) of Rule 144A under the Securities Act (i) to such Noteholder or beneficial owner, (ii) to a prospective purchaser of such Note or interest therein who is a Qualified Institutional Buyer and a Qualified Purchaser designated by such Noteholder or beneficial owner, or (iii) to the Trustee for delivery to such Noteholder, beneficial owner or prospective purchaser, in order to permit compliance by such Noteholder or beneficial owner with Rule 144A in connection with the resale of such Note or beneficial interest therein by such Noteholder or beneficial owner in reliance on Rule 144A unless, at the time of such request, the Issuer is subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, or exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act.

Section 3.09 Performance of Obligations; Sale and Servicing Agreement.

(a) The Issuer will punctually perform and observe all of its obligations and agreements contained in this Indenture, the other Transaction Documents and in the instruments and agreements included in the Indenture Collateral.

(b) The Issuer may contract with other Persons to assist it in performing its duties under this Indenture, the other Transaction Documents and the instruments and agreements included in the Indenture Collateral, and any performance of such duties by a Person identified to the Trustee in an Officer's Certificate of the Issuer shall be deemed to be action taken by the Issuer. Initially, the Issuer has contracted with the Servicer and the Administrator to assist the Issuer in performing its duties under this Indenture, the other Transaction Documents and the instruments and agreements included in the Indenture Collateral.

(c) The Issuer will not take any action or permit any action to be taken by others which would release any Person from any of such Person's covenants or obligations under any of the documents relating to the Loans or under any instrument included in the Indenture Collateral, or which would result in the amendment, hypothecation, subordination, termination or discharge of, or impair the validity or effectiveness of, any of the documents relating to the Loans or any such instrument, except such actions as the Servicer is expressly permitted to take in the Transaction Documents.

(d) If a Responsible Officer of the Issuer shall have knowledge of the occurrence of a Servicer Default, the Issuer shall promptly notify in writing the Trustee, the Backup Servicer and the Rating Agency thereof, and shall specify in such notice the action, if any, the Issuer is taking in respect of such Servicer Default. If such Servicer Default arises from the failure of the Servicer to perform any of its duties or obligations under the Sale and Servicing Agreement with respect to the Indenture Collateral, the Issuer may, and shall pursuant to direction of the Majority Noteholders, remedy such failure. So long as any such Servicer Default shall be continuing, the Trustee may, and shall pursuant to direction of the Majority Noteholders, exercise its remedies set forth in Section 8.02 of the Sale and Servicing Agreement. Unless granted or permitted by the Holders of the Notes to the extent provided in Article VIII of the Sale and Servicing Agreement, the Issuer may not waive any such Servicer Default or terminate the rights and powers of the Servicer under the Sale and Servicing Agreement.

Section 3.10 Negative Covenants.

So long as any Notes are Outstanding, the Issuer shall not:

(i) except as expressly permitted by this Indenture or any other Transaction Document, sell, transfer, exchange or otherwise dispose of any portion the Indenture Collateral, unless directed to do so by the Trustee;

(ii) claim any credit on, or make any deduction from the principal or interest payable in respect of, the Notes (other than amounts properly withheld from such payments under the Code or applicable state law), or assert any claim against any present or former Noteholder by reason of the payment of the taxes levied or assessed upon the Issuer;

(iii) permit the validity or effectiveness of this Indenture to be impaired, or permit the lien of this Indenture to be amended, hypothecated, subordinated, terminated or discharged, or permit any Person to be released from any covenants or obligations with respect to the Notes under this Indenture except as may be expressly permitted hereby, permit any lien, charge, excise, claim, security interest, mortgage or other encumbrance (other than the lien of this Indenture or any other Transaction Document) to be created on or extend to or otherwise arise upon or burden the Indenture Collateral or any part thereof or any interest therein or the proceeds thereof (except for Permitted Liens) or permit the lien of this Indenture not to constitute a valid first priority security interest in the Indenture Collateral (subject to Permitted Liens);

(iv) except as contemplated in the Transaction Documents, dissolve or liquidate in whole or in part;

(v) engage in any activities other than financing, acquiring, owning, pledging and managing the Loans as contemplated by the Transaction Documents and activities incidental to those activities; or

(vi) incur, assume or guarantee any indebtedness other than indebtedness evidenced by the Notes or indebtedness otherwise permitted by the Transaction Documents.

Section 3.11 Annual Statement as to Compliance.

The Issuer will deliver to the Trustee and the Rating Agency, within 90 days after the end of each calendar year (commencing with the calendar year ending 2013), an Officer's Certificate stating, as to the Person signing such Officer's Certificate, that:

(i) a review of the activities of the Issuer during such year and of its performance under this Indenture has been made under such Person's supervision or direction; and

(ii) to the best of such Person's knowledge, based on such review, the Issuer has complied with all conditions and covenants under this Indenture throughout such year, or, if there has been such a default in its compliance with any such condition or covenant, specifying each such default known to such Person and the nature and status thereof.

Section 3.12 [Reserved].

Section 3.13 Representations and Warranties Concerning the Loans.

The Issuer has pledged to the Trustee for the benefit of the Noteholders all of its rights under the Sale and Contribution Agreement and the Sale and Servicing Agreement (except for the Excluded Property) and the Trustee has the benefit of the representations and warranties made by the Seller and the Trust Depositor in such documents concerning the Loans transferred into the Loan Assets and the right to enforce any remedy against the Seller and the Trust Depositor provided in the Sale and Contribution Agreement and the Sale and Servicing Agreement, to the same extent as though such representations and warranties were made directly to the Trustee.

Section 3.14 Trustee's Review of Loan Files.

The Custodian, on behalf of the Trustee, agrees, for the benefit of the Noteholders, to review the Loan Files as provided in Section 2.10 of the Sale and Servicing Agreement.

Section 3.15 Sale and Servicing Agreement.

In order to facilitate the servicing of the Loans, the Trustee and the Issuer authorize the Servicer, in the name and on behalf of the Trustee and the Issuer, to perform its respective duties and obligations under the Sale and Servicing Agreement and the rights of the Trustee pursuant to the third sentence of Section 8.01 hereof. The Trustee agrees to perform its express obligations under the Sale and Servicing Agreement in accordance with the terms thereof subject to Section 6.01 hereof.

Section 3.16 Amendments to Sale and Servicing Agreement.

The Trustee may enter into any amendment or supplement to the Sale and Servicing Agreement only in accordance with Section 13.01 of the Sale and Servicing Agreement. The Trustee may, in its reasonable discretion, decline to enter into or consent to any such supplement or amendment if its own rights, duties or immunities shall be adversely affected in any material respect.

Section 3.17 Servicer as Agent and Bailee of Trustee.

(a) Solely for purposes of perfection under Section 9-313 of the UCC or other similar applicable law, rule or regulation of the state in which such property is held by the Servicer, the Trustee hereby acknowledges that the Servicer is acting as agent and bailee of the Trustee in holding any documents released to the Servicer pursuant to the Sale and Servicing Agreement as well as any other items constituting a part of the Indenture Collateral which from time to time come into the possession of the Servicer. It is intended that, by the Servicer's execution and delivery of the Sale and Servicing Agreement, the Trustee, as a secured party, will be deemed to have possession of such documents, such moneys and such other items for purposes of Section 9-313 of the UCC of the state in which such property is held by the Servicer.

(b) Solely for purposes of perfection under Section 9-313 of the UCC or other similar applicable law, rule or regulation of the state in which such property is held by the Trustee, if the transfer of the Loans and the other assets in the Indenture Collateral by the Trust Depositor to the Issuer is deemed to be a loan, the Custodian hereby acknowledges it is acting as agent and bailee of the Issuer in holding items constituting a part of the Indenture Collateral which from time to time come into the possession of the Trustee.

Section 3.18 Investment Company Act of 1940.

The Issuer shall not and the Trustee shall not knowingly take any action that would cause the Issuer or the pool of Indenture Collateral to be required to register as an "investment company" under the 1940 Act (or any successor or amendatory statute).

Section 3.19 Issuer May Consolidate, etc., Only on Certain Terms.

(a) The Issuer shall not consolidate or merge with or into any other Person, unless:

(i) the Person (if other than the Issuer) formed by or surviving such consolidation or merger shall be a Person organized and existing under the laws of the United States or any state thereof or the District of Columbia and shall expressly assume, by an indenture supplemental hereto, executed and delivered to the Trustee in form satisfactory to the Trustee, the due and punctual payment of the principal of and interest on all Notes, and the performance or observance of every agreement and covenant of this Indenture, the Notes, the Trust Certificate and each other Transaction Document on the part of the Issuer to be performed or observed, all as provided herein and therein;

(ii) immediately after giving effect to such transaction, no Default or Event of Default shall have occurred and be continuing;

(iii) each Holder of a Note has consented in writing to such transaction (and notice thereof has been provided to the Rating Agency);

(iv) the Issuer shall have received an Opinion of Counsel (and shall have delivered copies thereof to the Trustee on which the Trustee may conclusively rely) to the effect that such transaction will not have any material adverse tax consequence to the Issuer, any Noteholder or the Certificateholder;

(v) any action that is necessary to maintain the lien and security interest created by this Indenture shall have been taken; and

(vi) the Issuer shall have delivered to the Trustee an Officer's Certificate and Opinion of Counsel (which may conclusively rely on the Officer's Certificate with respect to clauses (ii) and (iii) above and as to the taking of any action required by such Opinion of Counsel as it relates to clause (v) above) each stating that such consolidation or merger complies with this Section 3.19 and that all conditions precedent herein provided for relating to such transaction have been complied with.

(b) Except as otherwise permitted hereunder or under the Transaction Documents, the Issuer shall not convey or transfer all or substantially all of its properties or assets, including those included in the Indenture Collateral, to any Person, unless:

(i) the Person that acquires by conveyance or transfer the properties and assets of the Issuer the conveyance or transfer of which is hereby restricted shall be a United States citizen or a Person organized and existing under the laws of the United States or any state thereof or the District of Columbia, expressly assumes, by an indenture supplemental hereto, executed and delivered to the Trustee, in form and substance reasonably satisfactory to the Trustee, the due and punctual payment of the principal of and interest on all Notes, and the performance of each other Transaction Document, and the performance or observance of every agreement and covenant of this Indenture, the Notes, the Trust Certificate and each other Transaction Document on the part of the Issuer to be performed or observed, all as provided herein, expressly agrees by means of such supplemental indenture that all right, title and interest so conveyed or transferred shall be subject and subordinate to the rights of the Holders of the Notes as provided in the Transaction Documents, and unless otherwise provided in such supplemental indenture, expressly agrees to indemnify, defend and hold harmless the Issuer against and from any loss, liability or expense arising under or related to this Indenture and the Notes arising from such transfer;

(ii) immediately after giving effect to such transaction, no Default or Event of Default shall have occurred and be continuing;

(iii) each Holder of a Note has consented in writing to such transaction (and notice thereof has been provided to Rating Agency);

(iv) the Issuer shall have received an Opinion of Counsel (and shall have delivered copies thereof to the Trustee on which the Trustee shall be entitled to rely) to the effect that such transaction will not have any material adverse tax consequence to the Issuer, any Noteholder or the Certificateholder;

(v) any action that is necessary to maintain the lien and security interest created by this Indenture shall have been taken; and

(vi) the Issuer shall have delivered to the Trustee an Officer's Certificate and Opinion of Counsel (which may conclusively rely on a certificate of the transferee as to the transferee's citizenship, if applicable, and on the Officer's Certificate with respect to clauses (ii) and (iii) above and to the taking of any action required by such Opinion of Counsel as it relates to clause (v) above) each stating that such conveyance or transfer, and such supplemental indenture, comply with this Section 3.19 and that all conditions precedent herein provided for relating to such transaction have been complied with.

Section 3.20 Successor or Transferee.

(a) Upon any consolidation or merger of the Issuer in accordance with Section 3.19(a), the Person formed by or surviving such consolidation or merger (if other than the Issuer) shall succeed to, and be substituted for, and may exercise every right and power of, the Issuer under this Indenture with the same effect as if such Person had been named as the Issuer herein.

(b) Upon a conveyance or transfer of all or substantially all of the assets and properties of the Issuer pursuant to Section 3.19(b), the Issuer will be released from every covenant and agreement of this Indenture to be observed or performed on the part of the Issuer with respect to the Notes immediately upon the delivery of written notice to the Trustee stating that the Issuer is to be so released.

Section 3.21 No Other Business.

The Issuer shall not engage in any business other than financing, purchasing, owning, selling, managing and enforcing the Loans and Related Property, including through any subsidiaries permitted pursuant to Section 5.10 of the Sale and Servicing Agreement, in the manner contemplated by this Indenture and the other Transaction Documents and all activities incidental thereto, issuing the Notes and the Trust Certificate and as otherwise expressly permitted in the Trust Agreement or the other Transaction Documents.

Section 3.22 No Borrowing; Use of Proceeds.

The Issuer shall not issue, incur, assume, guarantee or otherwise become liable, directly or indirectly, for any indebtedness except for the Notes and any other indebtedness permitted by the Transaction Documents. In consideration of the Trust Depositor's transfer of the Initial Loans to the Issuer, the Issuer will transfer the net cash proceeds from the sale of the Notes to the Trust Depositor, together with the Trust Certificate. The Trust Depositor will use a portion of the net proceeds to acquire the Initial Loans from the Seller on the Closing Date.

Section 3.23 Guarantees, Loans, Advances and Other Liabilities.

Except as contemplated by this Indenture or the other Transaction Documents, the Issuer shall not make any loan or advance or credit to, or guarantee (directly or indirectly or by an instrument having the effect of assuring another's payment or performance on any obligation or capability of so doing or otherwise), endorse or otherwise become contingently liable, directly or indirectly, in connection with the obligations, stocks or dividends of, or own, purchase, repurchase or acquire (or agree contingently to do so) any stock, obligations, assets or securities of, or any other interest in, or make any capital contribution to, any other Person, other than any subsidiary established by the Issuer pursuant to Section 5.10 of the Sale and Servicing Agreement.

Section 3.24 Capital Expenditures.

The Issuer shall not make any expenditure (by long-term or operating lease or otherwise) for capital assets (either realty or personalty).

Section 3.25 Representations and Warranties of the Issuer.

The Issuer represents and warrants as of the date hereof and as of the date of any subsequent acquisition of a Substitute Loan, as applicable, as follows:

(a) Power and Authority. It has full power, authority and legal right to execute, deliver and perform its obligations as Issuer under this Indenture and the Notes (the foregoing documents, the "Issuer Documents") and under each of the other Transaction Documents to which the Issuer is a party.

(b) Due Authorization and Binding Obligation. The execution and delivery of the Issuer Documents and the other Transaction Documents to which the Issuer is a party, and the consummation of the transactions provided for therein have been duly authorized by all necessary action on its part. Each of the Issuer Documents and the other Transaction Documents to which the Issuer is a party constitutes the legal, valid and binding obligation of the Issuer and is enforceable in accordance with its terms, except as enforcement of such terms may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally and by the availability of equitable remedies.

(c) No Conflict. The execution and delivery of the Issuer Documents and the other Transaction Documents to which the Issuer is a party, the performance of the transactions contemplated thereby and the fulfillment of the terms thereof will not conflict with, result in any material breach of any of the terms and provisions of, or constitute (with or without notice or lapse of time or both) a default under, any indenture, contract, agreement, mortgage, deed of trust, or other instrument to which the Issuer is a party or by which it or any of its property is bound.

(d) No Violation. The execution and delivery of the Issuer Documents and the other Transaction Documents to which the Issuer is a party, the performance of the transactions contemplated thereby and the fulfillment of the terms thereof will not conflict with or violate, in any material respect, any Applicable Law.

(e) All Consents Required. All approvals, authorizations, consents, orders or other actions of any Person or any Governmental Authority required in connection with the execution and delivery of the Issuer Documents and the other Transaction Documents to which the Issuer is a party, the performance of the transactions contemplated thereby and the fulfillment of the terms thereof have been obtained.

(f) No Proceedings. No litigation or administrative proceeding of or before any court, tribunal or governmental body is currently pending, or to the knowledge of the Issuer, threatened, against the Issuer or any of its respective properties or with respect to the Issuer Documents or any other Transaction Document to which the Issuer is a party that, if adversely determined, would have a material adverse effect on the business, properties, assets or condition (financial or otherwise) of the Issuer or the transactions contemplated by the Issuer Documents or any of the other Transaction Documents to which the Issuer is a party.

(g) Organization and Good Standing. The Issuer is a statutory trust duly organized, validly existing and in good standing under the laws of the State of Delaware and has the requisite power to own its assets and to transact the business in which it is currently engaged, and had at all relevant times, and now has, all necessary power, authority and legal right under its organizational documents and under Applicable Law to acquire, own and pledge the Indenture Collateral.

(h) 1940 Act. The Issuer is not an "investment company" within the meaning of the 1940 Act.

(i) Location. The Issuer is located (within the meaning of Article 9 of the UCC) in the State of Delaware. The Issuer agrees that it will not change its location (within the meaning of Article 9 of the UCC) without at least 30 days prior written notice to the Seller, the Servicer, the Trustee and the Rating Agency.

(j) Security Interest in Collateral.

(i) This Indenture creates a valid, continuing and enforceable security interest (as defined in the applicable UCC) in the Indenture Collateral in favor of the Trustee, which security interest is prior to all other Liens (except for Permitted Liens), and is enforceable as such against creditors of and purchasers from the Issuer;

(ii) the Indenture Collateral constitutes "general intangibles," "instruments," "accounts," "investment property," or "chattel paper," within the meaning of the applicable UCC;

(iii) the Issuer owns and has good and marketable title to the Indenture Collateral free and clear of any Lien (other than Permitted Liens), claim or encumbrance of any Person;

(iv) the Issuer has received all consents and approvals required by the terms of the Indenture Collateral to the pledge of the Indenture Collateral hereunder to the Trustee;

(v) the Issuer has caused the filing of all appropriate financing statements in the proper filing office in the appropriate jurisdictions under Applicable Law in order to perfect the security interest in the Indenture Collateral granted to the Trustee under this Indenture;

(vi) other than the security interest granted by the Issuer pursuant to this Indenture and any Permitted Liens, the Issuer has not pledged, assigned, sold, granted a security interest in or otherwise conveyed any of the Indenture Collateral. The Issuer has not authorized the filing of and is not aware of any financing statements against the Issuer that include a description of collateral covering the Indenture Collateral other than any financing statement (A) relating to the security interest granted by the Issuer under this Indenture, or (B) that has been terminated or for which a release or partial release has been filed. The Issuer is not aware of the filing of any judgment or tax Lien filings against the Issuer;

(vii) all original executed copies of each Underlying Note that constitute or evidence the Indenture Collateral have been delivered to and are in the possession of the Trustee;

(viii) the Issuer has received a written acknowledgment from the Trustee that the Trustee or its bailee is holding the Underlying Notes that constitute or evidence the Indenture Collateral solely on behalf of and for the benefit of the Securityholders; and

none of the Underlying Notes that constitute or evidence the Indenture Collateral has any marks or notations indicating that they have been pledged, assigned or otherwise conveyed to any Person other than the Issuer and the Trustee.

The representations and warranties in Section 3.25(j) shall survive the termination of this Indenture.

Section 3.26 Restricted Payments.

The Issuer shall not, directly or indirectly, (i) pay any dividend or make any distribution (by reduction of capital or otherwise), whether in cash, property, securities or a combination thereof, to the Owner Trustee or any owner of a beneficial interest in the Issuer or otherwise with respect to any ownership or equity interest or security in or of the Issuer, (ii) redeem, purchase, retire or otherwise acquire for value any such ownership or equity interest or security or (iii) set aside or otherwise segregate any amounts for any such purpose; *provided* that the Issuer may make, or cause to be made, (w) distributions to the Owner Trustee, the Trust Depositor and the Certificateholder as contemplated by, and to the extent funds are available for such purpose under, the Trust Agreement and the Sale and Servicing Agreement, (x) payments to the Servicer and/or Trust Depositor pursuant to the terms of the Sale and Servicing Agreement or the other Transaction Documents and (y) payments to the Trustee and other Persons entitled thereto pursuant to terms of the Sale and Servicing Agreement. The Issuer will not, directly or indirectly, make payments to or distributions from the Distribution Account except in accordance with this Indenture and the other Transaction Documents.

Section 3.27 Notice of Events of Default, Amendments and Waivers.

Promptly upon a Responsible Officer becoming aware thereof, the Issuer shall give the Trustee and the Rating Agency prompt written notice of each Event of Default hereunder, of each Servicer Default under the Sale and Servicing Agreement, of any material default or material breach of any other Transaction Document, and of any amendment or waiver of any Transaction Document.

Section 3.28 Further Instruments and Acts.

Upon request of the Trustee, the Issuer will execute and deliver such further instruments and do such further acts as may be reasonably necessary or proper to carry out more effectively the purpose of this Indenture (provided nothing herein shall be deemed to impose an obligation on the Trustee to so request).

Section 3.29 Statements to Noteholders.

The Trustee shall make available on its secure internet website to each Noteholder and the Rating Agency, the Monthly Reports and Quarterly Reports prepared by the Servicer pursuant to Article IX of the Sale and Servicing Agreement. The Trustee may make available to the Noteholders, the parties to the Transaction Documents and the Rating Agency, via the Trustee's internet website, a copy of the Transaction Documents, each Monthly Report, Quarterly Report and, with the consent or at the direction of the Trust Depositor, such other information regarding the Notes and/or the Loans as the Trustee may have in its possession or as may be provided to the Trustee by the Servicer or the Trust Depositor, but only with the use of its secure internet website; *provided* the Trustee shall have no obligation to provide such information described in this Section 3.29 until it has received the requisite information from the Trust Depositor or the Servicer. The Trustee will make no representation or warranties as to the accuracy or completeness of such documents and will assume no responsibility therefor.

The Trustee's secure internet website shall be initially located at www.usbank.com/abs or at such other address as shall be specified by the Trustee from time to time in writing to the Noteholders, the parties to the Transaction Documents and the Issuer (who shall promptly forward the same to the Rating Agency). In connection with providing access to the Trustee's internet website, the Trustee shall (other than with respect to the parties to the Transaction Documents and the Rating Agency) require registration and the acceptance of a disclaimer. The Trustee shall be permitted to change the method by which the Monthly Reports are distributed in order to make such distributions more convenient and/or more accessible to the Holders. The Trustee shall not be liable for the dissemination of information in accordance with this Indenture.

Section 3.30 Grant of Substitute Loans.

In consideration of the delivery of Loans transferred on each Substitute Loan Cutoff Date pursuant to and in accordance with the terms of Section 2.04 or Section 2.06, as applicable, of the Sale and Servicing Agreement, the Issuer grants to the Trustee a security interest in all of its right, title and interest in the Loans transferred on such Substitute Loan Cutoff Date and simultaneously with the transfer of the Substitute Loans, as applicable, the Issuer will cause the related Loan File to be delivered to the Trustee or the Custodian on its behalf.

ARTICLE IV
THE NOTES; SATISFACTION AND DISCHARGE OF INDENTURE

Section 4.01 The Notes.

The Notes shall be registered initially in the name of Cede & Co., as nominee of DTC. Beneficial Owners will hold interests in such Notes through the book-entry facilities of DTC in minimum denominations equal to the applicable Minimum Denomination for such Notes.

The Notes shall, on original issue, be executed on behalf of the Issuer by the Owner Trustee, not in its individual capacity but solely as Owner Trustee, authenticated and delivered by the Trustee upon receipt of an Issuer Order.

Section 4.02 Registration of Transfer and Exchange of Notes.

(a) The Trustee shall cause to be kept a Note Register (the "Note Register") in which, subject to such reasonable regulations as it may prescribe, the Issuer shall provide for the registration of Notes and the registration of transfers and exchanges of Notes as herein provided. The Trustee shall be "Note Registrar" for the purpose of registering Notes and transfers of Notes as herein provided. The Note Register shall contain the name, remittance instructions, as well as the Series and the number in the Series.

(b) Each Note shall be issued in minimum denominations of not less than the Minimum Denomination, so that on the Closing Date the sum of the denominations of all outstanding Notes shall equal the applicable Initial Note Principal Balance. On the Closing Date and pursuant to an Issuer Order, the Trustee will execute and authenticate (i) one or more Global Notes and/or (ii) Physical Notes all in an aggregate principal amount that shall equal the Initial Note Principal Balance.

(c) The Global Notes (i) shall be delivered by the Issuer to DTC or, pursuant to DTC's instructions, shall be delivered by the Issuer on behalf of DTC to and deposited with the DTC Custodian, and in each case shall be registered in the name of Cede & Co. and (ii) with respect to the Rule 144A Global Notes, shall bear a legend substantially to the following effect:

> "Unless this Note is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Note Registrar or its agent for registration of transfer, exchange or payment, and any Note issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein."

The Global Notes may be deposited with such other depository as the Issuer may from time to time designate, and shall bear such legend as may be appropriate; *provided* that such successor depository maintains a book-entry system that qualifies to be treated as "registered form" under Section 163(f)(3) of the Code.

The Issuer is hereby authorized to execute and deliver a Letter of Representations with DTC relating to the Notes.

(d) With respect to Notes registered in the Note Register in the name of Cede & Co., as nominee of DTC, the Issuer, the Servicer, the Owner Trustee (as such and in its individual capacity) and the Trustee shall have no responsibility or obligation to Direct or Indirect Participants or Beneficial Owners for which DTC holds Notes from time to time as a Depository. Without limiting the immediately preceding sentence, the Issuer, the Servicer, the Owner Trustee (as such and in its individual capacity), and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co., or any Direct or Indirect Participant with respect to the ownership interest in the Notes, (ii) the delivery to any Direct or Indirect Participant or any other Person, other than a registered Holder, of a Note, (iii) the payment to any Direct or Indirect Participant or any other Person, other than a registered Holder of a Note as shown in the Note Register, of any amount with respect to any distribution of principal or interest on the Notes or (iv) the making of book-entry transfers among Participants of DTC with respect to Notes registered in the Note Register in the name of the nominee of DTC. No Person other than a registered Holder of a Note as shown in the Note Register shall receive a physical Note evidencing such Note.

(e) Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions hereof with respect to the payment of distributions by the mailing of checks or drafts to the registered Holders of Notes appearing as registered Owners in the Note Register on a Record Date, the name "Cede & Co." in this Indenture shall refer to such new nominee of DTC.

(f) In the event that (i) DTC or the Servicer advises the Trustee in writing that DTC is no longer willing or able to discharge properly its responsibilities as nominee and depository with respect to the Global Notes and the Servicer is unable to locate a qualified successor or (ii) the Servicer at its sole option elects to terminate the book-entry system through DTC, the Global Notes shall no longer be restricted to being registered in the Note Register in the name of Cede & Co. (or a successor nominee) as nominee of DTC. At that time, the Servicer may determine that the Global Notes shall be registered in the name of and deposited with a successor depository operating a global book-entry system, as may be acceptable to the Servicer, or such depository's agent or designee but, if the Servicer does not select such alternative global book-entry system, then upon surrender to the Note Registrar of the Global Notes by DTC, accompanied by the registration instructions from DTC for registration, the Trustee shall at the Servicer's expense authenticate Physical Notes. Neither the Servicer nor the Trustee shall be liable for any delay in DTC's delivery of such instructions and may conclusively rely on, and shall be protected in relying on, such instructions. Upon the issuance of Physical Notes, the Trustee, the Note Registrar, the Servicer, the Paying Agent and the Issuer shall recognize the Holders of the Physical Notes as Noteholders hereunder.

(g) Notwithstanding any other provision of this Indenture to the contrary, so long as any Global Notes are registered in the name of Cede & Co., as nominee of DTC, all distributions of principal and interest on such Global Notes and all notices with respect to such Global Notes shall be made and given, respectively, in the manner provided in the Letter of Representations.

(h) Subject to the preceding paragraphs, upon surrender for registration of transfer of any Note at the office of the Note Registrar and, upon satisfaction of the conditions set forth below, the Issuer shall execute, in the name of the designated transferee or transferees, a new Note and of the same aggregate Percentage Interest and dated the date of authentication by the Trustee. The Note Registrar shall maintain a record of any such transfer and deliver it to the Issuer, Servicer or Trustee upon request.

(i) At the option of the Noteholders, Notes may be exchanged for other Notes in authorized denominations, upon surrender of the Notes to be exchanged at the Corporate Trust Office. Whenever any Notes are so surrendered for exchange, the Issuer shall execute the Notes which the Noteholder making the exchange is entitled to receive. Every Note presented or surrendered for transfer or exchange shall be accompanied by wiring instructions, if applicable, in the form of Exhibit C. The preceding provisions of this section notwithstanding, the Issuer shall not be required to make and the Note Registrar shall not register transfers or exchanges of Notes called for redemption.

(j) No service charge shall be made for any transfer or exchange of Notes, but prior to transfer the Note Registrar may require payment by the transferor of a sum sufficient to cover any tax or governmental charge that may be imposed in connection with any transfer or exchange of Notes.

All Notes surrendered for payment, transfer and exchange or redemption shall be marked canceled by the Note Registrar and retained and destroyed in accordance with its policies and procedures.

(k) By acceptance of a Physical Note, whether upon original issuance or subsequent transfer, each Holder of such a Note acknowledges the restrictions on the transfer of such Note set forth in the Securities Legend and agrees that it will transfer such Note only as provided herein. In addition to the provisions of Sections 4.02(m) and (n), the following restrictions shall apply with respect to the transfer and registration of transfer of a Physical Note to a transferee that takes delivery in the form of a Physical Note:

(i) The Note Registrar shall register the transfer of a Physical Note if the requested transfer is being made to a transferee who has provided the Note Registrar with a Rule 144A Certification or to a transferee who is an Affiliate of the Seller in a transfer which otherwise complies with Section 4.02(s); or

(ii) The Note Registrar shall register the transfer of any Physical Note if (x) the transferor has advised the Note Registrar in writing that the Note is being transferred to a Person that is both an Institutional Accredited Investor and a Qualified Purchaser; (y) prior to the transfer the transferee furnishes to the Note Registrar a Transferee Letter; and (z) such transfer otherwise complies with Section 4.02(s).

(l) Subject to Section 4.02(n), so long as a Global Note remains outstanding and is held by or on behalf of DTC, transfers of beneficial interests in the Global Note, or transfers by Holders of Physical Notes to transferees that take delivery in the form of beneficial interests in the Global Note, may be made only in accordance with this Section 4.02(l) and in accordance with the rules of DTC.

(i) Rule 144A Global Note to Regulation S Global Note During the Distribution Compliance Period. If, during the Distribution Compliance Period, a Beneficial Owner of an interest in a Rule 144A Global Note wishes at any time to transfer its beneficial interest in such Rule 144A Global Note to a Person who wishes to take delivery thereof in the form of a beneficial interest in a Regulation S Global Note, such Beneficial Owner may, in addition to complying with all applicable rules and procedures of DTC and Clearstream or Euroclear applicable to transfers by their respective participants (the "Applicable Procedures"), transfer or cause the transfer of such beneficial interest for an equivalent beneficial interest in the Regulation S Global Note only upon compliance with the provisions of this Section 4.02(l)(i). Upon receipt by the Note Registrar at its Corporate Trust Office of (1) written instructions given in accordance with the Applicable Procedures from a Depository Participant directing the Note Registrar to credit or cause to be credited to another specified Depository Participant's account a beneficial interest in the Regulation S Global Note in an amount equal to the Note balance of the beneficial interest in the Rule 144A Global Note to be transferred, (2) a written order given in accordance with the Applicable Procedures containing information regarding the account of the DTC Participant (and the Euroclear or Clearstream account, as the case may be) to be credited with, and the account of the DTC Participant to be debited for, such beneficial interest, and (3) a certificate in the form of Exhibit E hereto given by the Beneficial Owner that is transferring such interest, the Note Registrar shall instruct DTC to reduce the denomination of the Rule 144A Global Note by the Note balance of the beneficial interest in the Rule 144A Global Note to be so transferred and, concurrently with such reduction, to increase the denomination of the Regulation S Global Note by the Note balance of the beneficial interest in the Rule 144A Global Note to be so transferred, and to credit or cause to be credited to the account of the Person specified in such instructions (who shall be a Depository Participant acting for or on behalf of Euroclear or Clearstream, or both, as the case may be) a beneficial interest in the Regulation S Global Note having a Note balance equal to the amount by which the denomination of the Rule 144A Global Note was reduced upon such transfer.

(ii) Rule 144A Global Note to Regulation S Global Note After the Distribution Compliance Period. If, after the Distribution Compliance Period, a Beneficial Owner of an interest in a Rule 144A Global Note wishes at any time to transfer its beneficial interest in such Rule 144A Global Note to a Person who wishes to take delivery thereof in the form of a beneficial interest in a Regulation S Global Note, such Holder may, in addition to complying with all Applicable Procedures, transfer or cause the transfer of such beneficial interest for an equivalent beneficial interest in a Regulation S Global Note only upon compliance with the provisions of this Section 4.02(l)(ii). Upon receipt by the Note Registrar at its Corporate Trust Office of (1) written instructions given in accordance with the Applicable Procedures from a Depository Participant directing the Note Registrar to credit or cause to be credited to another specified Depository Participant's account a beneficial interest in the Regulation S Global Note in an amount equal to the Note balance of the beneficial interest in the Rule 144A Global Note to be transferred, (2) a written order given in accordance with the Applicable Procedures containing information regarding the account of the DTC Participant (and, in the case of a transfer pursuant to and in accordance with Regulation S, the Euroclear or Clearstream account, as the case may be) to be credited with, and the account of the DTC Participant to be debited for, such beneficial interest, and (3) a certificate in the form of Exhibit F hereto given by the Beneficial Owner that is transferring such interest, the Note Registrar shall instruct DTC to reduce the denomination of the Rule 144A Global Note by the Note balance of the beneficial interest in the Rule 144A Global Note to be so transferred and, concurrently with such reduction, to increase the denomination of the Regulation S Global Note by the Note balance of the beneficial interest in the Rule 144A Global Note to be so transferred, and to credit or cause to be credited to the account of the Person specified in such instructions (who shall be a Depository Participant acting for or on behalf of Euroclear or Clearstream, or both, as the case may be) a beneficial interest in the Regulation S Global Note having a Note balance equal to the amount by which the denomination of the Rule 144A Global Note was reduced upon such transfer.

(iii) Regulation S Global Note to Rule 144A Global Note. If the Beneficial Owner of an interest in a Regulation S Global Note wishes at any time to transfer its beneficial interest in such Regulation S Global Note to a Person who wishes to take delivery thereof in the form of a beneficial interest in the Rule 144A Global Note, such Holder may, in addition to complying with all Applicable Procedures, transfer or cause the transfer of such beneficial interest for an equivalent beneficial interest in the Rule 144A Global Note only upon compliance with the provisions of this Section 4.02(l)(iii). Upon receipt by the Note Registrar at its Corporate Trust Office of (1) written instructions given in accordance with the Applicable Procedures from a Depository Participant directing the Note Registrar to credit or cause to be credited to another specified Depository Participant's account a beneficial interest in the Rule 144A Global Note in an amount equal to the Note balance of the beneficial interest in the Regulation S Global Note to be transferred, (2) a written order given in accordance with the Applicable Procedures containing information regarding the account of the DTC Participant to be credited with, and the account of the DTC Participant (or, if such account is held for Euroclear or Clearstream, the Euroclear or Clearstream account, as the case may be) to be debited for such beneficial interest, and (3) with respect to a transfer of a beneficial interest in the Regulation S Global Note for a beneficial interest in the related Rule 144A Global Note (i) during the Distribution Compliance Period, a certificate in the form of Exhibit G hereto given by the Beneficial Owner, or (ii) after the Distribution Compliance Period, a Rule 144A Certification from the transferee of such interest to the effect that such transferee is a Qualified Institutional Buyer and a Qualified Purchaser, the Note Registrar shall instruct DTC to reduce the denomination of the Regulation S Global Note by the Note balance of the beneficial interest in the Regulation S Global Note to be transferred and, concurrently with such reduction, to increase the denomination of the Rule 144A Global Note by the Note balance of the beneficial interest in the Regulation S Global Note to be so transferred, and to credit or cause to be credited to the account of the Person specified in such instructions (who shall be a Depository Participant acting for or on behalf of Euroclear or Clearstream, or both, as the case may be) a beneficial interest in the Rule 144A Global Note having a Note balance equal to the amount by which the denomination of the Regulation S Global Note was reduced upon such transfer.

(iv) Transfers Within Regulation S Global Notes During Distribution Compliance Period. If, during the Distribution Compliance Period, the Beneficial Owner of an interest in a Regulation S Global Note wishes at any time to transfer its beneficial interest in such Regulation S Global Note to a Person who wishes to take delivery thereof in the form of a Regulation S Global Note, such Beneficial Owner may transfer or cause the transfer of such beneficial interest for an equivalent beneficial interest in such Regulation S Global Note only upon compliance with the provisions of this Section 4.02(l)(iv) and all Applicable Procedures. Upon receipt by the Note Registrar at its Corporate Trust Office of (1) written instructions given in accordance with the Applicable Procedures from a Depository Participant directing the Note Registrar to credit or cause to be credited to another specified Depository Participant's account a beneficial interest in such Regulation S Global Note in an amount equal to the Note balance of the beneficial interest to be transferred, (2) a written order given in accordance with the Applicable Procedures containing information regarding the account of the DTC Participant to be credited with (or, if such account is held for Euroclear or Clearstream, the Euroclear or Clearstream account, as the case may be), and the account of the DTC Participant (or, if such account is held for Euroclear or Clearstream, the Euroclear or Clearstream account, as the case may be) to be debited for, such beneficial interest and (3) a certificate in the form of Exhibit H hereto given by the transferor, the Note Registrar shall instruct DTC to credit or cause to be credited to the account of the Person specified in such instructions (who shall be a Depository Participant acting for or on behalf of Euroclear or Clearstream, or both, as the case may be) a beneficial interest in the Regulation S Global Note having a Note balance equal to the amount specified in such instructions by which the account to be debited was reduced upon such transfer. The Note Registrar shall not be required to monitor compliance by Beneficial Owners with the provisions of this Section 4.02(l)(iv).

(m) Transfers of Interests in Global Notes to Physical Notes. Any and all transfers from a Global Note to a transferee wishing to take delivery in the form of a Physical Note will require the transferee to take delivery subject to the restrictions on the transfer of such Physical Note described on the face of such Note, and such transferee agrees that it will transfer such Physical Note only as provided therein and herein. No such transfer shall be made and the Note Registrar shall not register any such transfer unless such transfer is made in accordance with this Section 4.02(m) or is made to an Affiliate of the Seller in a transfer which otherwise complies with Section 4.02(s).

(i) Transfers of a beneficial interest in a Global Note to a Person who is both an Institutional Accredited Investor and a Qualified Purchaser will require delivery of such Note to the transferee in the form of a Physical Note and the Note Registrar shall register such transfer only if prior to the transfer such transferee furnishes to the Note Registrar (1) a Transferee Letter to the effect that the transfer is being made to an Institutional Accredited Investor and a Qualified Purchaser in accordance with an applicable exemption under the Securities Act, and (2) an Opinion of Counsel acceptable to the Trustee that such transfer is in compliance with the Securities Act.

(ii) Upon acceptance for exchange or transfer of a beneficial interest in a Global Note for a Physical Note, as provided herein, the Note Registrar shall endorse on the schedule affixed to the related Global Note Registrar (or on a continuation of such schedule affixed to such Global Note Registrar and made a part thereof) an appropriate notation evidencing the date of such exchange or transfer and a decrease in the denomination of such Global Note equal to the Note balance of such Physical Note issued in exchange therefor or upon transfer thereof. Unless determined otherwise by the Servicer and the Issuer in accordance with applicable law, a Physical Note issued upon transfer of or exchange for a beneficial interest in the Global Note shall bear the Securities Legend.

(n) Transfers of Physical Notes to the Global Notes. If a Holder of a Physical Note wishes at any time to transfer such Note to a Person who wishes to take delivery thereof in the form of a beneficial interest in the related Regulation S Global Note or the related Rule 144A Global Note, such transfer may be effected only in accordance with the Applicable Procedures and this Section 4.02(n). Upon receipt by the Note Registrar at the Corporate Trust Office of (1) the Physical Note to be transferred with an instrument of assignment and transfer, (2) written instructions given in accordance with the Applicable Procedures from the Holder of such Physical Note directing the Note Registrar to credit or cause to be credited to the applicable Participant's account a beneficial interest in such Regulation S Global Note or such Rule 144A Global Note, as the case may be, in an amount equal to the Note balance of the Physical Note to be so transferred, (3) a written order given in accordance with the Applicable Procedures containing information regarding the account of the DTC Participant (and, in the case of any transfer pursuant to Regulation S, the Euroclear or Clearstream account, as the case may be) to be credited with such beneficial interest, and (4) (x) a certificate in the form of Exhibit F or Exhibit H, as applicable, hereto, given by the Holder of such Physical Note, if delivery is to be taken in the form of a beneficial interest in the Regulation S Global Note or (y) a Rule 144A Certification from the transferee to the effect that such transferee is a Qualified Institutional Buyer who is a Qualified Purchaser, if delivery is to be taken in the form of a beneficial interest in the Rule 144A Global Note, the Note Registrar shall cancel such Physical Note, execute and deliver a new Physical Note for that portion, if any, of the Note balance of the Physical Note not so transferred, registered in the name of the Holder, and the Note Registrar shall instruct DTC to increase the denomination of the Regulation S Global Note or the Rule 144A Global Note, as the case may be, by the Note balance of the Physical Note to be so transferred, and to credit or cause to be credited to the account of the Person specified in such instructions (who, in the case of any increase in the Regulation S Global Note during the Distribution Compliance Period, shall be a Depository Participant acting for or on behalf of Euroclear or Clearstream, or both, as the case may be) a corresponding Note balance of the Rule 144A Global Note or the Regulation S Global Note, as the case may be.

Under no circumstances may an Institutional Accredited Investor that is not a Qualified Institutional Buyer take delivery in the form of a beneficial interest in a Global Note.

(o) An exchange of a beneficial interest in a Global Note for a Physical Note or Notes, an exchange of a Physical Note or Notes for a beneficial interest in a Global Note and an exchange of a Physical Note or Notes for another Physical Note or Notes (in each case, whether or not such exchange is made in anticipation of subsequent transfer, and in the case of the Global Notes, so long as the Global Notes remain outstanding and are held by or on behalf of DTC), may be made only in accordance with this Section 4.02 and in accordance with the rules of DTC and Applicable Procedures (to the extent applicable).

(p) (i) Upon acceptance for exchange or transfer of a Physical Note for a beneficial interest in a Global Note as provided herein, the Note Registrar shall cancel such Physical Note and shall (or shall request DTC to) endorse on the schedule affixed to such Global Note (or on a continuation of such schedule affixed to such Global Note and made a part thereof) an appropriate notation evidencing the date of such exchange or transfer and an increase in the denomination of such Global Note equal to the Note balance of such Physical Note exchanged or transferred therefor.

(ii) Upon acceptance for exchange or transfer of a beneficial interest in a Global Note for a Physical Note as provided herein, the Note Registrar shall (or shall request DTC to) endorse on the schedule affixed to such Global Note (or on a continuation of such schedule affixed to such Global Note and made a part thereof) an appropriate notation evidencing the date of such exchange or transfer and a decrease in the denomination of such Global Note equal to the Note balance of such Physical Note issued in exchange therefor or upon transfer thereof.

(q) Unless determined otherwise by the Servicer and the Issuer in accordance with applicable law, the Securities Legend shall be placed on any Physical Note issued in exchange for or upon transfer of another Physical Note or of a beneficial interest in a Global Note.

(r) Subject to the restrictions on transfer and exchange set forth in this Section 4.02, the Holder of any Physical Note may transfer or exchange the same in whole or in part (in a Note balance amount or amounts not less than the applicable Minimum Denomination) by surrendering such Note at the Corporate Trust Office, or at the office of any transfer agent, together with an executed instrument of assignment and transfer reasonably satisfactory in form and substance to the Note Registrar in the case of transfer and a written request for exchange in the case of exchange. The Holder of a beneficial interest in a Global Note may, subject to the rules and procedures of DTC, cause DTC (or its nominee) to notify the Note Registrar in writing of a request for transfer or exchange of such beneficial interest for a Physical Note or Notes. Following a proper request for transfer or exchange, the Note Registrar shall, within five Business Days of such request made at such Corporate Trust Office, cause the Trustee to authenticate and the Note Registrar to deliver at such Corporate Trust Office, to the transferee (in the case of transfer) or Holder (in the case of exchange) or send by first-class mail or by overnight delivery service at the risk of the transferee (in the case of transfer) or Holder (in the case of exchange) to such address as the transferee or Holder, as applicable, may request, a Physical Note or Notes, as the case may require, for a like aggregate Percentage Interest and in such Note balance amount or amounts and authorized denomination or denominations as may be requested. The presentation for transfer or exchange of any Physical Note shall not be valid unless made at the Corporate Trust Office by the registered Holder in person, or by a duly authorized attorney-in-fact.

(s) (i) No transfer of any Note shall be made unless such transfer is exempt from the registration requirements of the Securities Act and any applicable state securities laws or is made in accordance with the Securities Act and such laws. No transfer of any Note shall be made if such transfer would require the Issuer to register as an "investment company" under the 1940 Act. In the event of any such transfer, unless such transfer is made in reliance upon Rule 144A under the Securities Act or Regulation S under the Securities Act or is a transfer of a Physical Note to an Affiliate of the Seller, (i) the Trustee may require a written Opinion of Counsel acceptable to and in form and substance reasonably satisfactory to the Trustee that such transfer may be made pursuant to an exemption, describing the applicable exemption and the basis therefor, from said Act and laws or is being made pursuant to said Act and laws, which Opinion of Counsel shall not be an expense of the Trustee, the Issuer, or the Servicer and (ii) the Trustee shall require the transferee to execute a Transferee Letter certifying to the Issuer and the Trustee the facts surrounding such transfer, which Transferee Letter or certification shall not be an expense of the Trustee, the Issuer or the Servicer. The Holder of a Note desiring to effect such transfer shall, and by accepting a Note and the benefits of this Indenture does hereby agree to, indemnify the Trustee, the Issuer, the Servicer and the Initial Purchaser against any liability that may result if the transfer is not so exempt or is not made in accordance with such federal and state laws. None of the Issuer, the Trustee, the Servicer, the Trust Depositor or the Initial Purchaser is obligated to register or qualify any Note under the Securities Act or any state or international securities laws.

(ii) If, at any time, any Holder of any Note is not both a Qualified Purchaser and either (1) a Qualified Institutional Buyer, (2) an Institutional Accredited Investor or (3) a non-U.S. Person that acquired such Note outside of the United States in compliance with Regulation S (any such person, a "Non-Permitted Holder"), the Issuer shall, promptly after obtaining actual knowledge that such person is a Non-Permitted Holder, send notice to such Non-Permitted Holder demanding that such Non-Permitted Holder transfer its interest to a Person that is not a Non-Permitted Holder within thirty (30) days of the date of such notice. If such Non-Permitted Holder fails to transfer such Notes, the Issuer shall have the right, without further notice to the Non-Permitted Holder, to sell such Notes or interests in such Notes to a purchaser selected by the Issuer that is not a Non-Permitted Holder on such terms and by such means as the Issuer may choose in its sole discretion. The Holder of each Note, the Non-Permitted Holder and each other Person in the chain of title from the Holder to the Non-Permitted Holder, by its acceptance of an interest in the Notes, agrees to cooperate with the Issuer and the Trustee to effect such transfers. The proceeds of such sale, net of any commissions, expenses and taxes due in connection with such sale, shall be remitted to the Non-Permitted Holder.

(t) No Note, or any interest therein, may be acquired directly or indirectly by, for, on behalf of or with any assets of an employee benefit plan as defined in Section 3(3) of ERISA that is subject to Part 4, Subtitle B, Title I of ERISA, any plan described in and subject to Section 4975 of the Code (collectively, a "Plan") or governmental, non-U.S. or church plan or arrangement subject to any federal, state, local or non-U.S. law or regulation substantively similar or of similar effect to the foregoing provisions of ERISA or the Code ("Similar Law") unless it represents or is deemed to represent that its acquisition, holding and disposition of the Note will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or, in the case of a plan or other arrangement subject to Similar Law, will not constitute or result in a non-exempt violation of Similar Law. In the case of a Physical Note, such representation shall be made in a certification from the transferee to the Trustee; in the case of a Note other than a Physical Note, the transferee shall be deemed to have made such representation.

(u) The Trustee, Note Registrar and Certificate Registrar shall not be responsible for ascertaining whether any transfer complies with, or otherwise monitoring or determining compliance with, the requirements or terms of the Securities Act, applicable state or international securities laws, ERISA, the Code or the 1940 Act; except that if a transfer certificate or opinion is specifically required by the terms of this Section (or by the terms of the Trust Agreement, as applicable) to be provided to the Trustee, Note Registrar or Certificate Registrar by a prospective transferee or transferor, the Trustee, Note Registrar or Certificate Registrar, as applicable, shall be under a duty to receive and examine the same to determine whether it conforms substantially on its face to the applicable requirements of this Section (or the Trust Agreement, as applicable).

(v) Any Note may be cancelled by the Note Registrar without any notice to or approval of any Noteholder in accordance with Section 4.03 or once such Note has been properly surrendered for (i) final payment, (ii) transfer and exchange or (iii) redemption. Any Note acquired by the Issuer or otherwise surrendered for cancellation or marked as abandoned by Holder thereof will be cancelled by the Note Registrar only upon receipt of written consent thereto from both the Servicer and the Majority Noteholders.

(w) Each Noteholder and each beneficial owner of a Note shall be deemed to acknowledge that (i) none of the Issuer, the Servicer, the Trustee, the Owner Trustee, the Custodian, or any of their respective affiliates is acting as a fiduciary or financial or investment adviser for such beneficial owner; and (ii) such beneficial owner has consulted with its own legal, regulatory, tax, business, investment, financial and accounting advisors to the extent it has deemed necessary and has made its own investment decisions (including decisions regarding the suitability of any transaction pursuant to the Indenture) based upon its own judgment and upon any advice from such advisors as it has deemed necessary and not upon any view expressed by the Issuer, the Servicer, the Trustee, the Owner Trustee, the Custodian or any of their respective affiliates.

(x) Each Noteholder and each beneficial owner of a Note shall be deemed to acknowledge that (i) such beneficial owner was not formed for the purpose of investing in the Global Notes; and (ii) such beneficial owner understands that the Issuer may receive a list of participants holding interests in the Global Notes from one or more book-entry depositories.

Section 4.03 Mutilated, Destroyed, Lost or Stolen Notes.

If (i) any mutilated Note is surrendered to the Trustee, or the Trustee receives evidence to its satisfaction of the destruction, loss or theft of any Note, and (ii) there is delivered to the Trustee such security or indemnity as may be required by it to hold the Issuer and the Trustee harmless, then, in the absence of notice to the Issuer, the Note Registrar or the Trustee that such Note has been acquired by a protected purchaser, the Issuer shall execute, and upon its request the Trustee shall authenticate and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Note, a replacement Note; *provided* that if any such destroyed, lost or stolen Note, but not a mutilated Note, shall have become or within seven days shall be due and payable, or shall have been called for redemption, instead of issuing a replacement Note, the Issuer may pay such destroyed, lost or stolen Note when so due without surrender thereof. If, after the delivery of such replacement Note or payment of a destroyed, lost or stolen Note pursuant to the proviso to the preceding sentence, a protected purchaser of the original Note in lieu of which such replacement Note was issued presents for payment such original Note, the Issuer and the Trustee shall be entitled to recover such replacement Note (or such payment) from the Person to whom it was delivered or any Person taking such replacement Note from such Person to whom such replacement Note was delivered or any assignee of such Person, except a protected purchaser, and shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost or expense incurred by the Issuer or the Trustee in connection therewith.

Upon the issuance of any replacement Note under this Section 4.03, the Issuer may require the payment by the Holder of such Note of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other reasonable expenses (including the fees and reasonable expenses of the Trustee) connected therewith.

Every replacement Note issued pursuant to this Section 4.03 in replacement of any mutilated, destroyed, lost or stolen Note shall constitute an original additional contractual obligation of the Issuer, whether or not the mutilated, destroyed, lost or stolen Note shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Notes duly issued hereunder.

The provisions of this Section 4.03 are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Notes.

Section 4.04 Payment of Principal and Interest; Defaulted Interest.

(a) The Notes shall accrue interest during each Interest Period on the basis of a 360 day year consisting of twelve 30-day months (or in the case of the first Payment Date, an accrual period of thirty (30) days). Any installment of interest or principal, if any, payable on any Note which is punctually paid or duly provided for by the Issuer on the applicable Payment Date shall be paid to the Person in whose name such Note is registered on the Record Date, by check mailed first-class, postage prepaid, to such Person's address as it appears on the Note Register on such Record Date, except that (i) with respect to Notes registered on the Record Date in the name of the nominee of DTC (initially, such nominee to be Cede & Co.), such payment will be made by wire transfer in immediately available funds to the account designated by such Person and except for the final installment of principal payable with respect to such Note on a Payment Date or on the Legal Final Payment Date and (ii) the Redemption Price for any Note called for redemption pursuant to Article X hereof shall be payable as provided in Section 4.04(b) or Article X hereof, as applicable. The funds represented by any such checks returned undelivered shall be held in accordance with Section 3.03.

(b) The principal of each Note shall be payable on each Payment Date to the extent of funds available therefor in accordance with the Priority of Payments as provided in the Sale and Servicing Agreement. Notwithstanding the foregoing, the entire unpaid principal amount of the Notes shall be due and payable, if not previously paid, on the date on which an Event of Default shall have occurred and be continuing, if the Trustee with the consent or at the direction of the Majority Noteholders has declared the Notes to be immediately due and payable in the manner provided in Section 5.02. All principal payments among the Notes shall be made in the order and priorities set forth herein and in the Sale and Servicing Agreement and all principal payments on the Notes shall be made *pro rata* to the Noteholders. The Trustee shall notify the Person in whose name a Note is registered at the close of business on the Record Date preceding the Payment Date on which the Issuer expects that the final installment of principal of and interest on such Note will be paid; *provided* that the Issuer or Servicer shall have provided the Trustee with timely notice of such expectation. Such notice shall be mailed or transmitted by facsimile prior to such final Payment Date and shall specify that such final installment will be payable only upon presentation and surrender of such Note and shall specify the place where such Note may be presented and surrendered for payment of such installment. Notices in connection with a redemption shall be given to Noteholders as provided in Article X.

Section 4.05 Tax Treatment.

(a) The Issuer has entered into this Indenture, and the Notes will be issued, with the intention that, for federal, state and local income, business and franchise tax purposes, (i) the Notes will qualify as indebtedness secured by the Indenture Collateral and (ii) the Issuer shall not be treated as an association, taxable mortgage pool or publicly traded partnership taxable as a corporation. The Issuer, by entering into this Indenture, and each Noteholder, by the acceptance of any such Note (and each beneficial owner of a Note, by its acceptance of an interest in the applicable Note), agree to treat such Notes for federal, state and local income and franchise tax purposes as indebtedness. Each Holder of any such Note agrees that it will cause any beneficial owner of such Note acquiring an interest in a Note through it to comply with this Indenture as to treatment of indebtedness under applicable tax law, as described in this Section 4.05. The parties hereto agree that they shall not cause or permit the making, as applicable, of any election under Treasury Regulation Section 301.7701-3 whereby the Issuer or any portion thereof would be treated as a corporation for federal income tax purposes and, except as required by the terms of this Indenture or applicable law, shall not file tax returns for the Issuer, but shall treat the Issuer as a disregarded entity for federal income tax purposes (unless, pursuant to Section 4.05(b)(ii), the Issuer is treated as partnership). The provisions of this Indenture shall be construed in furtherance of the foregoing intended tax treatment.

(b) It is the intent of the Trust Depositor, the Servicer and the Certificateholder that, (i) in the event that the Trust Certificate is owned by a single Holder, for federal income tax purposes, the Issuer will be disregarded as an entity separate from such Holder, and such Holder, by acceptance of the Trust Certificate, agrees to take no action inconsistent with such treatment and (ii) in the event that the Trust Certificate is owned by more than one Holder, for federal income tax purposes, the Issuer will be treated as a partnership, the partners of which are the Certificateholders, and each Certificateholder, by acceptance of a Trust Certificate, agrees to treat the Trust Certificate as equity and to take no action inconsistent with such treatment.

(c) All payments made by the Issuer under the Notes will be made without any deduction or withholding for or on the account of any tax unless such deduction or withholding is required by applicable law, as modified by the practice of any relevant governmental revenue authority, then in effect. If the Issuer is so required to deduct or withhold it will provide notice to the Trustee of such requirement promptly after a Responsible Officer becomes aware thereof and the Issuer will not be obligated to pay to the holder of any such Note any additional amounts in respect of such withholding or deduction.

(d) Each Holder and each beneficial owner of a Note, by acceptance of such Note or its interest in such Note, shall be deemed to understand and acknowledge that failure to provide the Issuer, the Trustee or any other party acting as Paying Agent with the applicable U.S. federal income tax certifications (generally, an Internal Revenue Service Form W-9 (or successor applicable form) in the case of a person that is a "United States person" within the meaning of Section 7701(a)(30) of the Code or an appropriate Internal Revenue Service Form W-8 (or successor applicable form) in the case of a person that is not a "United States person" within the meaning of Section 7701(a)(30) of the Code) or any other form prescribed by Applicable Law as a basis for claiming exemption from or a reduction in U.S. withholding tax (including, but not limited to, any withholding tax imposed under FATCA), duly completed together with such supplementary documentation as may be prescribed by Applicable Law to permit the Issuer to determine the withholding or deduction required to be made, may result in amounts being withheld from payments in respect of such Note.

Section 4.06 Satisfaction and Discharge of Indenture.

(a) The following shall survive the satisfaction and discharge of this Indenture: (i) rights of registration of transfer and exchange, (ii) substitution of mutilated, destroyed, lost or stolen Notes pursuant to Section 4.03, (iii) rights of Noteholders to receive payments of principal thereof and interest thereon, (iv) Sections 3.03, 3.04, 3.06, 3.10, 3.19, 3.21, 3.22, 4.05, 6.07, 11.15 and the second sentence of 11.16, (v) the rights, obligations and immunities of the Trustee hereunder (including the rights of the Trustee under Section 6.07 and the obligations of the Trustee under Section 4.07) and (vi) the rights of Noteholders as beneficiaries hereof with respect to the property so deposited with the Trustee payable to all or any of them. This Indenture shall cease to be of further effect with respect to the Notes (and the Trustee, on written demand of and at the expense of the Issuer, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture with respect to the Notes) when:

(A) either

(1) all Notes theretofore authenticated and delivered (other than (i) Notes that have been destroyed, lost or stolen and that have been replaced or paid as provided in Section 4.03 and (ii) Notes for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Issuer and thereafter repaid to the Issuer or discharged from such trust, as provided in Section 3.03) have been delivered to the Trustee for cancellation (two Business Days prior to the final Payment Date) pursuant to Section 4.02(v); or

(2) all Notes not theretofore delivered to the Trustee for cancellation:

(i) have become due and payable; or

(ii) mature within one year or are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Issuer;

and the Issuer, in the case of (2)(i) or (ii) above, has irrevocably deposited or caused to be irrevocably deposited with the Trustee cash or direct obligations of or obligations guaranteed by the United States of America (which will mature prior to the date such amounts are payable), in trust for such purpose, in an amount sufficient to pay and discharge the entire indebtedness on such Notes not theretofore delivered to the Trustee for cancellation when due to the Stated Maturity therefor, Redemption Date (if Notes shall have been called for redemption pursuant to Article X), as the case may be; and

(B) the Issuer has delivered to the Trustee an Officer's Certificate and an opinion of counsel, which may be internal counsel to the Issuer or the Servicer and if requested by the Trustee, a certificate from a firm of acceptable public accountants, meeting the applicable requirements of Section 11.02 and, subject to Section 11.02, stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture with respect to the Notes have been complied with;

(C) the Issuer has delivered to the Trustee an opinion of counsel, which may be internal counsel to the Issuer or the Servicer to the effect that the satisfaction and discharge of the Indenture will not cause any Noteholder to be treated as having sold or exchanged its notes for purposes of Section 1001 of the Internal Revenue Code; and

(D) the Issuer has made payment of all other sums due under this Indenture, the Trust Agreement and the Sale and Servicing Agreement.

(b) By acceptance of any Note, the Holder thereof agrees to surrender such Note to the Trustee promptly upon such Noteholder's receipt of the final payment thereon or as otherwise provided in the Transaction Documents.

Section 4.07 Application of Trust Money.

All moneys deposited with the Trustee pursuant to Section 4.06 hereof shall be held in trust and applied by it, in accordance with the provisions of the Notes and this Indenture, to the payment, either directly or through any Paying Agent, as the Trustee may determine, to the Holders of Notes for the payment or redemption for which such moneys have been deposited with the Trustee, of all sums due and to become due thereon for principal and interest; but such moneys need not be segregated from other funds except to the extent required herein or in the Sale and Servicing Agreement or required by law.

Section 4.08 Repayment of Moneys Held by Paying Agent.

In connection with the satisfaction and discharge of this Indenture with respect to the Notes, all moneys then held by any Paying Agent other than the Trustee under the provisions of this Indenture with respect to such Notes shall, upon demand of the Issuer, be paid to the Trustee to be held and applied according to Section 3.05 and thereupon such Paying Agent shall be released from all further liability with respect to such moneys.

ARTICLE V
REMEDIES

Section 5.01 Events of Default.

Any one of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body) shall constitute an "Event of Default":

(i) failure to pay all accrued interest on the Notes on any Payment Date and such failure continues unremedied for two (2) Business Days;

(ii) failure to pay the Outstanding Principal Balance of the Notes by the Legal Final Payment Date;

(iii) a default in the observance or performance of any covenant or agreement of the Seller, the Trust Depositor or the Issuer made in this Indenture or any other Transaction Document, and such default has a material adverse effect on the Noteholders, which default continues unremedied for a period of 30 days after the first to occur of (i) actual knowledge thereof by a Responsible Officer of the Seller or the Trust Depositor, as applicable, or (ii) there shall have been given, by registered or certified mail, to the Issuer by the Trustee, a written notice specifying such default and requiring it to be remedied and stating that such notice is a notice of default hereunder;

(iv) any representation, warranty, certification or written statement of the Seller, the Trust Depositor or the Issuer in this Indenture or any other Transaction Document or in any certificate delivered under this Indenture shall prove to have been incorrect in any respect when made, and such incorrect representation or warranty has a material adverse effect on the Noteholders, and which default continues unremedied for a period of 30 days after the first to occur of (i) actual knowledge thereof by a Responsible Officer of the Seller or the Trust Depositor, as applicable, or (ii) the delivery to the Issuer by the Trustee, by registered or certified mail, a written notice specifying such incorrect representation or warranty and requiring it to be remedied and stating that such notice is a notice of default hereunder;

(v) there occurs the filing of a decree or order for relief by a court having jurisdiction in the premises in respect of the Trust Depositor, the Issuer or any substantial part of the Indenture Collateral in an involuntary case under any applicable federal or state bankruptcy, insolvency or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Trust Depositor, the Issuer or for any substantial part of the Indenture Collateral, or ordering the winding-up or liquidation of the Trust Depositor's or the Issuer's affairs, and such decree or order shall remain unstayed and in effect for a period of 30 consecutive days;

(vi) there occurs the commencement by the Trust Depositor or the Issuer of a voluntary case under any applicable federal or state bankruptcy, insolvency or other similar law now or hereafter in effect, or the consent by the Trust Depositor or the Issuer to the entry of an order for relief in an involuntary case under any such law, or the consent by the Trust Depositor or the Issuer to the appointment or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Trust Depositor or the Issuer or for any substantial part of the Indenture Collateral, or the making by the Trust Depositor or the Issuer of any general assignment for the benefit of creditors, or the failure by the Trust Depositor or the Issuer generally to pay its debts as such debts become due, or the taking of any action by the Trust Depositor or the Issuer in furtherance of any of the foregoing;

(vii) the Trustee, on behalf of the Noteholders, shall fail to have a valid and perfected first priority security interest in the Indenture Collateral except as otherwise expressly permitted to be released in accordance with the applicable Transaction Document, and such failure to have a perfected first priority security interest shall have a material adverse effect on the Noteholders; or

(viii) failure of the Issuer to be treated as an entity that is disregarded as separate entity from its owner for U.S. federal income tax purposes.

The Issuer shall deliver to the Trustee and the Rating Agency, within two (2) Business Days after the occurrence of an Event of Default, written notice in the form of an Officer's Certificate of any event which with the giving of notice and the lapse of time would become an Event of Default under clause (iv) or clause (v) above, its status and what action the Issuer is taking or proposes to take with respect thereto.

Section 5.02 Acceleration of Maturity; Rescission and Annulment.

If an Event of Default should occur and be continuing, (other than an Event of Default specified in Sections 5.01(v) or (vi)), then and in every such case the Trustee may, and shall at the direction of the Super-Majority Noteholders, declare the Notes to be immediately due and payable by a notice in writing to the Issuer (who shall promptly forward the same to the Rating Agency) and the Owner Trustee (and to the Trustee if given by Noteholders), and upon any such declaration the unpaid principal amount of the Notes, together with accrued and unpaid interest thereon, through the date of acceleration, shall become immediately due and payable. If an Event of Default specified in Sections 5.01(v) or (vi) occurs, the unpaid principal amount of the Notes, together with accrued and unpaid interest thereon, through the date of acceleration, shall automatically, and without any notice to the Issuer, become immediately due and payable.

At any time after such declaration or automatic occurrence of acceleration of maturity and before a judgment or decree for payment of the money due has been obtained by the Trustee as hereinafter in this Article V provided, the Super-Majority Noteholders, by written notice to the Issuer and the Trustee, may rescind and annul such declaration and its consequences if:

(A) the Issuer has paid or deposited with the Trustee a sum sufficient to pay:

(i) all payments of principal of and interest on the Notes, and all other amounts that would then be due hereunder, upon the Notes if the Event of Default giving rise to such acceleration had not occurred; and

(ii) all sums paid or advanced by the Trustee hereunder and the reasonable compensation, expenses, disbursements and advances of the Trustee and its agents and counsel; and

(B) all Events of Default, other than the nonpayment of the principal of the Notes that has become due solely by such acceleration, have been cured or waived as provided in Section 5.12.

No such rescission or annulment shall affect any subsequent default or impair any right consequent thereto.

If the notes are accelerated following an Event of Default specified in Sections 5.01(v) or (vi), then on each Payment Date on or after such Event of Default, payments will be made by the Trustee from all funds available to it in the same order of priority as that provided for in Section 7.05(c) of the Sale and Servicing Agreement.

Section 5.03 Collection of Indebtedness and Suits for Enforcement by Trustee.

(a) The Issuer covenants that if (i) default is made in the payment of any interest on any Note, or (ii) default is made in the payment of the principal of or any installment of the principal of any Note, when the same becomes due and payable, and in each case such default continues for a period of two (2) Business Days, the Issuer will, upon demand of the Trustee, pay to it, for the benefit of the Noteholders, the whole amount then due and payable on the Notes for principal and interest, with interest upon the overdue principal, and in addition thereto such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee and its agents and counsel.

(b) In case the Issuer shall fail forthwith to pay such amounts upon such demand, the Trustee, in its own name and as trustee of an express trust, with the consent of the Majority Noteholders and subject to the provisions of Section 11.15 hereof may institute a Proceeding for the collection of the sums so due and unpaid, and may prosecute such Proceeding to judgment or final decree, and may enforce the same against the Issuer or other obligor upon the Notes and collect in the manner provided by law out of the Indenture Collateral, wherever situated, the moneys adjudged or decreed to be payable.

(c) If an Event of Default occurs and is continuing, and the Notes have been declared due and payable and such declaration and its consequences have not been rescinded and annulled, the Trustee subject to the provisions of Section 5.04 and Section 11.15 hereof may, as more particularly provided in Section 5.04, in its discretion, proceed to protect and enforce its rights and the rights of the Noteholders by such appropriate Proceedings as the Trustee shall deem most effective to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy or legal or equitable right vested in the Trustee by this Indenture or by law.

(d) In case there shall be pending, relative to the Issuer or any Person having or claiming an ownership interest in the Indenture Collateral, Proceedings under Title 11 of the United States Code or any other applicable federal or state bankruptcy, insolvency or other similar law, or in case a receiver, assignee or trustee in bankruptcy or reorganization, liquidator, sequestrator or similar official shall have been appointed for or taken possession of the Issuer or its property or such other Person, or in case of any other comparable judicial Proceedings relative to the Issuer, or to the creditors or property of the Issuer, the Trustee, irrespective of whether the principal of any Notes shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand pursuant to the provisions of this Section 5.03, shall be entitled and empowered, by intervention in such Proceedings or otherwise:

(i) to file and prove a claim or claims for the whole amount of principal and interest, as applicable, owing and unpaid in respect of the Notes and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for reasonable compensation to the Trustee and each predecessor Trustee, and their respective agents, attorneys and counsel, and for reimbursement of all reasonable expenses and liabilities incurred, and all advances made, by the Trustee and each predecessor Trustee, except as a result of negligence or bad faith) and of the Noteholders allowed in such Proceedings;

(ii) unless prohibited by applicable law and regulations, to vote on behalf of the Holders of Notes in any election of a trustee, a standby trustee or Person performing similar functions in any such Proceedings;

(iii) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute all amounts received with respect to the claims of the Noteholders and of the Trustee on their behalf;

(iv) to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee or the Noteholders allowed in any judicial proceedings relative to the Issuer, its creditors and its property; and

(v) to participate as a member, voting or otherwise, of any official committee of creditors appointed in such matter;

and any trustee, receiver, liquidator, custodian or other similar official in any such Proceeding is hereby authorized by each of such Noteholders to make payments to the Trustee, and, in the event that the Trustee shall consent to the making of payments directly to such Noteholders, to pay to the Trustee such amounts as shall be sufficient to cover reasonable compensation to the Trustee, each predecessor Trustee and their respective agents, attorneys and counsel, and all other reasonable expenses and liabilities incurred, and all advances made, by the Trustee and each predecessor Trustee except as a result of negligence or bad faith.

(e) Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or vote for or accept or adopt on behalf of any Noteholder any plan of reorganization, arrangement, adjustment or composition affecting the Notes or the rights of any Holder thereof or to authorize the Trustee to vote in respect of the claim of any Noteholder in any such proceeding except, as aforesaid, to vote for the election of a trustee in bankruptcy or similar Person.

(f) All rights of action and of asserting claims under this Indenture, or under any of the Notes, may be enforced by the Trustee without the possession of any of the Notes or the production thereof in any trial or other Proceedings relative thereto, and any such action or proceedings instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment, subject to the payment of the expenses, disbursements and compensation of the Trustee, each predecessor Trustee and their respective agents and attorneys, shall be for the ratable benefit of the Holders of the Notes.

(g) In any Proceedings brought by the Trustee (and also any Proceedings involving the interpretation of any provision of this Indenture to which the Trustee shall be a party), the Trustee shall be held to represent all the Holders of the Notes, and it shall not be necessary to make any Noteholder a party to any such Proceedings.

Section 5.04 Remedies; Priorities.

(a) If an Event of Default has occurred and is continuing, and the Notes have been declared due and payable and such declaration and its consequences have not been rescinded and annulled, subject to the provisions of Section 11.15 hereof, the Trustee may do one or more of the following (subject to the provisions of this Section 5.04 and Section 5.15):

(i) institute Proceedings in its own name and as trustee of an express trust for the collection of all amounts then payable on the Notes or under this Indenture with respect thereto, whether by declaration or otherwise, enforce any judgment obtained, and collect from the Issuer and any other obligor upon such Notes moneys adjudged due;

(ii) institute Proceedings from time to time for the complete or partial foreclosure of this Indenture with respect to the Indenture Collateral;

(iii) exercise any remedies of a secured party under the UCC and take any other appropriate action to protect and enforce the rights and remedies of the Trustee and the Holders of the Notes; and

(iv) sell the Indenture Collateral or any portion thereof or rights or interest therein at one or more public or private sales called and conducted in any matter permitted by law;

provided, *however*, that the Trustee may not sell or otherwise liquidate the Indenture Collateral following and during the continuance of an Event of Default unless (A) the Notes have been declared or otherwise become immediately due and payable in accordance with Section 5.02 and such declaration or acceleration and its consequences have not been rescinded and annulled and (B) either (1) the proceeds of such Sale or liquidation are sufficient to discharge in full all amounts then due and unpaid upon the Notes for principal and interest (including any interest payable pursuant to Section 7.05(a)(6) or 7.05(c)(4)), (2) the Trustee determines that the Indenture Collateral would not be sufficient on an ongoing basis to make all payments on the Notes as those payments would have become due had the Notes not been declared due and payable and the Super-Majority Noteholders (excluding Notes held by the Trust Depositor, the Seller, the Servicer or any of their respective affiliates) consent to such Sale or (3) 100% of the holders of the outstanding Notes (excluding Notes held by the Trust Depositor, the Seller, the Servicer or any of their respective affiliates) consent to such Sale. In determining whether the proceeds of such Sale or liquidation distributable to the Noteholders and the other parties entitled thereto are sufficient to discharge in full the amounts referenced in clause (B)(1) above, the Trustee may, but need not, obtain, at the Issuer's expense, and rely upon an opinion of an independent accountant or an investment banking firm of national reputation as to the feasibility of such proposed action and as to the sufficiency of the expected sales proceeds of the Indenture Collateral for such purpose.

(b) If the Trustee collects any money pursuant to this Article V, it shall distribute such money in accordance with Section 7.05(c) of the Sale and Servicing Agreement. The Trustee may fix a record date and distribution date (which may be a date other than a Payment Date) for any payment to Noteholders pursuant to this Section 5.04. At least five days before such record date, the Issuer shall mail to each Noteholder and the Trustee a notice that states the record date, the distribution date and the amount to be paid.

Section 5.05 [Reserved].

Section 5.06 Limitation of Suits.

No Holder of any Note shall have any right to institute any Proceeding, judicial or otherwise, with respect to this Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless and subject to the provisions of Section 11.15 hereof:

(i) such Holder has previously given written notice to the Trustee of a continuing Event of Default;

(ii) prior to the payment in full of Notes, the Noteholders evidencing not less than 25% of the aggregate Outstanding Principal Balance of the Notes have made written request to the Trustee to institute such Proceeding in respect of such Event of Default in its capacity as Trustee hereunder;

(iii) such Holder or Holders have offered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in complying with such request;

(iv) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute such Proceedings; and

(v) prior to the payment in full of the Notes, no direction inconsistent with such written request has been given to the Trustee during such 60 day period by the Holders of a majority of the Outstanding Principal Balance of the Notes.

It is understood and intended that no one or more of the Holders of Notes shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the rights of any other Holders of Notes or to obtain or to seek to obtain priority or preference over any other Holders or to enforce any right under this Indenture, except in the manner herein provided.

In the event the Trustee shall receive conflicting or inconsistent requests and indemnity from two or more groups of Holders of Notes, each representing less than a majority of the Aggregate Outstanding Principal Balance of the Notes then entitled to make such request, the Trustee in its sole discretion may determine what action, if any, shall be taken, notwithstanding any other provisions of this Indenture.

Section 5.07 Unconditional Rights of Noteholders To Receive Principal and Interest.

Notwithstanding any other provisions in this Indenture, but subject to Section 11.15 hereof, the Holder of any Note shall have the right, which is absolute and unconditional, to receive payment of the principal of and interest, if any, on such Note on or after the respective due dates thereof expressed in such Note or in this Indenture and such right shall not be impaired without the consent of such Holder.

Section 5.08 Restoration of Rights and Remedies.

If the Trustee or any Noteholder has instituted any Proceeding to enforce any right or remedy under this Indenture and such Proceeding has been discontinued or abandoned for any reason or has been determined adversely to the Trustee or to such Noteholder, then and in every such case the Issuer, the Trustee and the Noteholders shall, subject to any determination in such Proceeding, be restored severally and respectively to their former positions hereunder, and thereafter all rights and remedies of the Trustee and the Noteholders shall continue as though no such Proceeding had been instituted.

Section 5.09 Rights and Remedies Cumulative.

No right or remedy herein conferred upon or reserved to the Trustee or to the Noteholders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Section 5.10 Delay or Omission Not a Waiver.

No delay or omission of the Trustee or any Holder of any Note in the exercise of any right or remedy accruing upon any Default or Event of Default shall impair any such right or remedy or constitute a waiver of any such Default or Event of Default or an acquiescence therein. Every right and remedy given by this Article V or by law to the Trustee or to the Noteholders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Noteholders, as the case may be.

Section 5.11 Control by Noteholders.

The Majority Noteholders shall have the right to direct the time, method and place of conducting any Proceeding for any remedy available to the Trustee with respect to the Notes or exercising any trust or power conferred on the Trustee; *provided* that:

(i) such direction shall not be in conflict with any rule of law or with this Indenture;

(ii) the Super-Majority Noteholders or 100% of the Noteholders (as applicable) may provide any direction to the Trustee to sell or liquidate the Indenture Collateral pursuant to the express terms of Section 5.04; and

(iii) the Trustee may take any other action deemed proper by the Trustee that is not inconsistent with such direction.

Notwithstanding the rights of Noteholders set forth in this Section 5.11, subject to Section 6.01(g), the Trustee need not take any action that it determines might involve it in liability.

Section 5.12 Waiver of Past Defaults.

Prior to the declaration of the acceleration of the maturity of the Notes as provided in Section 5.02, the Majority Noteholders may waive any past Event of Default and its consequences except an Event of Default with respect to payment of principal or interest, as applicable, on any of the Notes or in respect of a covenant or provision hereof which cannot be modified or amended without the waiver or consent of each of the Holders of the Outstanding Notes affected thereby. In the case of any such waiver, the Issuer, the Trustee and the Noteholders shall be restored to their former positions and rights hereunder, respectively; but no such waiver shall extend to any subsequent or other Event of Default or impair any right consequent thereto.

Upon any such waiver, any Event of Default arising therefrom shall be deemed to have been cured and not to have occurred, for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other Event of Default or impair any right consequent thereto.

Section 5.13 Undertaking for Costs.

All parties to this Indenture agree, and each Holder of any Note by such Holder's acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken, suffered or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section 5.13 shall not apply to (i) any suit instituted by the Trustee, (ii) any suit instituted by any Noteholder, or group of Noteholders, in each case holding in the aggregate more than 25% of the Aggregate Outstanding Principal Balance or (iii) any suit instituted by any Noteholder for the enforcement of the payment of principal or interest, as applicable, on any Note on or after the respective due dates expressed in such Note and in this Indenture.

Section 5.14 Waiver of Stay or Extension Laws.

The Issuer covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead or in any manner whatsoever, claim or take the benefit or advantage of, any stay or extension law wherever enacted, now or at any time hereafter in force, that may affect the covenants or the performance of this Indenture; and the Issuer (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

Section 5.15 Sale of Indenture Collateral.

(a) The power to effect any sale or other disposition (a "Sale") of any portion of the Indenture Collateral pursuant to Section 5.04 is expressly subject to the provisions of Section 5.11 and this Section 5.15. The power to effect any such Sale shall not be exhausted by any one or more Sales as to any portion of the Indenture Collateral remaining unsold, but shall continue unimpaired until the entire Indenture Collateral shall have been sold or all amounts payable on the Notes and under this Indenture shall have been paid. The Trustee hereby expressly waives its right to any amount fixed by law as compensation for any Sale.

(b) The Trustee shall not in any private Sale sell the Indenture Collateral, or any portion thereof, unless the Majority Noteholders consent to or such Noteholders as required by Section 5.11 direct the Trustee to make such Sale and:

(i) the proceeds of such Sale or liquidation are sufficient to discharge in full all amounts then due and unpaid upon the Notes for principal and interest, as applicable, to pay all amounts then due and payable to the Trustee and to reimburse the Servicer for any outstanding unreimbursed Servicing Advances and Scheduled Payment Advances; or

(ii) the Trustee determines, at the direction of Noteholders representing at least 25% of the aggregate Outstanding Principal Balance of the Notes, that the conditions for liquidation of the Indenture Collateral set forth in Section 5.04 are satisfied (in making any such determination, the Trustee may rely upon an opinion of an Independent investment banking firm obtained and delivered as provided in Section 5.04).

(c) In connection with a Sale of all or any portion of the Indenture Collateral:

(i) other than in the case of a Sale of any Loan as contemplated by the Sale and Servicing Agreement, any Holder or Holders of Notes (other than the Trust Depositor) may bid for and purchase the property offered for Sale, and upon compliance with the terms of Sale may hold, retain and possess and dispose of such property, without further accountability, and may, in paying the purchase money therefor, deliver any Notes or claims for interest thereon in lieu of cash up to the amount which shall, upon distribution of the net proceeds of such Sale, be payable thereon, and such Notes, in case the amounts so payable thereon shall be less than the amount due thereon, shall be returned to the Holders thereof after being appropriately stamped to show such partial payment;

(ii) other than in the case of a Sale of any Loan as contemplated by the Sale and Servicing Agreement, the Trustee may bid for and acquire the property offered for Sale in connection with any Sale thereof, and, subject to any requirements of, and to the extent permitted by, Requirements of Law in connection therewith, may purchase all or any portion of the Indenture Collateral in a private sale, and, in lieu of paying cash therefor, may make settlement for the purchase price by crediting the gross Sale price against the sum of (A) the amount which would be distributable to the Holders of the Notes as a result of such Sale in accordance with Section 5.04(b) on the Payment Date next succeeding the date of such Sale and (B) the expenses of the Sale and of any Proceedings in connection therewith which are reimbursable to it, without being required to produce the Notes in order to complete any such Sale or in order for the net Sale price to be credited against such Notes, and any property so acquired by the Trustee shall be held and dealt with by it in accordance with the provisions of this Indenture;

(iii) the Trustee shall execute and deliver an appropriate instrument of conveyance transferring its interest in any portion of the Indenture Collateral in connection with a Sale thereof;

(iv) the Trustee is hereby irrevocably appointed the agent and attorney-in-fact of the Issuer to transfer and convey its interest in any portion of the Indenture Collateral in connection with a Sale thereof, and to take all action necessary to effect such Sale;

(v) the Trustee shall use commercially reasonable efforts to maximize the proceeds of any such Sale of the Indenture Collateral;

(vi) no purchaser or transferee at such a Sale shall be bound to ascertain the Trustee's authority, inquire into the satisfaction of any conditions precedent or see to the application of any moneys; and

(vii) all proceeds received by the Trustee in connection with the liquidation or sale of the Indenture Collateral shall be deposited into the Collection Account no later than two (2) Business Days following receipt thereof.

Section 5.16 Action on Notes.

The Trustee's right to seek and recover judgment on the Notes or under this Indenture shall not be affected by the seeking, obtaining or application of any other relief under or with respect to this Indenture. Neither the lien of this Indenture nor any rights or remedies of the Trustee or the Noteholders shall be impaired by the recovery of any judgment by the Trustee against the Issuer or by the levy of any execution under such judgment upon any portion of the Indenture Collateral or upon any of the assets of the Issuer. Any money or property collected by the Trustee shall be applied in accordance with Section 5.04(b).

Section 5.17 Performance and Enforcement of Certain Obligations.

(a) Promptly following a request from the Trustee to do so, the Issuer shall take all such lawful action as the Trustee at the direction of the Majority Noteholders may request to compel or secure the performance and observance by the Seller, the Trust Depositor and the Servicer, as applicable, of each of their obligations to the Issuer under or in connection with the Transaction Documents, and to exercise any and all rights, remedies, powers and privileges lawfully available to the Issuer under or in connection with the Transaction Documents to the extent and in the manner directed by the Trustee, including the transmission of notices of default to the Seller, the Trust Depositor or the Servicer thereunder and the institution of legal or administrative actions or proceedings to compel or secure performance by the Seller, the Trust Depositor or the Servicer of each of their obligations under the Transaction Documents.

(b) If a Servicer Default has occurred and is continuing, the Trustee, at the direction of the Majority Noteholders, shall exercise all rights, remedies, powers, privileges and claims of the Issuer against the Servicer under or in connection with the Sale and Servicing Agreement, including the right or power to take any action to compel or secure performance or observance by the Servicer, of its obligations to the Issuer thereunder and to give any consent, request, notice, direction, approval, extension or waiver under the Sale and Servicing Agreement, and any right of the Issuer to take such action shall not be suspended.

ARTICLE VI
THE TRUSTEE

Section 6.01 Duties of Trustee.

(a) If an Event of Default has occurred and is continuing, the Trustee shall exercise the rights and powers vested in it by this Indenture and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs with respect to the Indenture Collateral.

(b) Except during the continuance of an Event of Default:

(i) the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(ii) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture; however, the Trustee shall examine the certificates and opinions to determine whether or not they conform to the requirements of this Indenture.

(c) The Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that:

(i) this paragraph does not limit the effect of paragraph (b) of this Section 6.01;

(ii) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer unless it is proved that the Trustee was negligent in ascertaining the pertinent facts; and

(iii) the Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 5.11.

(d) Every provision of this Indenture that in any way relates to the Trustee is subject to paragraphs (a), (b), (c), (g) and (i) of this Section 6.01.

(e) The Trustee shall not be liable for interest on any money received by it except as the Trustee may agree in writing with the Issuer.

(f) Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law or the terms of this Indenture or the Sale and Servicing Agreement.

(g) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture, to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties hereunder or to honor the request or direction of any of the Noteholders pursuant to this Indenture, unless such Noteholder or Noteholders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses, and liabilities that might be incurred by it in compliance with the request or direction. Anything in this Indenture to the contrary notwithstanding, in no event shall the Trustee be liable for special, indirect, punitive or consequential loss or damage of any kind whatsoever (including but not limited to lost profits).

(h) Every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section 6.01.

(i) The Trustee shall not be deemed to have notice of any Event of Default or Servicer Default unless a Responsible Officer assigned to and working in the Trustee's Corporate Trust Office has actual knowledge thereof or has received written notice of thereof in accordance with this Indenture.

Section 6.02 Rights of Trustee.

(a) The Trustee may rely on any document believed by it to be genuine and to have been signed or presented by the proper person. The Trustee need not investigate any fact or matter stated in the document.

(b) Before the Trustee acts or refrains from acting, it may require an Officer's Certificate. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on an Officer's Certificate.

(c) The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys or a custodian or nominee, and the Trustee shall not be responsible for any misconduct or negligence on the part of, or for the supervision of, any such agent, attorney, custodian or nominee appointed with due care by it hereunder.

(d) The Trustee shall not be liable for any action it takes or omits to take in good faith which it believes to be authorized or within its rights or powers; *provided* that the Trustee's conduct does not constitute willful misconduct, negligence or bad faith.

(e) The Trustee may consult with counsel, and the advice of counsel or an Opinion of Counsel with respect to legal matters relating to this Indenture and the Notes shall be full and complete authorization and protection from liability in respect to any action taken, omitted or suffered by it hereunder in good faith and in accordance with such advice of counsel or such Opinion of Counsel.

(f) The Trustee shall not be bound to make any investigation into the performance of the Issuer or the Servicer under this Indenture or any other Transaction Document or into the matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note or other document, but the Trustee, in its discretion, may make any further inquiry or investigation into those matters that it deems appropriate, and if the Trustee determines to inquire further, it shall be entitled to examine the books, records and premises of the Issuer and the Servicer, personally or by agent or attorney; *provided* that any such examination shall be upon reasonable prior notice and at a time acceptable to the Issuer or the Servicer in their reasonable judgment during normal business hours; *provided*, *further*, that the Trustee shall, and shall cause its agents, to hold in confidence any and all such information, except (i) to the extent disclosure may be required by law by any regulatory authority and (ii) to the extent that the Trustee, in its reasonable judgment, may determine that such disclosure is consistent with its obligations hereunder; *provided* that all such persons agree in writing with the Issuer to hold such information as confidential. A Noteholder may only disclose such information obtained from the Trustee to any prospective transferee and to such Noteholder's and transferee's accountants, consultants, attorneys and similar agents; *provided* that all such persons agree in writing with the Issuer to hold such information as confidential.

(g) The Trustee shall not be required to give any bond or surety in respect of the performance of its powers and duties hereunder.

(h) Except as expressly provided herein or in any other Transaction Document, nothing herein shall be construed to impose an obligation on the part of the Trustee to recalculate, evaluate or verify any report, certificate or information received by it from the Issuer or Servicer or to otherwise monitor the activities of the Issuer or Servicer.

(i) In the event that the Trustee is also acting in the capacity of Custodian, Backup Servicer, Paying Agent, Note Registrar or Certificate Registrar hereunder or under the other Transaction Documents, the rights, protections, immunities and indemnities afforded the Trustee pursuant to this Article VI shall also be afforded to the Trustee in such capacities.

(j) Whenever in the administration of this Indenture the Trustee shall (i) deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officer's Certificate or (ii) be required to determine the value of any Indenture Collateral or funds hereunder or the cash flows projected to be received therefrom, the Trustee may, in the absence of bad faith on its part, rely on reports of nationally recognized accountants (which may or may not be the Independent Accountants appointed by the Issuer pursuant to Section 9.05 of the Sale and Servicing Agreement), investment bankers or other persons qualified to provide the information required to make such determination, including nationally recognized dealers in securities of the type being valued and securities quotation services.

(k) Nothing herein shall be construed to impose an obligation on the part of the Trustee to recalculate, evaluate or verify or independently determine the accuracy of any report, certificate or information received from the Issuer or Collateral Manager (unless and except to the extent otherwise expressly set forth herein).

(l) Any permissive right of the Trustee to take or refrain from taking actions enumerated in this Indenture shall not be construed as a duty.

(m) The Trustee shall not be responsible for delays or failures in performance resulting from acts beyond its control.

(n) The Trustee and Custodian shall be without liability for any damage or loss resulting from or caused by events or circumstances beyond it's reasonable control including nationalization, expropriation, currency restrictions, the interruption, disruption or suspension of the normal procedures and practices of any securities market, power, mechanical, communications or other technological failures or interruptions, computer viruses or the like, fires, floods, earthquakes or other natural disasters, civil and military disturbance, acts of war or terrorism, riots, revolution, acts of God, work stoppages, strikes, national disasters of any kind, or other similar events or acts; errors by the Issuer or Servicer (including any Responsible Officer) in its instructions to the Trustee or Custodian; or changes in applicable law, regulation or orders.

Section 6.03 Individual Rights of Trustee.

The Trustee in its individual or any other capacity may become the owner or pledgee of Notes and may otherwise deal with the Issuer or its Affiliates with the same rights it would have if it were not Trustee. Any Note Registrar, co-registrar, Paying Agent or co-paying agent may do the same with like rights. However, the Trustee must comply with Section 6.11.

Section 6.04 Trustee's Disclaimer.

The Trustee shall not be responsible for and makes no representation as to the validity or adequacy of this Indenture, the Sale and Servicing Agreement, the Trust Agreement, the Notes or any other Transaction Document, the validity or sufficiency of any security interest intended to be created or the characterization of the Notes for tax purposes, it shall not be accountable for the Issuer's use of the proceeds from the Notes, and it shall not be responsible for any statement of the Issuer in this Indenture or in any document issued in connection with the sale of the Notes or in the Notes other than the Trustee's certificate of authentication.

Section 6.05 Notice of Event of Default.

The Trustee shall mail to each Noteholder, the Servicer (who shall promptly forward the same to the Rating Agency, for so long as any of the Notes are Outstanding) and the Owner Trustee notice of an Event of Default within 30 days after the Trustee has actual knowledge thereof in accordance with Section 6.01.

Section 6.06 Reports by Trustee to Holders.

The Trustee shall deliver to each Noteholder such information in its possession as may be required to enable such holder to prepare its federal and state income tax returns. In addition, upon the Issuer's or a Noteholder's written request, the Trustee shall promptly furnish information reasonably requested by the Issuer or such Noteholder that is reasonably available to the Trustee to enable the Issuer or such Noteholder to perform its federal and state income tax reporting obligations.

The Trustee shall not be responsible for any tax reporting, disclosure, record keeping or list maintenance requirements of the Issuer under Internal Revenue Code sections 6011(a), 6111(d) or 6112, including, but not limited to, the preparation of IRS Form 8886 pursuant to Treasury Regulations Section 1.6011-4(d) or any successor provision and any required list maintenance under Treasury Regulations Section 301.6112-1 or any successor provision.

Section 6.07 Compensation and Indemnity.

The Issuer shall pay to the Trustee on each Payment Date reasonable compensation for its services under this Indenture and the other Transaction Documents in accordance with the Priority of Payments and pursuant to the separate fee agreement between the Trustee and the Issuer. The Trustee's compensation shall not be limited by any law on compensation of a trustee of an express trust. The Issuer shall reimburse the Trustee for all reasonable out-of-pocket expenses incurred or made by it, including costs of collection, in addition to the compensation for its services. Such expenses shall include the reasonable compensation and expenses, disbursements and advances of the Trustee's agents, counsel, accountants and experts. The Issuer shall indemnify, defend and hold harmless the Trustee and its officers, directors, employees and agents for and against any and all loss, liability or expense (including attorneys' fees) incurred by it in connection with the administration of this trust and the performance of its duties hereunder and under the other Transaction Documents. The Trustee shall notify the Issuer and the Trust Depositor promptly of any claim for which it may seek indemnity. Failure by the Trustee to so notify the Issuer and the Trust Depositor shall not relieve the Issuer of its obligations hereunder or under the Trust Agreement. The Issuer need not reimburse any expense or indemnify against any loss, liability or expense incurred by the Trustee through the Trustee's own willful misconduct, negligence or bad faith, except that the Trustee shall not be liable (i) for any error of judgment made by it in good faith unless it is proved that the Trustee was negligent in ascertaining the pertinent facts, (ii) for any action it takes or omits to take in good faith in accordance with directions received by it from the Holders of the Notes in accordance with the terms hereunder, or (iii) for interest on any money received by it except as the Trustee and the Issuer may agree in writing. The Issuer shall assume (with the consent of the Trustee, such consent not to be unreasonably withheld) the defense of claim for indemnification hereunder and any settlement of any such claim and pay all expenses in connection therewith, including reasonable counsel fees. If the consent of the Trustee required in the immediately preceding sentence is unreasonably withheld, the Issuer is relieved of its indemnification obligations hereunder with respect thereto. The obligations of the Issuer set forth in this Section 6.07 are subject in all respects to Section 11.15(b).

The Trustee hereby agrees not to cause the filing of a petition in bankruptcy, insolvency, reorganization, moratorium, receivership, conservatorship or other similar laws now or hereafter in effect against the Issuer for the non-payment to the Trustee of any amounts provided by this Section 6.07 until at least one year and one day, or, if longer, the applicable preference period then in effect, after the payment in full of all Notes issued under this Indenture.

The amounts payable to the Trustee pursuant to this Section 6.07 shall not, except as provided by Section 7.05 of the Sale and Servicing Agreement, exceed on any Payment Date the limitation on the amount thereof described in the Priority of Payments for such Payment Date and in the definition of Administrative Expenses in the Sale and Servicing Agreement; *provided* that (i) the Trustee shall not institute any proceeding for payment of any amount payable hereunder except in connection with an action pursuant to Section 5.03 or 5.04 for the enforcement of the lien of this Indenture for the benefit of the Noteholders and (ii) the Trustee may only seek to enforce payment of such amounts in conjunction with the enforcement of the rights of the Noteholders in the manner set forth in Section 5.04.

The Trustee shall, subject to the Priority of Payments, receive amounts pursuant to this Section 6.07 and Section 7.05 of the Sale and Servicing Agreement, and only to the extent that the payment thereof would not result in an Event of Default and the failure to pay such amounts to the Trustee will not, by itself, constitute an Event of Default. Subject to Section 6.08, the Trustee shall continue to serve as Trustee under this Indenture notwithstanding the fact that the Trustee shall not have received amounts due it hereunder and hereby agrees not to cause the filing of a petition in bankruptcy, insolvency, reorganization, moratorium, receivership, conservatorship or other similar laws now or hereafter in effect against the Issuer for the nonpayment to the Trustee of any amounts provided by this Section 6.07 until at least one year and one day, or, if longer, the applicable preference period then in effect, after the payment in full of all Notes issued under this Indenture.

The Issuer's payment obligations and indemnity to the Trustee pursuant to this Section 6.07 shall survive the discharge of this Indenture and resignation or removal of the Trustee. When the Trustee incurs expenses after the occurrence of an Event of Default specified in clauses (vi) or (vii) of the definition of "Event of Default" with respect to the Issuer, the expenses are intended to constitute expenses of administration under Title 11 of the United States Code or any other applicable federal or state bankruptcy, insolvency or similar law.

Section 6.08 Replacement of Trustee.

No resignation or removal of the Trustee shall become effective until the appointment of a successor Trustee pursuant to this Section 6.08 and that meets the criteria set forth in Section 6.11 has become effective. The Trustee may resign at any time by so notifying the Issuer, the Noteholders, the Trust Depositor and the Servicer. The Majority Noteholders or the Issuer, with the written consent of the Majority Noteholders, may remove the Trustee by so notifying the Trustee in writing (a copy of which notice shall promptly be provided by the Issuer to the Rating Agency). The Issuer shall remove the Trustee if:

(i) the Trustee fails to comply with Section 6.11;

(ii) the Trustee is adjudged bankrupt or insolvent;

(iii) a receiver or other public officer takes charge of the Trustee or its property;

(iv) the Trustee otherwise becomes incapable of acting; or

(v) the Trustee defaults in any of its obligations under the Transaction Documents and such default is not cured within 30 days after a Responsible Officer of the Trustee receives written notice of such default.

If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason (the Trustee in such event being referred to herein as the retiring Trustee), the Issuer shall promptly appoint a successor Trustee.

A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Issuer. Upon the appointment becoming effective, the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Indenture. No successor Trustee shall accept appointment as provided in this Section 6.08 unless at the time of such appointment becoming effective such Person shall be eligible under the provisions of Section 6.11. The retiring Trustee shall promptly transfer all property (including all Indenture Collateral) held by it as Trustee to the successor Trustee and shall execute and deliver such instruments and such other documents as may reasonably be required to more fully and certainly vest and confirm in the successor Trustee all such rights, powers, duties and obligations.

If a successor Trustee does not take office within 60 days after the retiring Trustee resigns or is removed, the retiring Trustee, the Issuer or the Majority Noteholders may petition any court of competent jurisdiction for the appointment of a successor Trustee.

Notwithstanding the replacement of the Trustee pursuant to this Section 6.08, the Issuer's obligations under Section 6.07 shall continue for the benefit of the retiring Trustee.

Upon the appointment of a successor Trustee as provided in this Section 6.08, the successor Trustee shall mail notice of such succession hereunder at the expense of the Issuer to all Holders of Notes at their addresses as shown in the Note Register.

Section 6.09 Successor Trustee by Merger.

If the Trustee consolidates with, merges or converts into, or transfers all or substantially all its corporate trust business or assets to, another corporation or banking association, the resulting, surviving or transferee corporation without any further act shall be the successor Trustee; *provided* that such corporation or banking association shall be otherwise qualified and eligible under Section 6.11.

In case at the time such successor or successors by merger, conversion or consolidation to the Trustee shall succeed to the trusts created by this Indenture any of the Notes shall have been authenticated but not delivered, any such successor to the Trustee may adopt the certificate of authentication of any predecessor trustee, and deliver such Notes so authenticated; and in case at that time any of the Notes shall not have been authenticated, any successor to the Trustee may authenticate such Notes either in the name of any predecessor hereunder or in the name of the successor to the Trustee; and in all such cases such certificates shall have the full force which it is anywhere provided for in the Notes or in this Indenture.

Section 6.10 Appointment of Co-Trustee or Separate Trustee.

(a) Notwithstanding any other provisions of this Indenture, at any time, for the purpose of meeting any legal requirement of any jurisdiction in which any part of the Indenture Collateral may at the time be located, the Trustee shall have the power and may execute and deliver all instruments to appoint one or more Persons to act as a co-trustee or co-trustees, or separate trustee or separate trustees, of all or any part of the Indenture Collateral, and to vest in such Person or Persons, in such capacity and for the benefit of the Noteholders, such interest to the Indenture Collateral, or any part hereof, and, subject to the other provisions of this Section 6.10, such powers, duties, obligations, rights and trusts as the Trustee may consider necessary or desirable. No co-trustee or separate trustee hereunder shall be required to meet the terms of eligibility as a successor Trustee under Section 6.11 and no notice to the Noteholders of the appointment of any co-trustee or separate trustee shall be required under Section 6.08 hereof. No appointment of a co-trustee or a separate trustee shall relieve the Trustee of its duties and obligations hereunder.

(b) Every separate trustee and co-trustee shall, to the extent permitted by law, be appointed and act subject to the following provisions and conditions:

(i) all rights, powers, duties and obligations conferred or imposed upon the Trustee shall be conferred or imposed upon and exercised or performed by the Trustee and such separate trustee or co-trustee jointly (it being understood that such separate trustee or co-trustee is not authorized to act separately without the Trustee joining in such act), except to the extent that under any law of any jurisdiction in which any particular act or acts are to be performed the Trustee shall be incompetent or unqualified to perform such act or acts, in which event such rights, powers, duties and obligations (including the holding of title to the Indenture Collateral or any portion thereof in any such jurisdiction) shall be exercised and performed singly by such separate trustee or co-trustee, but solely at the direction of the Trustee;

(ii) no trustee hereunder shall be personally liable by reason of any act or omission of any other trustee hereunder; and

(iii) the Trustee may at any time accept the resignation of or remove any separate trustee or co-trustee.

(c) Any notice, request or other writing given to the Trustee shall be deemed to have been given to each of the then separate trustees and co-trustees, as effectively as if given to each of them. Every instrument appointing any separate trustee or co-trustee shall refer to this Indenture and the conditions of this Article VI. Each separate trustee and co-trustee, upon its acceptance of the trusts conferred, shall be vested with the estates or property specified in its instrument of appointment, either jointly with the Trustee or separately, as may be provided therein, subject to all the provisions of this Indenture, specifically including every provision of this Indenture relating to the conduct of, affecting the liability of, or affording protection to, the Trustee. Every such instrument shall be filed with the Trustee.

(d) Any separate trustee or co-trustee may at any time constitute the Trustee, its agent or attorney-in-fact with full power and authority, to the extent not prohibited by law, to do any lawful act under or in respect of this Indenture on its behalf and in its name. If any separate trustee or co-trustee shall die, become incapable of acting, resign or be removed, all of its estates, properties, rights, remedies and trusts shall vest in and be exercised by the Trustee, to the extent permitted by law, without the appointment of a new or successor trustee.

Section 6.11 Eligibility; Disqualification.

The Trustee hereunder shall at all times (i) be a national banking association or banking corporation or trust company organized and doing business under the laws of any state or the United States, (ii) be authorized under such laws to exercise corporate trust powers, (iii) have a combined capital and surplus of at least $50,000,000, (iv) have unsecured and unguaranteed long-term debt obligations rated at least Baa3 by Moody's, and (v) be subject to supervision or examination by federal or state authority. If such banking association publishes reports of condition at least annually, pursuant to Applicable Law or the requirements of the aforesaid supervising or examining authority, then for the purposes of this Section 6.11 its combined capital and surplus shall be deemed to be as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section 6.11, the Trustee shall give prompt notice to the Issuer (who shall promptly forward the same to the Rating Agency), the Trust Depositor, the Servicer and the Noteholders that it has so ceased to be eligible to be the Trustee.

Section 6.12 Representations, Warranties and Covenants of the Trustee.

The Trustee hereby makes the following representations, warranties and covenants on which the Issuer, the Trust Depositor, the Servicer and the Noteholders shall rely:

(a) The Trustee is a national banking association and trust company duly organized, validly existing and in good standing under the laws of the United States.

(b) The Trustee satisfies the criteria specified in Section 6.11.

(c) The Trustee has full power, authority and legal right to execute, deliver and perform this Indenture and the other Transaction Documents to which it is a party and has taken all necessary action to authorize the execution, deliver and performance by it of this Indenture and the other Transaction Documents to which it is a party.

(d) The execution, delivery and performance by The Trustee of this Indenture and the other Transaction Documents to which it is a party shall not (i) violate any provision of any law or any order, writ, judgment or decree of any court, arbitrator or governmental authority applicable to it or any of its assets, (ii) violate any provision of the corporate charter or by-laws of The Trustee or (iii) violate any provision of, or constitute, with or without notice or lapse of time, a default under, or result in the creation or imposition of any lien on any properties included in the Indenture Collateral pursuant to the provisions of, any mortgage, indenture, contract, agreement or other undertaking to which it is a party, which violation, default or lien could reasonably be expected to materially and adversely affect The Trustee's performance or ability to perform its duties as Trustee under this Indenture and the other Transaction Documents to which it is a party or the transactions contemplated in this Indenture and the other Transaction Documents to which it is a party.

(e) The execution, delivery and performance by The Trustee of this Indenture and the other Transaction Documents to which it is a party shall not require the authorization, consent or approval of, the giving of notice to, the filing or registration with or the taking of any other action in respect of any governmental authority or agency regulating the banking and corporate trust activities of the Trustee.

(f) This Indenture and the other Transaction Documents to which it is a party have been duly executed and delivered by The Trustee and constitute the legal, valid and binding agreements of The Trustee enforceable in accordance with their respective terms, subject to the effect of bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally or the application of equitable principles in any proceeding, whether at law or in equity. U.S. Bank hereby agrees and covenants that it will not, at any time in the future, deny that this Indenture and the other Transaction Documents to which it is a party constitute its legal, valid and binding agreements.

(g) The Trustee shall not take any action, or fail to take any action, if such action or failure to take action will materially interfere with the enforcement of any rights of the Noteholders under this Indenture or the other Transaction Documents.

(h) The Trustee is not affiliated, as that term is defined in Rule 405 under the Securities Act, with the Issuer.

Section 6.13 Directions to Trustee.

The Trustee is hereby directed and authorized:

(i) to accept a collateral assignment of the Loans, and hold the assets of the Indenture Collateral as security for the Noteholders;

(ii) to authenticate and deliver the Notes substantially in the forms prescribed by Exhibits A-1 through A-2 in accordance with the terms of this Indenture;

(iii) to execute and deliver the Transaction Documents to which it is a party; and

(iv) to take all other actions as shall be required to be taken by it by the terms of this Indenture and the other Transaction Documents to which it is party.

For avoidance of doubt, in entering into and performing under the Transaction Documents to which it is a party, the Trustee (in all its capacities) shall be subject to the protections, rights, indemnities and immunities afforded it under Article VI of this Indenture.

Section 6.14 Conflicts.

If a Default occurs and is continuing and the Trustee is deemed to have a "conflicting interest" (as defined in the TIA) as a result of acting as trustee for the Notes, the Issuer, at its expense, shall appoint a successor Trustee for the affected Notes so that there will be a separate Trustee for such affected Notes. No such event shall alter the voting rights of the Noteholders under this Indenture or under any of the other Transaction Documents.

ARTICLE VII
NOTEHOLDERS' LISTS AND REPORTS

Section 7.01 Issuer To Furnish Trustee Names and Addresses of Noteholders.

The Issuer will furnish or cause to be furnished to the Trustee (a) within five (5) days after each Record Date, a list, in such form as the Trustee may reasonably require, of the names and addresses of the Holders of Notes as of such Record Date and (b) at such other times as the Trustee may reasonably request in writing, within 30 days after receipt by the Issuer of any such request, a list of similar form and content as of a date not more than 10 days prior to the time such list is furnished; *provided* that so long as the Trustee is the Note Registrar, no such list shall be required to be furnished.

Section 7.02 Preservation of Information; Communications to Noteholders.

(a) The Trustee shall preserve, in as current a form as is reasonably practicable, the names and addresses of the Holders of Notes contained in the most recent list furnished to the Trustee as provided in Section 7.01 and the names and addresses of Holders of Notes received by the Trustee in its capacity as Note Registrar. The Trustee may destroy any list furnished to it as provided in such Section 7.01 upon receipt of a new list so furnished.

(b) The Trustee shall furnish to the Noteholders promptly upon receipt of a written request therefor, duplicates or copies of all reports, notices, requests, demands, certificates and financial statements of the Issuer or of the Servicer furnished to the Trustee under the Transaction Documents.

Section 7.03 Fiscal Year.

Unless the Issuer otherwise determines, the fiscal year of the Issuer shall end on December 31 of each year. The Issuer shall notify the Trustee of any change in its fiscal year.

ARTICLE VIII
TRANSACTION ACCOUNTS, DISBURSEMENTS AND RELEASES

Section 8.01 Collection of Money.

Except as otherwise expressly provided herein or in the Sale and Servicing Agreement, the Trustee may demand payment or delivery of, and shall receive and collect, directly and without intervention or assistance of any fiscal agent or other intermediary, all money and other property payable to or receivable by the Trustee pursuant to this Indenture. The Trustee shall apply all such money received by it as provided in this Indenture. Except as otherwise expressly provided in this Indenture or in the Sale and Servicing Agreement, if any event of default occurs in the making of any payment or performance under any agreement or instrument that is part of the Indenture Collateral, the Trustee (at the direction of the Servicer pursuant to the Sale and Servicing Agreement) may take such action as may be appropriate to enforce such payment or performance, including the institution and prosecution of appropriate Proceedings. Any such action shall be without prejudice to any right to claim a Default or Event of Default under this Indenture and any right to proceed thereafter as provided in Article V.

Section 8.02 Transaction Accounts.

(a) On or prior to the Closing Date, the Securities Intermediary on behalf of the Issuer shall establish and maintain, in the name of the Securities Intermediary, for the benefit of the Securityholders, the Distribution Account, the Reserve Account and the Collection Account and the Issuer shall establish the Lockbox Account as a non-interest bearing, segregated account at the Lockbox Bank and in the name of the Securities Intermediary for the benefit of the Securityholders, in each case, as provided in Sections 7.01, 7.02 and 7.03 of the Sale and Servicing Agreement.

(b) All funds required to be deposited in the Collection Account with respect to the preceding Collection Period will be deposited in the Collection Account as provided in Section 7.03 of the Sale and Servicing Agreement. On or before the last day of each Collection Period or such other date as determined by the Trustee pursuant to Section 7.05(c) of the Sale and Servicing Agreement, the Collections with respect to the preceding Collection Period on deposit in the Collection Account will be transferred from the Collection Account to the Distribution Account as provided in Section 7.05 of the Sale and Servicing Agreement. On or before the Business Day immediately preceding each Payment Date, all other amounts then on deposit in the Collection Account (including, without limitation, any amounts deposited into the Collection Account from the Reserve Account pursuant to Section 7.02 of the Sale and Servicing Agreement) will be deposited into the Distribution Account and will remain uninvested while deposited in the Distribution Account. The Securities Intermediary shall invest any funds in the Reserve Account as provided in the Sale and Servicing Agreement. Funds will be deposited into the Reserve Account as provided in Section 7.05 of the Sale and Servicing Agreement.

(c) On each Payment Date or such other date as determined by the Trustee pursuant to Section 5.04(b), the Trustee, as Paying Agent, shall distribute all amounts on deposit in the Distribution Account to Noteholders in respect of Notes and any other parties specified in the Priority of Payments, and to the Trustee, as paying agent under the Trust Agreement, for distribution to the Holders of the Trust Certificates in accordance with the Priority of Payments.

(d) All moneys deposited from time to time in the Distribution Account and the Reserve Account pursuant to the Sale and Servicing Agreement and all deposits therein pursuant to this Indenture are for the benefit of the Securityholders and all investments made with such moneys including all income or other gain from such investments are for the benefit of the Securityholders as provided by the Sale and Servicing Agreement.

(e) The Redemption Price described in Section 10.01 hereof shall be deposited in the Distribution Account.

Section 8.03 Officer's Certificate.

Except for releases or conveyances required or permitted by the Sale and Servicing Agreement and the other Transaction Documents, the Trustee shall receive at least two Business Days' notice when requested by the Issuer to take any action pursuant to Section 8.05(a), accompanied by copies of any instruments to be executed, and the Trustee shall also require, as a condition to such action, an Officer's Certificate, in form and substance reasonably satisfactory to the Trustee, stating the effect of any such action, outlining the steps required to complete the same, and concluding that all conditions precedent to the taking of such action have been complied with and such action will not materially and adversely impair the security for the Notes or the rights of the Noteholders in contravention of the provisions of this Indenture.

Section 8.04 Termination Upon Distribution to Noteholders.

Subject to Section 4.06, this Indenture and the respective obligations and responsibilities of the Issuer and the Trustee created hereby shall terminate upon the distribution to the Noteholders and the Trustee of all amounts required to be distributed to such parties pursuant to the applicable provisions of this Indenture and the Sale and Servicing Agreement.

Section 8.05 Release of Indenture Collateral.

(a) Subject to the payment of its fees and reasonable expenses, the Trustee may, and when required by the provisions of this Indenture shall, execute instruments to release property from the lien of this Indenture, or convey the Trustee's interest in the same, in a manner and under circumstances that are not inconsistent with the provisions of this Indenture, the Sale and Servicing Agreement and the other Transaction Documents. No party relying upon an instrument executed by the Trustee as provided in Article IV hereunder shall be bound to ascertain the Trustee's authority, inquire into the satisfaction of any conditions precedent, or see to the application of any moneys. The Trustee shall not release any Loan from the lien of this Indenture in connection with a sale of such Loan to an Affiliate of the Servicer or the Issuer without first receiving an Officer's Certificate of the Servicer in the form of Exhibit F to the Sale and Servicing Agreement. The Trustee shall make copies of any such Officer's Certificate available to any Noteholder upon written request of such Noteholder, subject to Section 11.01.

(b) The Trustee shall, at such time as (i) there are no Notes Outstanding and (ii) all sums due the Trustee pursuant to this Indenture have been paid, release any remaining portion of the Indenture Collateral that secured the Notes from the lien of this Indenture. The Trustee shall release property from the lien of this Indenture pursuant to this Section 8.05(b) only upon receipt of a request from the Issuer accompanied by an Officer's Certificate and an Opinion of Counsel stating that all conditions precedent to such release have been satisfied.

ARTICLE IX
SUPPLEMENTAL INDENTURES

Section 9.01 Supplemental Indentures Without Consent of Noteholders.

(a) Without the consent of the Holders of any Notes but with prior written notice to all Noteholders, the Rating Agency and the Servicer, the Issuer and the Trustee, when authorized by an Issuer Order, at any time and from time to time, may enter into a supplemental indenture, in form reasonably satisfactory to the Trustee, for any of the following purposes; *provided* that the Issuer shall only enter into a supplemental indenture in compliance with Section 4.01(d) of the Trust Agreement and Section 9.06 hereof:

(i) to correct or amplify the description of any property at any time subject to the lien of this Indenture, or better to assure, convey and confirm unto the Trustee any property subject or required to be subjected to the lien of this Indenture, or to subject to the lien of this Indenture additional property;

(ii) to evidence the succession, in compliance with the applicable provisions hereof, of another Person to the Issuer, and the assumption by any such successor of the covenants of the Issuer herein and in the Notes;

(iii) to add to the covenants of the Issuer, for the benefit of the Holders of the Notes, or to surrender any right or power herein conferred upon the Issuer;

(iv) to convey, transfer, assign, mortgage or pledge any property to or with the Trustee;

(v) to cure any ambiguity or manifest error, to correct or supplement any provision in this Indenture or in any supplemental indenture that may be defective or inconsistent with any other provision herein or in any supplemental indenture or to make any modification that is of a formal, minor or technical nature;

(vi) to evidence and provide for the acceptance of the appointment hereunder by a successor trustee with respect to the Notes and to add to or change any of the provisions of this Indenture as shall be necessary to facilitate the administration of the trusts hereunder by more than one trustee, pursuant to the requirements of Article VI;

(vii) to add to the conditions, limitations and restrictions on the authorized amount, terms and purposes of the issuance, authentication and delivery of Notes, as herein set forth, additional conditions, limitations and restrictions thereafter to be observed;

(viii) to modify the restrictions on and procedures for resales and other transfers of the Notes to reflect any changes in Applicable Law or regulations (or the interpretation thereof);

(ix) to enable the Issuer or the Trustee to rely upon any exemption from registration under the Securities Act or the 1940 Act or to remove restrictions on resale or transfer to the extent required under Applicable Law or otherwise make any changes necessary to comply with changes to U.S. securities laws or the regulations implementing such laws;

(x) to evidence or implement any change to this Indenture required by regulations or guidelines enacted to support the USA PATRIOT Act;

(xi) to comply with any changes to the Code or the regulations implementing the Code;

(xii) to reflect any written change to the guidelines, methodology or standards established by any Rating Agency that are applicable to this Indenture;

(xiii) to conform this Indenture to the Offering Memorandum; and

(xiv) to add any new provisions with respect to matters or questions arising under this Indenture or in any supplemental indenture that will not be inconsistent with any existing provisions of this Indenture or such supplemental indenture; *provided* that such action shall not, as evidenced by an Officer's Certificate delivered to the Trustee, adversely affect in any material respect the interests of the Noteholders.

The Trustee is hereby authorized to join in the execution of any such supplemental indenture and to make any further appropriate agreements and stipulations that may be therein contained.

(b) The Issuer and the Trustee, when authorized by an Issuer Order, may also, without the consent of any of the Holders of the Notes but with prior notice to the Rating Agency (to be delivered by the Issuer) and the Servicer, enter into a supplemental indenture for the purpose of adding any provisions to, or changing in any manner or eliminating any of the provisions of, this Indenture or of modifying in any manner the rights of the Noteholders under this Indenture (other than as included in clauses (i) through (xiv) of Section 9.01(a) above); *provided* that such action shall not (A) as evidenced by an Officer's Certificate of the Servicer, materially adversely affect the interest of any Noteholder or (B) as evidenced by an Opinion of Counsel, cause the Issuer to be subject to an entity level tax or be classified as a taxable mortgage pool within the meaning of Section 7701(i) of the Code (which Opinion of Counsel may rely upon an Officer's Certificate of the Servicer with respect to the effect of any such amendment on the economic interests of any Noteholder).

(c) In the event that any proposed supplemental indenture pursuant to this Section 9.01, in the reasonable judgment of the Servicer (on behalf of the Issuer) does not satisfy the proviso in Section 9.01(b), such amendment may become effective with the consent of each Holder of a Note. It shall not be necessary for the Noteholders to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such consent shall approve the substance thereof.

Section 9.02 Supplemental Indentures With Consent of Noteholders.

(a) Except as provided in Section 9.02(b), the Issuer and the Trustee, when authorized by an Issuer Order, also may, with prior notice to the Rating Agency and the Servicer and with the consent of the Majority Noteholders, enter into a supplemental indenture for the purpose of adding any provisions to, or changing in any manner or eliminating any of the provisions of, this Indenture or of modifying in any manner the rights of the Holders of the Notes under this Indenture; *provided* that the Issuer shall only enter into a supplemental indenture in compliance with Section 4.01(c) of the Trust Agreement and Section 9.06 hereof; *provided further* that (i) such action shall not (A) as evidenced by an Officer's Certificate of the Servicer, materially adversely affect the interest of any Noteholder or (B) as evidenced by an Opinion of Counsel, cause the Issuer to be subject to an entity level tax or be classified as a taxable mortgage pool within the meaning of Section 7701(i) of the Code (which Opinion of Counsel may rely upon an Officer's Certificate of the Servicer with respect to the effect of any such amendment on the economic interests of any Noteholder).

(b) No supplemental indenture shall, without the consent of the Holder of each Note adversely affected thereby:

(i) change the Legal Final Payment Date or the due date of any payment of principal of or interest, as applicable, on any Note, reduce the principal amount of any Note or any rate of interest or the portion of the Redemption Price payable to the Holders of the Notes, change the earliest date on which any Note may be redeemed, change the provisions of this Indenture relating to the application of proceeds of any Loan Assets to the payment of principal, interest or of distributions pursuant to the Sale and Servicing Agreement, change any place where, or the coin or currency in which, any Note or the principal thereof, or interest thereon, is payable, or impair the right to institute suit for the enforcement of any provisions of the Indenture regarding payment on the Notes;

(ii) reduce the percentage of the aggregate Outstanding Principal Balance of the Notes, the consent of the Holders of which is required for any such supplemental indenture, or the consent of the Holders of which is required for any waiver of compliance with any provision of this Indenture or defaults hereunder and their consequences provided for in this Indenture;

(iii) modify or alter the provisions of the proviso to the definition of the term "Outstanding" or modify or alter the provisions of the proviso to the definition of the term "Holder";

(iv) modify or alter the provisions hereunder regarding the voting of Notes held by the Issuer, the Seller, the Servicer, an affiliate of any of them or any obligor on the Notes;

(v) modify any provisions hereunder in such a manner as to affect the calculation of the amount of any payment of interest or principal due on any Note on any Payment Date or to affect the rights of the Noteholders to the benefit of any provisions for the mandatory redemption of the Notes contained in the Indenture; or

(vi) reduce the percentage of the aggregate Outstanding Principal Balance of the Notes, the consent of the Holders of which is required to direct the Trustee to sell or liquidate the Indenture Collateral pursuant to Section 5.04;

(vii) modify any provision of this Section 9.02 except to increase any percentage specified herein or to provide that certain additional provisions of this Indenture or the other Transaction Documents cannot be modified or waived without the consent of the Holder of each Note affected thereby; or

(viii) permit the creation of any lien ranking prior to or on a parity with the lien of this Indenture with respect to any part of the Indenture Collateral or, except as otherwise permitted or contemplated herein or by any other Transaction Document, terminate the lien of this Indenture on any property at any time subject hereto or deprive any Noteholder of the security provided by the lien of this Indenture.

(c) Prior to entering into any supplemental indenture pursuant to this Section 9.02, the Issuer and Trustee shall obtain the written consent of each Holder of a Note. It shall not be necessary for any Act of Noteholders under this Section 9.02 to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such Act shall approve the substance thereof.

(d) Promptly after the execution by the Issuer and the Trustee of any supplemental indenture pursuant to this Section 9.02, the Trustee shall forward to the Servicer (who shall promptly forward the same to the Rating Agency) and the Holders of the Notes to which such amendment or supplemental indenture relates a copy of such supplemental indenture or a notice setting forth in general terms the substance of such supplemental indenture. Any failure of the Trustee to mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental indenture.

Section 9.03 Execution of Supplemental Indentures.

In executing, or permitting the additional trusts created by, any supplemental indenture permitted by this Article IX or the modification thereby of the trusts created by this Indenture, the Trustee shall be entitled to receive, and subject to Sections 6.01 and 6.02, shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such supplemental indenture is authorized or permitted by this Indenture and all conditions precedent have been satisfied, which Opinion of Counsel may rely upon an Officer's Certificate of the Servicer with respect to the effect of any such supplemental indenture on the economic interests of the Holders of the Notes. The Trustee may, but shall not be obligated to, enter into any such supplemental indenture that affects the Trustee's own rights, duties, liabilities or immunities under this Indenture or otherwise. The Issuer shall provide copies of each supplemental indenture to the Rating Agency.

Section 9.04 Effect of Supplemental Indenture.

Upon the execution of any supplemental indenture pursuant to the provisions hereof, this Indenture shall be and shall be deemed to be modified and amended in accordance therewith with respect to the Notes affected thereby, and the respective rights, limitations of rights, obligations, duties, liabilities and immunities under this Indenture of the Trustee, the Issuer and the Noteholders shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all the terms and conditions of any such supplemental indenture shall be and be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

Section 9.05 Reference in Notes to Supplemental Indentures.

Notes authenticated and delivered after the execution of any supplemental indenture pursuant to this Article IX may, and if required by the Trustee shall, bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Issuer or the Trustee shall so determine, new Notes so modified as to conform, in the opinion of the Trustee and the Issuer, to any such supplemental indenture may be prepared and executed by the Issuer and authenticated and delivered by the Trustee in exchange for Outstanding Notes.

Section 9.06 Consent of the Servicer and Owner Trustee.

The Issuer agrees that it will not permit to become effective any supplemental indenture that adversely affects the obligations or rights of the Servicer or the Owner Trustee or the amount or priority or payment of any fees or other amounts payable to the Servicer or the Owner Trustee unless, in each such case, the Servicer or the Owner Trustee has been given prior written notice of such supplemental indenture and has consented thereto in writing.

ARTICLE X
OPTIONAL REDEMPTION

Section 10.01 Optional Redemption.

(a) The Issuer may, where the Aggregate Outstanding Principal Balance as of the last day of any Collection Period shall be less than or equal to 10% of the Aggregate Outstanding Principal Balance as of the Closing Date, effect an Optional Redemption, in whole but not in part, on any Redemption Date (such Redemption Date shall be a Payment Date to be specified in a notice to be delivered to the Issuer and the Trustee at least 15 Business Days prior to such Redemption Date) by deposit in full of the Redemption Price in the Distribution Account for distribution to the Holders of the Notes and other persons entitled thereto by 10:00 a.m. (New York City time) on the business day preceding the applicable Payment Date whereupon all such Notes shall be due and payable on the applicable Payment Date, in connection with which the Issuer shall comply with the provisions of this Section 10.01 and Section 10.02. The Servicer or the Issuer will furnish notice of such election to the Trustee, the Owner Trustee and the Rating Agency no later than 10 Business Days prior to the proposed Redemption Date and, provided that sufficient funds are received by the Servicer, the Servicer on behalf of the Issuer shall deposit in the Distribution Account an amount equal to the Redemption Price of the Notes to be redeemed on the Redemption Date.

(b) The Notes to be redeemed shall, following delivery of a notice of an Optional Redemption complying with Section 10.02, on the Redemption Date become due and payable at the Redemption Price with respect thereto and (unless such Redemption Price is not paid) no interest shall accrue on such Redemption Price for any period after the date to which accrued interest is calculated for purposes of calculating the Redemption Price. On the Redemption Date, upon deposit in full by the Servicer in the Distribution Account of an amount equal to the Redemption Price, the Indenture Collateral (other than the Transaction Accounts) shall cease to constitute assets of the Issuer and the Noteholders shall have no interest therein nor any claim to any distributions in respect of the Indenture Collateral (other than the Transaction Accounts).

(c) The portion of the Redemption Price constituting payment of principal of the Notes shall be distributed to Noteholders in accordance with Section 7.05(b) of the Sale and Servicing Agreement and all other amounts included in the Redemption Price shall be distributed in accordance with Section 7.05(a) of the Sale and Servicing Agreement.

(d) The Issuer or the Servicer may withdraw any notice of Optional Redemption or specify a new Redemption Date at any time prior to the proposed Redemption Date set forth in any prior notice of Optional Redemption by providing written notice to the Trustee, the Owner Trustee and the Rating Agency by no later than the second Business Day preceding such Redemption Date. A withdrawal of such notice of Optional Redemption or the inability of the Issuer to complete an Optional Redemption of the Notes will not constitute an Event of Default.

Section 10.02 Form of Redemption Notice by Trustee.

(a) Notice of redemption under Section 10.01 shall be given by the Trustee by facsimile, electronic mail, overnight courier or by first-class mail, postage prepaid, transmitted or mailed prior to the applicable Redemption Date, to each Holder of Notes, as of the close of business on the Record Date preceding the applicable Redemption Date at such Holder's address appearing in the Note Register.

(b) All notices of redemption shall state:

(i) the Redemption Date;

(ii) the Redemption Price;

(iii) that the Record Date otherwise applicable to such Redemption Date, is not applicable and that, unless waived by the Issuer, payments shall be made only upon presentation and surrender of such Notes and the place where such Notes are to be surrendered for payment of the Redemption Price with respect thereto (which shall be the office or agency of the Issuer to be maintained as provided in Section 3.02); and

(iv) that interest on the Notes shall cease to accrue on the Redemption Date, as applicable; *provided* that the Redemption, as applicable, occurs on such date.

(c) Notice of redemption of the Notes shall be given by the Trustee in the name and at the expense of the Issuer. Failure to give notice of redemption, or any defect therein, to any Holder of any Note shall not impair or affect the validity of the redemption of any other Note.

ARTICLE XI
MISCELLANEOUS

Section 11.01 Confidentiality.

(a) No Receiving Party shall use any Confidential Information except to the extent necessary to evaluate and monitor the transaction represented by the Transaction Documents. Each Receiving Party agrees (and each Holder of a Note is deemed to agree) that it will make available Confidential Information only to (i) its officers, employees, directors, affiliates, advisors, agents, shareholders, members, partners and managers who have a need to know such Confidential Information for the purpose of evaluating or monitoring the transaction, (ii) its accounting firms and legal counsel (and their respective officers, employees, directors, agents, affiliates and advisors) and (iii) any prospective purchasers of a Note, in each case who have need to know such Confidential Information for the purposes of evaluating or monitoring the transaction (collectively, "representatives"), and that all persons to whom such Confidential Information is made available will be made aware of the confidential nature of such Confidential Information and agree to be bound by the restrictions imposed by this Indenture on the use of Confidential Information. This Section 11.01 shall constitute a confidentiality agreement for purposes of Regulation FD under the Exchange Act.

(b) No Receiving Party or any of its representatives will disclose any Confidential Information to any third party, except as may be required by law or expressly permitted pursuant to this Section 11.01.

(c) Each Receiving Party acknowledges and agrees that the breach or threatened breach of this Section 11.01 by it may result in irreparable and continuing damage to the Disclosing Parties, for which there will be no adequate remedy at law. Accordingly, each Receiving Party agrees that the Disclosing Parties shall be entitled, without prejudice, to all the rights and remedies available to each of them, including an injunction or specific performance to prevent breaches or threatened breaches of any of the provisions of this Indenture by an action instituted in a court having proper jurisdiction.

(d) The confidentiality provisions of this Section 11.01 shall remain in effect for a period commencing on the date hereof and end two years after the Legal Final Payment Date.

(e) If any Receiving Party or any of its affiliates or representatives is required by legal process to disclose any of the Confidential Information, such Receiving Party shall provide the Disclosing Parties with notice of such requirement so that the Disclosing Parties may seek a protective order or other appropriate remedy or waive compliance with the provisions of this Indenture. If a protective order or other remedy is not obtained, such Receiving Party, its affiliates and representatives may, without violating this Indenture, disclose that portion of the Confidential Information that such party is legally required to disclose.

Section 11.02 Form of Documents Delivered to Trustee.

In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of a Responsible Officer of the Issuer may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such officer knows that the certificate or opinion or representations with respect to the matters upon which the certificate or opinion is based are erroneous. Any such certificate of a Responsible Officer or Opinion of Counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of the Servicer, the Issuer, the Trust Depositor, or any other appropriate Person, stating that the information with respect to such factual matters is in the possession of the Servicer, the Issuer, the Trust Depositor or such other Person, unless such counsel knows that the certificate or opinion or representations with respect to such matters are erroneous.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

Whenever in this Indenture, in connection with any application or certificate or report to the Trustee, it is provided that the Issuer shall deliver any document as a condition of the granting of such application, or as evidence of the Issuer's compliance with any term hereof, it is intended that the truth and accuracy in all material respects, at the time of the granting of such application or at the effective date of such certificate or report (as the case may be), of the facts and opinions stated in such document shall in such case be conditions precedent to the right of the Issuer to have such application granted or to the sufficiency of such certificate or report. The foregoing shall not, however, be construed to affect the Trustee's right to rely upon the truth and accuracy of any statement or opinion contained in any such document as provided in Article VI.

Section 11.03 Acts of Noteholders.

(a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Noteholders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Noteholders in person or by agents duly appointed in writing; and except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Trustee, and, where it is hereby expressly required, to the Issuer. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Noteholders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and (subject to Section 6.01) conclusive in favor of the Trustee and the Issuer, if made in the manner provided in this Section 11.03.

(b) The fact and date of the execution by any person of any such instrument or writing may be proved in any manner that the Trustee deems sufficient.

(c) The ownership of Notes shall be proved by the Note Register; *provided* that in all cases except where otherwise required by law or regulation, any act by a Holder of a Note may be taken by the Beneficial Owner of such Note.

(d) Any request, demand, authorization, direction, notice, consent, waiver or other action by the Holder of any Notes shall bind the Holder of every Note issued upon the registration thereof or in exchange therefor or in lieu thereof, in respect of anything done, omitted or suffered to be done by the Trustee or the Issuer in reliance thereon, whether or not notation of such action is made upon such Note.

Section 11.04 Notices, etc., to Trustee and Others.

(a) Any request, demand, authorization, direction, notice, consent, waiver or Act of Noteholders or other documents provided or permitted by this Indenture shall be in writing and if such request, demand, authorization, direction, notice, consent, waiver or Act of Noteholders is to be made upon, given or furnished to or filed with:

(i) the Trustee by any Noteholder or by the Issuer, shall be sufficient for every purpose hereunder if made, given, furnished or filed in writing to and mailed, by certified mail, return receipt requested, hand delivered, sent by overnight courier service guaranteeing next day delivery or by telecopy in legible form, to the Trustee addressed to it at U.S. Bank National Association, Global Corporate Trust Services, 190 S. LaSalle Street, 7th Floor, Chicago, IL 60603, Attention: Horizon Funding Trust 2013-1, Tel: 312-332-7496, Fax: 312-332-7996, Email: melissa.rosal@usbank.com or at any other address previously furnished in writing to the Issuer, the Noteholder, or the Servicer by the Trustee;

(ii) the Issuer by the Trustee or by any Noteholder shall be sufficient for every purpose hereunder (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, hand delivered, sent by overnight courier service or by telecopy in legible form, to the Issuer addressed to it at c/o Wilmington Trust, National Association, Rodney Square North, 1100 North Market Street, Wilmington, Delaware 19890, Attention: Corporate Trust Administration, Facsimile No.: (302) 636-4140, or at any other address previously furnished in writing to the Trustee by the Issuer;

(iii) the Servicer by the Issuer or the Trustee shall be sufficient for every purpose hereunder if in writing and mailed, first-class postage prepaid, hand delivered, sent by overnight courier service or by telecopy in legible form, to the Servicer addressed to Horizon Technology Finance Corporation, 312 Farmington Avenue, Farmington, Connecticut 06032 Attention: Legal Department, Re: Horizon Funding Trust 2013-1 Telephone: (860) 676-8654, Facsimile No.: 860-676-8655; with a copy to Horizon Technology Finance Corporation, 312 Farmington Avenue, Farmington, Connecticut 06032, Attention: Legal Department, Re: Horizon Funding Trust 2013-1, Telephone: (860) 676-8654, Facsimile No.: 860-676-8655; or at any other address previously furnished in writing to the Issuer or the Trustee by the Servicer; and

(iv) the Owner Trustee by the Issuer or the Trustee shall be sufficient for every purpose hereunder if in writing and mailed, first-class postage prepaid, hand delivered, sent by overnight courier service or by telecopy in legible form, to the Owner Trustee addressed to Wilmington Trust, National Association, Rodney Square North, 1100 North Market Street, Wilmington, Delaware 19890; Attention: Corporate Trust Administration; Facsimile No.: (302) 636-4140.

(b) Notices required to be given to the Rating Agency shall be in writing, personally delivered or mailed by certified mail, return receipt requested, to Moody's, at the following address: Moody's Investors Service, Inc., ABS/RMBS Monitoring Department, 25th Floor, 7 World Trade Center, 250 Greenwich Street, New York, NY 10007, Email: ServicerReports@moodys.com; or as to each of the foregoing, at such other address as shall be designated by written notice to the other parties; *provided* that no notice shall be required to be given to Moody's unless the Outstanding Notes is rated by Moody's.

(c) Delivery of any request, demand, authorization, direction, notice, consent, waiver or Act of Noteholders or other documents made as provided above will be deemed effective: (i) if in writing and delivered in Person or by overnight courier service, on the date it is delivered; (ii) if sent by facsimile transmission, on the date that transmission is received by the recipient in legible form (it being agreed that the burden of proving receipt will be on the sender and will not be met by a transmission report generated by the sender's facsimile machine); (iii) if sent by mail, on the date that mail is delivered or its delivery is attempted; and (iv) if sent by email, on the date of transmission; in each case, unless the date of that delivery (or attempted delivery) or that receipt, as applicable, is not a Business Day or that communication is delivered (or attempted) or received, as applicable, after the close of business on a Business Day, in which case that communication shall be deemed given and effective on the first following day that is a Business Day.

Section 11.05 Notices to Noteholders; Waiver.

Where this Indenture provides for notice to Noteholders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, by nationally recognized overnight courier or by first-class, postage prepaid to each Noteholder affected by such event, at his address as it appears on the Note Register, not later than the latest date, and not earlier than the earliest date, if any, prescribed for the giving of such notice. In any case where notice to Noteholders is given by mail, neither the failure to mail such notice nor any defect in any notice so mailed to any particular Noteholder shall affect the sufficiency of such notice with respect to other Noteholders, and any notice that is mailed in the manner herein provided shall conclusively be presumed to have been duly given. Whenever a notice or other communication to the Noteholders is required under this Indenture, unless and until definitive Notes shall have been issued to such Noteholders, the Trustee shall give all such notices and communications specified herein to be given to Noteholders of the book entry Notes to DTC, and shall have no obligation to such holders of the book entry Notes.

Where this Indenture provides for notice in any manner, such notice may be waived in writing by any Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Noteholders shall be filed with the Trustee but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such a waiver.

In case, by reason of the suspension of regular mail service as a result of a strike, work stoppage or similar activity, it shall be impractical to mail notice of any event to Noteholders when such notice is required to be given pursuant to any provision of this Indenture, then any manner of giving such notice as shall be satisfactory to the Trustee shall be deemed to be a sufficient giving of such notice.

Where this Indenture provides for notice to the Rating Agency, failure to give such notice shall not affect any other rights or obligations created hereunder, and shall not under any circumstance constitute an Event of Default.

Section 11.06 Alternate Payment and Notice Provisions.

Notwithstanding any provision of this Indenture or any of the Notes to the contrary, the Issuer may enter into any agreement with any Holder of a Note providing for a method of payment, or notice by the Trustee or any other party acting as paying agent to such Holder, that is different from the methods provided for in this Indenture for such payments or notices. The Issuer will furnish to the Trustee a copy of each such agreement and the Trustee, at the expense of the Issuer, will cause payments to be made and notices to be given in accordance with such agreements.

Section 11.07 Effect of Headings.

The Article and Section headings herein are for convenience only and shall not affect the construction hereof.

Section 11.08 Successors and Assigns.

All covenants and agreements in this Indenture and the Notes by the Issuer shall bind its successors and assigns, whether so expressed or not. All agreements of the Trustee in this Indenture shall bind its successors, co-trustees and agents.

Section 11.09 Severability.

In case any provision in this Indenture or in the Notes shall be invalid, illegal or unenforceable, the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 11.10 Benefits of Indenture.

Except as otherwise specifically provided herein, nothing in this Indenture or in the Notes shall give to any Person, other than the parties hereto and their successors hereunder, the Owner Trustee and the Noteholders, and any other party secured hereunder, and any other Person with an ownership interest in any part of the Indenture Collateral, any benefit or any legal or equitable right, remedy or claim under this Indenture.

Section 11.11 Legal Holidays.

In any case where the date on which any payment is due shall not be a Business Day, then (notwithstanding any other provision of the Notes or this Indenture) payment need not be made on such date, but may be made on the next succeeding Business Day with the same force and effect as if made on the date on which nominally due, and no interest shall accrue for the period from and after any such nominal date.

Section 11.12 GOVERNING LAW.

(a) THIS INDENTURE, EACH SUPPLEMENT AND THE NOTES SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REFERENCE TO ITS CONFLICT OF LAW PROVISIONS (OTHER THAN SECTIONS 5-1401 AND 5-1402 OF THE NEW YORK GENERAL OBLIGATIONS LAW), AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS.

(b) EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS INDENTURE. Each party hereto (i) certifies that no representative, agent or attorney of any other party has represented, expressly or otherwise, that such other party would not, in the event of litigation, seek to enforce the foregoing waiver and (ii) acknowledges that it and the other parties hereto have been induced to enter into this Indenture by, among other things, the mutual waivers and certifications in this Section 11.12(b).

Section 11.13 Counterparts.

This Indenture may be executed in any number of counterparts (including by facsimile), each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

Section 11.14 Issuer Obligation.

No recourse may be taken, directly or indirectly, with respect to the obligations of the Issuer, the Owner Trustee or the Trustee on the Notes or under this Indenture or any of the other Transaction Documents or any certificate or other writing delivered in connection herewith or therewith, against (i) the Trustee or the Owner Trustee in its individual capacity, (ii) any of the Trust Depositor, the Seller, the Servicer and any holder of a Trust Certificate or (iii) any partner, owner, beneficiary, stockholder, manager, member, officer, director, employee or agent of any of the parties identified in clauses (i) and (ii) or of any successor or assign of any such Person. For all purposes of this Indenture, in the performance of any duties or obligations of the Issuer hereunder, the Owner Trustee and the Trust Company shall be subject to, and entitled to the benefits of, the terms and provisions of the Trust Agreement.

Section 11.15 No Petition; Limited Recourse.

(a) The Trustee, by entering into this Indenture, and each Noteholder, by accepting a Note, hereby covenant and agree that they will not prior to the date which is one year and one day or, if longer, the preference period then in effect after payment in full of the Notes rated by any Rating Agency, institute against the Trust Depositor or the Issuer, or join in any institution against the Trust Depositor or the Issuer of, any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, or other proceedings under any United States federal or state bankruptcy or similar law in connection with any obligations relating to the Notes, this Indenture or any of the other Transaction Documents.

(b) Notwithstanding any other provisions of the Notes, this Indenture or any other Transaction Document, the obligations of the Issuer under the Notes and this Indenture and any other Transaction Document are limited recourse obligations of the Issuer payable solely from the Indenture Collateral in accordance with the Priority of Payments and, following realization of the Indenture Collateral and distribution in accordance with the Priority of Payments, any claims of the Noteholders, and any other parties to any Transaction Document shall be extinguished. No recourse shall be had against any officer, administrator, member, director, employee, security holder, holder of a beneficial interest in or incorporator of the Issuer or their respective successors or assigns for the payment of any amounts payable under the Notes, this Indenture or any other Transaction Document. It is understood that the foregoing provisions of this Section 11.15(b) shall not (i) prevent recourse to the Loan Assets or the Indenture Collateral for the sums due or to become due under any security, instrument or agreement which is part of the Loan Assets or the Indenture Collateral or (ii) constitute a waiver, release or discharge of any indebtedness or obligation evidenced by the Notes or secured by this Indenture or payable under any other Transaction Document until such Loan Assets and such Indenture Collateral have been realized and distributed in accordance with the Priority of Payments and the other applicable provisions of the Transaction Documents, whereupon any such outstanding indebtedness or obligation shall be extinguished. Except as otherwise provided hereunder or agreed in writing among the parties hereto, the Issuer shall retain the authority to institute, participate and join in any plan of reorganization, readjustment, merger or consolidation with respect to the issuer of any securities held hereunder, and, in general, to exercise each and every other power or right with respect to each such asset or investment as individuals generally have and enjoy with respect to their own assets and investment, including power to vote upon any securities.

Section 11.16 Inspection; Confidentiality.

The Issuer agrees that, on reasonable prior notice, it will permit any representative of the Trustee, upon reasonable notice and during the Issuer's normal business hours, and in a manner that does not unreasonably interfere with the Issuer's normal operations, to examine all the books of account, records, reports and other papers of the Issuer, to make copies and extracts therefrom, to cause such books to be audited by Independent certified public accountants, and to discuss the Issuer's affairs, finances and accounts with the Issuer's officers, employees, and Independent certified public accountants, all at such reasonable times, in such reasonable manner, and as often as may be reasonably requested. The Trustee shall and shall cause its representatives, its legal counsel and its auditors to hold in confidence all such information except to the extent disclosure may be required by law (and all reasonable applications for confidential treatment are unavailing) and except to the extent that the Trustee may reasonably determine that such disclosure is consistent with its obligations hereunder and under Applicable Law.

Section 11.17 Limitation of Liability.

It is expressly understood and agreed by the parties hereto that (i) this Indenture is executed and delivered by Wilmington Trust, National Association, not individually or personally but solely as Owner Trustee on behalf of the Issuer under the Trust Agreement, in the exercise of the powers and authority conferred and vested in it, (ii) each of the representations, undertakings and agreements herein made on the part of the Issuer is made and intended not as personal representations, undertakings and agreements by Wilmington Trust, National Association but is made and intended for the purpose of binding only the Issuer, (iii) nothing herein contained shall be construed as creating any liability on Wilmington Trust, National Association individually or personally, to perform any covenant either expressed or implied contained herein, all such liability, if any, being expressly waived by the parties to this Indenture and by any person claiming by, through or under them and (iv) under no circumstances shall Wilmington Trust, National Association be personally liable for the payment of any indebtedness or expenses of the Issuer or be liable for the breach or failure of any obligation, representation, warranty or covenant made or undertaking by the Issuer under this Indenture or any related documents.

Section 11.18 Disclaimer.

Each Noteholder by accepting a Note and by accepting the benefits of this Indenture acknowledges and agrees that this Indenture and the Notes represent a debt obligation of the Issuer only and do not represent an interest in any assets (other than the Indenture Collateral) of the Trust Depositor or any holder of a Trust Certificate (including by virtue of any deficiency claim in respect of obligations not paid or otherwise satisfied from the Trust Assets and proceeds thereof).

IN WITNESS WHEREOF, the Issuer and the Trustee have caused their names to be signed hereto by their respective officers thereunto duly authorized, all as of the day and year first above written.

HORIZON FUNDING TRUST 2013-1

By: Wilmington Trust, National Association, not in its individual capacity, but solely as Owner Trustee on behalf of the Issuer

By: /s/ Yvette L. Howell
Name: Yvette L. Howell
Title: Assistant Vice President

IN WITNESS WHEREOF, the Issuer and the Trustee have caused their names to be signed hereto by their respective officers thereunto duly authorized, all as of the day and year first above written.

U.S. BANK NATIONAL ASSOCIATION,
not in its individual capacity, except as expressly set forth herein, but solely as the Trustee

By: /s/ Melissa A. Rosal
Name: Melissa A. Rosal
Title: Vice President

EXECUTION COPY

AMENDED AND RESTATED TRUST AGREEMENT

by and between

HORIZON FUNDING 2013-1 LLC,
as the Trust Depositor

and

WILMINGTON TRUST, NATIONAL ASSOCIATION,
as the Owner Trustee

Dated as of June 28, 2013

Horizon Funding Trust 2013-1
Asset-Backed Notes

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TRUST AGREEMENT

THIS AMENDED AND RESTATED TRUST AGREEMENT (such agreement as amended, modified, waived, supplemented or restated from time to time, the "Trust Agreement" or this "Agreement"), dated as of June 28, 2013, is between HORIZON FUNDING 2013-1 LLC, a Delaware limited liability company, as trust depositor (the "Trust Depositor"), and WILMINGTON TRUST, NATIONAL ASSOCIATION, a national banking association (in its individual capacity, together with its successors and assigns, the "Trust Company"), as owner trustee (solely in such capacity, the "Owner Trustee").

RECITALS

WHEREAS, the Trust Depositor and the Owner Trustee have heretofore established a trust known as the Horizon Funding Trust 2013-1 (the "Trust") pursuant to the Trust Agreement dated as of June 18, 2013 (the "Original Trust Agreement") and the Certificate of Trust (as defined below); and

WHEREAS, the Trust Depositor desires to continue the Trust; and

WHEREAS, the Trust Depositor desires to retain the Owner Trustee as the trustee of the Trust; and

WHEREAS, the Owner Trustee is willing to continue to serve as trustee of the Trust; and

WHEREAS, each of the Trust Depositor and the Owner Trustee consents to the amendment and restatement on the Original Trust Agreement pursuant to this Agreement.

NOW, THEREFORE, based upon the above recitals, the mutual promises and agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01 Definitions.

For all purposes of this Trust Agreement, except as otherwise expressly provided below or unless the context otherwise requires, capitalized terms used but not otherwise defined herein shall have the meanings given to such terms in the Sale and Servicing Agreement, dated as of June 28, 2013 (the "Sale and Servicing Agreement"), among Horizon Funding Trust 2013-1, as the Issuer, Horizon Funding 2013-1 LLC, as the Trust Depositor, Horizon Technology Finance Corporation, as the Seller and as the Servicer and U.S. Bank National Association, as the Trustee and the Backup Servicer, which capitalized terms are incorporated by reference herein. All other capitalized terms used herein shall have the meanings specified herein or below.

"Agreement" shall have the meaning given to such term in the Preamble of this Trust Agreement.

"Bankruptcy Action" shall have the meaning given to such term in Section 4.02 of this Agreement.

"Benefit Plan" shall have the meaning given to such term in Section 3.10(b) of this Trust Agreement.

"Capital Account" shall have the meaning given to such term in Section 2.10(d).

"Certificate Account" shall have the meaning given to such term in Section 5.01(a) of this Trust Agreement.

"Certificate Register" shall mean the Certificate Register established and maintained in accordance with this Trust Agreement.

"Certificate Registrar" shall mean, initially, the Trustee, and thereafter, any successor appointed pursuant to this Trust Agreement.

"Certificate of Trust" shall mean a certificate of trust duly executed in the form of Exhibit B attached hereto.

"Corporate Trust Office" means in the case of Owner Trustee: Wilmington Trust, National Association, Rodney Square North, 1100 Market Street, Wilmington, Delaware 19890, Attention: Corporate Trust Administration and in the case of the Trustee/Certificate Registrar: (i) for the purposes of transfers of Certificates, U.S. Bank National Association, 60 Livingston Avenue, EP-MN-WS3D, St. Paul, MN 55107, Attention: Bond Drop Window, facsimile no. (866) 831-7910, and (ii) for all other purposes, 190 S. LaSalle Street, 7th Floor, Chicago, IL 60603, facsimile no. 312-332-7996, or at such other address as the Owner Trustee or the Trustee may designate from time to time by notice to the Trust Depositor.

"Expenses" shall have the meaning given to such term in Section 8.02 of this Trust Agreement.

"Fiscal Year" shall have the meaning given to such term in Section 2.10(e).

"Indemnified Parties" shall have the meaning given to such term in Section 8.02 of this Trust Agreement.

"Majority Certificateholders" means the Holder or Holders of Trust Certificates evidencing an aggregate Percentage Interest in excess of 50%.

"Original Trust Agreement" shall have the meaning given to such term in the recitals of this Trust Agreement.

"Owner Trustee" shall have the meaning given to such term in the Preamble of this Trust Agreement.

"Percentage Interest" shall mean with respect to a Trust Certificate, the percentage set forth on the face thereof.

"QIBs" shall have the meaning given to such term in Section 3.10 of this Trust Agreement.

"S&P" means Standard & Poor's Financial Services LLC.

"Sale and Servicing Agreement" shall have the meaning given to such term in Section 1.01 of this Trust Agreement.

"Secretary of State" shall have the meaning given to such term in Section 2.02 of this Agreement.

"Transfer" shall have the meaning given to such term in Section 3.10(d) of this Trust Agreement.

"Treasury Regulations" or "Treas. Regs" shall mean regulations, including proposed or temporary regulations, promulgated under the Code. All references herein to specific provisions of proposed or temporary Treasury Regulations shall include analogous provisions of final Treasury Regulations or other successor Treasury Regulations.

"Trust" shall have the meaning given to such term in the recitals of this Trust Agreement.

"Trust Agreement" shall have the meaning given to such term in the Preamble of this Trust Agreement.

"Trust Certificate" shall mean a trust certificate representing a beneficial interest in the Trust executed and authenticated in the form of Exhibit A attached hereto.

"Trust Company" shall have the meaning given to such term in the Preamble of this Trust Agreement.

"Trust Depositor" shall have the meaning given to such term in the Preamble of this Trust Agreement.

"Trust Estate" shall mean all right, title and interest of the Trust in and to the Loan Assets and all other property and rights assigned to the Trust pursuant to the Sale and Servicing Agreement, all funds on deposit from time to time in the Transaction Accounts and the Certificate Account, and all other property of the Trust from time to time, including any rights of the Owner Trustee and the Trust pursuant to the Transaction Documents.

Section 1.02 Other Terms.

All accounting terms used but not specifically defined herein shall be construed in accordance with generally accepted accounting principles in the United States. The symbol "$" shall mean the lawful currency of the United States of America. All terms used in Article 9 of the UCC in the State of Delaware, and not specifically defined herein, are used herein as defined in such Article 9.

Section 1.03 Computation of Time Periods.

Unless otherwise stated in this Agreement, in the computation of a period of time from a specified date to a later specified date, the word "from" means "from and including", the words "to" and "until" each mean "to but excluding", and the word "within" means "from and excluding a specified date and to and including a later specified date".

Section 1.04 Interpretation.

In this Agreement, unless a contrary intention appears:

(i) the singular number includes the plural number and *vice versa*;

(ii) reference to any Person includes such Person's successors and assigns but, if applicable, only if such successors and assigns are permitted by the Transaction Documents;

(iii) reference to any gender includes each other gender;

(iv) reference to day or days without further qualification means calendar days;

(v) unless otherwise stated, reference to any time means New York, New York time;

(vi) references to "writing" include printing, typing, lithography, electronic or other means of reproducing words in a visible form;

(vii) reference to any agreement (including any Transaction Document), document or instrument means such agreement, document or instrument as amended, modified, supplemented, replaced, restated, waived or extended and in effect from time to time in accordance with the terms thereof and, if applicable, the terms of the other Transaction Documents, and reference to any promissory note includes any promissory note that is an extension or renewal thereof or a substitute or replacement therefor; and

(viii) reference to any Applicable Law means such Applicable Law as amended, modified, codified, replaced or reenacted, in whole or in part, and in effect from time to time, including rules and regulations promulgated thereunder and reference to any Section or other provision of any Applicable Law means that provision of such Applicable Law from time to time in effect and constituting the substantive amendment, modification, codification, replacement or reenactment of such Section or other provision.

Section 1.05 References.

All Section references (including references to the Preamble), unless otherwise indicated, shall be to Sections (and the Preamble) in this Agreement.

Section 1.06 Calculations.

Except as otherwise provided herein, all interest rate and basis point calculations hereunder will be made on the basis of a 360 day year consisting of twelve 30-day months and will be carried out to at least three decimal places.

ARTICLE II

ORGANIZATION

Section 2.01 Name.

The Trust created and continued hereby shall be known as the "Horizon Funding Trust 2013-1," in which name the Trust shall have power and authority and is hereby authorized and empowered, without the need for further action on the part of the Trust, and the Owner Trustee shall have power and authority, and is hereby authorized and empowered, to conduct the business of the Trust, make and execute contracts and other instruments on behalf of the Trust and sue and be sued.

Section 2.02 Office.

The office of the Trust shall be in care of the Owner Trustee at the Corporate Trust Office or at such other address in the State of Delaware as the Owner Trustee may designate by written notice to the Certificateholders and the Trust Depositor. The Trust shall constitute a statutory trust within the meaning of Section 3801(g) of the Statutory Trust Statute for which the Owner Trustee has filed a Certificate of Trust with the Secretary of State of the State of Delaware (the "Secretary of State") pursuant to Section 3810(a) of the Statutory Trust Statute. The execution and filing of the Certificate of Trust by the Owner Trustee is hereby ratified, authorized, and approved. The Owner Trustee shall have power and authority, and is hereby authorized and empowered, to execute and file with the Secretary of State any other certificate required or permitted under the Statutory Trust Statute to be filed with the Secretary of State. It is the intention of the parties hereto that this Trust Agreement constitute the governing instrument of such statutory trust.

Section 2.03 Purposes and Powers.

The purpose of the Trust is, and the Trust shall have the power and authority and is hereby authorized and empowered, without the need for further action on the part of the Trust, and the Owner Trustee shall have power and authority, and is hereby authorized and empowered (but shall not be obligated), in the name and on behalf of the Trust, to do or cause to be done all acts and things necessary, appropriate or convenient to cause the Trust, to engage in the following activities:

(a) to execute, authenticate, deliver, and issue from time to time the Notes pursuant to the Indenture and the Trust Certificates pursuant to this Trust Agreement and, if applicable, a supplement hereto, and to sell the Notes and to transfer the Trust Certificates pursuant to such agreements and the other Transaction Documents;

(b) with the proceeds of the sale of the Notes, to purchase the Initial Loans, to pay the organizational, start-up and transactional expenses of the Trust and to fund the Transaction Accounts then permitted or required to be funded pursuant to the Sale and Servicing Agreement or the Indenture;

(c) as permitted under the Transaction Documents, to purchase, acquire, own, hold, receive, manage, exercise rights and remedies with respect to, sell, transfer and dispose of, the Trust Estate or any portion thereof as well as any permitted Trust subsidiary;

(d) to assign, grant, transfer, pledge, mortgage, convey and grant a security interest in the Trust Estate pursuant to the Indenture and to hold, manage, transfer and distribute to the Certificateholders pursuant to the terms of this Trust Agreement and the Sale and Servicing Agreement any portion of the Trust Estate released from the lien of, and remitted to the Trust pursuant to, the Indenture;

(e) to enter into, execute, deliver and perform its obligations under the Transaction Documents to which it is to be a party and to exercise its rights and remedies thereunder;

(f) subject to compliance with the Transaction Documents, to engage in such other activities as may be required in connection with the conservation of the Trust Estate and the making of distributions to the Certificateholders, the Noteholders and others specified in the Transaction Documents; and

(g) to engage in those activities, including entering into agreements, that are necessary, suitable or convenient to accomplish the foregoing or are incidental thereto or connected therewith.

The Trust is hereby authorized to engage in the foregoing activities. The Trust shall not engage in any activity other than in connection with the foregoing or other than as required or authorized by the terms of this Agreement or the other Transaction Documents. Nothing contained herein shall be deemed to authorize the Owner Trustee on behalf of the Trust to engage in any other business operations or any activities other than those set forth in this Section 2.03. Specifically, the Owner Trustee shall have no authority on behalf of the Trust to engage in any business operations, or acquire any assets other than those specifically included in the Trust Estate from time to time in accordance with the Transaction Documents. The Owner Trustee shall have no discretionary duties hereunder. Notwithstanding anything to the contrary contained herein, the Trust may hold the Notes prior to their sale by the Initial Purchaser.

Section 2.04 Appointment of Owner Trustee.

The Trust Depositor hereby appoints the Owner Trustee as trustee of the Trust effective as of the date hereof, to have all the rights, powers and duties set forth herein, and the Owner Trustee hereby accepts such appointment.

Section 2.05 **Initial Capital Contribution of Trust Estate**.

The Trust Depositor hereby sells, assigns, transfers, conveys and sets over to the Owner Trustee, as of the date hereof, the sum of ten dollars ($10.00). The Owner Trustee hereby acknowledges receipt from the Trust Depositor, as of the date hereof, of the foregoing contribution, which shall constitute the initial Trust Estate (prior to giving effect to the conveyances described in the Sale and Servicing Agreement) and shall be deposited in the Certificate Account. The Trust Depositor shall pay organizational expenses of the Trust as they may arise or shall, upon the request of the Owner Trustee, promptly reimburse the Owner Trustee for any such expenses paid by the Owner Trustee.

Section 2.06 **Declaration of Trust**.

The Owner Trustee hereby declares that it will hold the Trust Estate in trust upon and subject to the conditions set forth herein for the use and benefit of the Certificateholders, subject to the obligations of the Trust under the Transaction Documents. It is the intention of the parties hereto that the Trust constitute a statutory trust under the Statutory Trust Statute and that this Trust Agreement constitute the governing instrument of such statutory trust. It is the intention of the parties hereto that, solely for federal income tax purposes, the Trust shall be treated as set forth in Section 2.11 of this Agreement. The parties agree that, unless otherwise required by appropriate tax authorities, the Trust will file or cause to be filed annual or other necessary returns, reports and other forms consistent with the characterization of the Trust as set forth in Section 2.11 of this Agreement. Effective as of the date hereof, the Owner Trustee shall have all rights, powers and authority set forth herein and in the Statutory Trust Statute with respect to accomplishing the purposes of the Trust.

Section 2.07 **Liability of the Certificateholders**.

No Certificateholder shall have any personal liability for any liability or obligation of the Trust.

Section 2.08 **Title to Trust Property**.

Legal title to all of the Trust Estate shall be vested at all times in the Trust as a separate legal entity except where Applicable Law in any jurisdiction requires title to any part of the Trust Estate to be vested in a trustee or trustees, in which case title shall be deemed to be vested in the Owner Trustee, a co-trustee and/or a separate trustee, as the case may be. If any portion of the Trust Estate is deemed to be vested in the Owner Trustee, a co-trustee and/or a separate trustee, (a) the Trust Depositor, upon having actual knowledge thereof, will immediately notify the Owner Trustee, the Trustee and the Servicer and (b) the Servicer will cause to be filed such UCC financing statements and related filings, documents or writings as are necessary (or as shall be reasonably requested by the Trustee) to maintain the Trustee's security interest in the Collateral under the Indenture.

Section 2.09 **Situs of Trust**.

All bank accounts maintained by the Owner Trustee or the Trustee on behalf of the Trust shall be located in the State of Delaware or such other state in which the Corporate Trust Office of the Owner Trustee or the Trustee may be located. The Trust shall not have any employees in any state other than Delaware; *provided* that nothing herein shall restrict or prohibit the Owner Trustee from having employees within or without the State of Delaware. Payments will be received by the Trust only in Delaware or such other state in which the Corporate Trust Office of the Trustee may be located, and payments will be made by the Trust only from Delaware or such other state in which the Corporate Trust Office of the Trustee may be located. The only office of the Trust will be at the Corporate Trust Office in Delaware.

Section 2.10 Representations and Warranties of the Trust Depositor.

The Trust Depositor hereby represents and warrants to the Owner Trustee that:

(a) The Trust Depositor is duly organized and validly existing as a limited liability company in good standing under the laws of the State of Delaware, with power and authority to own its properties and to conduct its business as such properties are currently owned and such business is presently conducted.

(b) The Trust Depositor has the power and authority to execute and deliver this Agreement and to carry out its terms. The Trust Depositor has full power and authority to sell and assign the property to be sold and assigned to and deposited with the Trust and the Trust Depositor has duly authorized such sale and assignment and deposit to the Trust by all necessary limited liability company action.

(c) The execution, delivery and performance of this Agreement have been duly authorized by the Trust Depositor by all necessary limited liability company action.

(d) This Agreement constitutes a legal, valid and binding obligation of the Trust Depositor enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization and similar laws relating to creditors' rights generally and subject to general principles of equity.

(e) The execution, delivery and performance of this Trust Agreement and the other Transaction Documents to which it is a party by the Trust Depositor, and the consummation of the transactions contemplated hereby and thereby, will not violate any material Applicable Law applicable to the Trust Depositor, or constitute a material breach of any mortgage, indenture, contract or other agreement to which the Trust Depositor is a party or by which the Trust Depositor or any of the Trust Depositor's properties may be bound, or result in the creation or imposition of any security interest, lien, charge, pledge, preference, equity or encumbrance of any kind upon any of its properties pursuant to the terms of any such mortgage, indenture, contract or other agreement, other than as contemplated by the Transaction Documents.

(f) To the Trust Depositor's best knowledge, there are no proceedings or investigations pending, or to the Trust Depositor's knowledge threatened, before any court, regulatory body, administrative agency or other governmental instrumentality having jurisdiction over the Trust Depositor or its properties: (A) asserting the invalidity of this Trust Agreement, (B) seeking to prevent the consummation of any of the transactions contemplated by this Trust Agreement or (C) seeking any determination or ruling that might materially and adversely affect the performance by the Trust Depositor of its obligations under, or the validity or enforceability of, this Trust Agreement.

Section 2.11 **Federal Income Tax Allocations**.

(a) It is the intent of the Trust Depositor, the Servicer and the Certificateholders that, (i) in the event that the Trust Certificates are owned by a single Holder for U.S. federal income tax purposes, the Trust will be treated as disregarded as an entity separate from such Holder, and such Holder, by acceptance of the Trust Certificates, agrees to take no action inconsistent with such treatment and (ii) in the event that the Trust Certificates are owned by more than one Holder for U.S. federal income tax purposes, the Trust will be treated as a partnership, other than a publicly traded partnership, the partners of which are the Certificateholders, and the Certificateholders, by acceptance of a Trust Certificate agree to treat the Trust Certificates as equity and to take no action inconsistent with such treatment.

(b) Neither the Owner Trustee nor any Certificateholder will, under any circumstances, and at any time, make an election on IRS Form 8832 or otherwise, or take any action that would cause the Trust to be treated as an association or a publicly traded partnership taxable as a corporation for federal, state and local tax purposes.

(c) Notwithstanding anything to the contrary in this Agreement, with respect to each financial year (or portion thereof) in which the Trust is classified as a partnership for U.S. federal income tax purposes, (i) a capital account ("Capital Account") will be maintained by the Trust for each Certificateholder and all items of income, deduction, gain, loss or credit will be allocated to such capital accounts in a manner consistent with section 704 of the Code, and (ii) without limiting the foregoing, upon liquidation of the Trust or at such time as a Certificateholder ceases to hold any Certificates in the Trust, liquidating distributions will be made in accordance with the Capital Account balances of the Certificateholders (as determined after taking into account all required Capital Account adjustments for the financial year during which such liquidation occurs) by the later of the end of the financial year or, the date which is 90 days after the date of such liquidation. The provisions of this Section relating to Capital Accounts are intended to comply with such provisions and related provisions issued with respect to section 704 of the Code and shall be interpreted consistently therewith. The Trust shall have the authority to make such adjustments to the Certificateholder's Capital Accounts as may be required to cause the allocations made by the Trust to comply with such provisions.

(d) With respect to each financial year (or portion thereof) in which the Trust is classified as a partnership for U.S. federal income tax purposes, at least once each taxable year of the Trust for U.S. federal income tax purposes (as determined under Code section 706, a "Fiscal Year"), after adjusting each Certificateholder's Capital Account for all contributions and distributions with respect to such Fiscal Year, the Trust shall allocate all profits and losses and items thereof in the following order of priority: (i) first, profits and losses and items thereof shall be allocated in the manner and to the extent provided by (A) Treas. Regs. §1.704-1(b)(4), (B) Treas. Regs. §1.704-1(b)(2) (to comply with the substantial economic effect safe harbors), including, without limitation, Treas. Regs. §1.704-1(b)(2)(ii)(d) (flush language) (the "qualified income offset") and Treas. Regs. §1.704-1(b)(2)(iv) (capital accounting requirements), (C) Treas. Regs. §1.704-2, including, without limitation, Treas. Regs. §§1.704-2(e) (provided that allocations pursuant to Treas. Regs. §1.704-2(e) shall be made to the Certificateholders pro rata in accordance with the capital each Certificateholder has contributed to the Trust), 1.704-2(i)(2), and 1.704-2(i)(4); and (ii) all remaining profits and losses and items thereof shall be allocated to the Certificateholders' Capital Accounts in a manner such that, after such allocations have been made, the balance of each Certificateholder's Capital Account (which may be a positive, negative, or zero balance) shall equal (A) the amount that would be distributed to such Certificateholder, determined as if the Trust were to sell all of its assets for the section 704(b) Book Value (as defined below) thereof and distribute the proceeds thereof (net of any sales commissions and other similar transaction fees and payments required to be made to creditors) pursuant to the relevant legal documents setting forth such distributions, minus (B) the sum of (I) such Certificateholder's share of the "partnership minimum gain" (as determined under Treas. Regs. §§1.704-2(d) and (g)(3)) and "partner minimum gain" (as determined under Treas. Regs. §1.704-2(i)), and (II) the amount, if any, that such Certificateholder is obligated (or is deemed for U.S. federal income tax purposes to be obligated) to contribute, in its capacity as a Certificateholder, to the capital of the Trust as of the last day of such Fiscal Year. The term "section 704(b) Book Value" means, with respect to any Trust property, the Trust's adjusted basis for U.S. federal income tax purposes, adjusted from time to time to reflect the adjustments required or permitted by Treas. Regs. §§1.704-1(b)(2)(iv)(d) through (g), provided that on the date of the contribution of an asset to the Trust, the section 704(b) Book Value of any asset contributed to the Trust shall be equal to the fair market value of such asset on the date of such contribution, and (iii) the term "profits and losses" shall mean the items of profit and loss of the Trust (including separately stated items) as computed under Treas. Regs. §1.704-1(b)(2)(iv).

(e) With respect to each financial year (or portion thereof) in which the Trust is classified as a partnership for U.S. federal income tax purposes, except as provided in the following provisions of this Section 2.11(e), each item of taxable income, gain, loss, deduction, or credit shall be allocated in the same manner as its correlative item of "book" items allocated pursuant to Section 2.11(d). In accordance with section 704(c)(1)(A) of the Code (and the principles thereof) and Treas. Regs. §1.704-3, income, gain, loss and deduction with respect to any property contributed to the capital of the Trust, or after Trust property has been revalued under Treas. Regs. §1.704-1(b)(2)(iv)(f), shall, solely for U.S. federal, state and local tax purposes, be allocated among the Certificateholders so as to take into account any variation between the adjusted basis of such Trust property to the Trust for U.S. federal income tax purposes and its value as so determined at the time of the contribution or revaluation of Trust property.

Section 2.12 Covenant of Certificateholders.

Each Certificateholder agrees to be bound by the terms and conditions of the Trust Certificates and of this Trust Agreement, including any supplements or amendments hereto, and to perform the obligations of a Certificateholder as set forth therein or herein, in all respects as if it were a signatory hereto. This undertaking is made for the benefit of the Trust Depositor, the Trust, the Owner Trustee, the Trust Company and all other Certificateholders present and future.

ARTICLE III

TRUST CERTIFICATES AND TRANSFER OF INTERESTS

Section 3.01 Initial Ownership.

Upon the formation of the Trust by the contribution by the Trust Depositor pursuant to Section 2.05 and until the issuance of the Trust Certificates, the Trust Depositor shall be the sole beneficiary of the Trust. The Trust Depositor shall be the sole beneficiary of the Trust and shall not transfer its beneficial interest in the Trust or the Trust Certificates issued to it so long as the Notes are outstanding.

Section 3.02 The Trust Certificates.

(a) The Trust Certificates shall be substantially in the form set forth in Exhibit A hereto, with such changes as may be specified in a supplement to this Trust Agreement. Except as otherwise set forth in a supplement to this Trust Agreement, the Trust Certificates shall be issued from time to time in minimum Percentage Interests of 10% and integral multiples of 1% in excess thereof; *provided* that one Trust Certificate may be issued in a different denomination. The Trust Certificates shall be executed on behalf of the Trust by manual or facsimile signature of an authorized officer of the Owner Trustee. Trust Certificates bearing the manual or facsimile signatures of individuals who were, at the time when such signatures shall have been affixed, authorized to sign on behalf of the Trust, shall be validly issued and entitled to the benefit of this Trust Agreement, notwithstanding that such individuals or any of them shall have ceased to be so authorized prior to the authentication and delivery of such Trust Certificates or did not hold such offices at the date of authentication and delivery of such Trust Certificates.

(b) A transferee of a Trust Certificate shall become a Certificateholder and shall be entitled to the rights and subject to the obligations of a Certificateholder hereunder upon such transferee's acceptance of a Trust Certificate duly registered in such transferee's name pursuant to Section 3.04.

Section 3.03 Authentication of Trust Certificates.

Concurrently with the initial transfer of the Initial Loans to the Trust pursuant to the Sale and Servicing Agreement, the Trust shall issue the Trust Certificates, in an aggregate Percentage Interest equal to 100%, executed by the Owner Trustee on behalf of the Trust, authenticated by the Certificate Registrar and delivered to or upon the written order of the Trust Depositor, signed by its chairman of the board, its president, its chief executive officer, its chief financial officer, any vice president, secretary or any assistant treasurer, without further limited liability company action by the Trust Depositor, in authorized denominations. No Trust Certificate shall entitle its Holder to any benefit under this Agreement or be valid for any purpose unless there shall appear on such Trust Certificate a certificate of authentication substantially in the form set forth in Exhibit A, executed by the Certificate Registrar, by manual signature; such authentication shall constitute conclusive evidence that such Trust Certificate has been duly and validly authorized, issued, authenticated and delivered hereunder and, subject to the terms of this Agreement, fully paid and non-assessable. All Trust Certificates shall be dated the date of their authentication.

Section 3.04 Registration of Transfer and Exchange of Trust Certificates.

(a) The Certificate Registrar shall keep or cause to be kept, at the office or agency maintained pursuant to Section 3.08, a Certificate Register in which, subject to such reasonable regulations as it may prescribe, the Certificate Registrar shall provide for the registration of Trust Certificates and, subject to Section 3.10 hereof, of transfers and exchanges of Trust Certificates as herein provided. The Trustee shall be the initial Certificate Registrar. Promptly upon written request therefor from the Owner Trustee, the Certificate Registrar shall provide to the Owner Trustee in writing such information regarding or contained in the Certificate Register as the Owner Trustee may reasonably request. The Owner Trustee shall be entitled to rely (and shall be fully protected in relying) on such information.

(b) Upon surrender for registration of transfer of any Trust Certificate at the office or agency maintained pursuant to Section 3.08, the Certificate Registrar shall cause the Owner Trustee to execute on behalf of the Trust and the Certificate Registrar shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Trust Certificates in authorized denominations of a like aggregate amount dated the date of authentication by the Certificate Registrar or any authenticating agent. At the option of a Certificateholder, Trust Certificates may be exchanged for other Trust Certificates of authorized denominations of a like aggregate amount upon surrender of the Trust Certificates to be exchanged at the office or agency maintained pursuant to Section 3.08.

(c) Every Trust Certificate presented or surrendered for registration of transfer or exchange shall be accompanied by a written instrument of transfer in form satisfactory to the Owner Trustee and the Certificate Registrar duly executed by the registered Certificateholder or such registered Certificateholder's attorney duly authorized in writing. Each Trust Certificate surrendered for registration of transfer or exchange shall be cancelled and subsequently disposed of by the Certificate Registrar in accordance with its customary practice.

(d) No service charge shall be made for any registration of transfer or exchange of Trust Certificates, but the Owner Trustee or the Certificate Registrar may require payment of a sum sufficient to cover any tax or governmental charge that may be imposed in connection with any transfer or exchange of Trust Certificates.

Section 3.05 Mutilated, Destroyed, Lost or Stolen Trust Certificates.

If (a) any mutilated Trust Certificate shall be surrendered to the Certificate Registrar, or if the Certificate Registrar and the Owner Trustee shall receive evidence to its satisfaction of the destruction, loss or theft of any Trust Certificate, and (b) there shall be delivered to the Certificate Registrar and the Owner Trustee such security or indemnity as may be reasonably required by them to save each of them harmless, then in the absence of notice to the Trust that such Trust Certificate has been acquired by a protected purchaser, the Certificate Registrar shall cause the Owner Trustee on behalf of the Trust to execute and the Certificate Registrar shall authenticate and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Trust Certificate, a new Trust Certificate of like tenor and denomination. The Holder of such Trust Certificate shall pay the reasonable expenses and charges of the Certificate Registrar and the Owner Trustee in connection therewith. In connection with the issuance of any new Trust Certificate under this Section 3.05, the Owner Trustee or the Certificate Registrar may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection therewith. Any duplicate Trust Certificate issued pursuant to this Section 3.05 shall constitute conclusive evidence of ownership of a beneficial interest in the Trust, as if originally issued, whether or not the lost, stolen or destroyed Trust Certificate shall be found at any time.

Section 3.06 **Persons Deemed Owners**.

Prior to due presentation of a Trust Certificate for registration of transfer, the Owner Trustee, the Certificate Registrar or any paying agent or other agent thereof may treat the Person in whose name any Trust Certificate is registered in the Certificate Register as the owner of such Trust Certificate for the purpose of receiving distributions pursuant to Section 5.02 and for all other purposes whatsoever, and none of the Owner Trustee, the Certificate Registrar or any paying agent or other agent thereof shall be bound by any notice to the contrary.

Section 3.07 **Access to List of Certificateholders' Names and Addresses**.

The Certificate Registrar shall furnish or cause to be furnished to the Trustee or any other party acting as paying agent, the Owner Trustee, the Servicer and the Trust Depositor, within ten (10) Business Days after receipt by the Certificate Registrar of a written request therefor from the Trustee, the Owner Trustee, the Servicer or the Trust Depositor, a list, in such form as the Trustee or any other party acting as paying agent, the Owner Trustee, the Servicer or the Trust Depositor may reasonably require, of the names and addresses of the Certificateholders as of the most recent Record Date. If three or more Certificateholders or one or more Holders of Trust Certificates evidencing not less than 25% of the Percentage Interests apply in writing to the Certificate Registrar, and such application states that the applicants desire to communicate with other Certificateholders with respect to their rights under this Trust Agreement or under the Trust Certificates and such application is accompanied by a copy of the communication that such applicants propose to transmit, then the Certificate Registrar shall, within five (5) Business Days after the receipt of such application, afford such applicants access during normal business hours to the current list of Certificateholders. Upon receipt of any such application, the Certificate Registrar will promptly notify the Trust Depositor by providing a copy of such application and a copy of the list of Certificateholders produced in response thereto. Each Certificateholder, by receiving and holding a Trust Certificate, shall be deemed to have agreed not to hold any of the Trust Depositor, the Certificate Registrar and the Owner Trustee accountable by reason of the disclosure of its name and address, regardless of the source from which such information was derived.

Section 3.08 **Maintenance of Office or Agency**.

The Certificate Registrar shall maintain an office or offices or agency or agencies where Trust Certificates may be surrendered for registration of transfer or exchange and where notices and demands to or upon the Certificate Registrar in respect of the Trust Certificates and the Transaction Documents may be served. The Certificate Registrar initially designates the office of the Certificate Registrar at the Corporate Trust Office as its office for such purposes. The Certificate Registrar shall give prompt written notice to the Trust Depositor, any paying agent, the Owner Trustee and the Certificateholders of any change in the location of the Certificate Register or any such office or agency.

Section 3.09 Appointment of Trustee as Paying Agent.

The Trustee shall make distributions to Certificateholders from the Certificate Account pursuant to Section 5.02. Any paying agent of the Trustee shall have the revocable power to withdraw funds from the Certificate Account for the purpose of making the distributions referred to above. The Owner Trustee (acting at the written direction of the Administrator or the Certificateholder) may revoke such power and remove the Trustee or any other party acting as paying agent of the Trustee, if the Administrator or the Certificateholder determines in its sole discretion that the Trustee or any other party acting as paying agent shall have failed to perform its obligations under this Trust Agreement in any material respect. The paying agent initially shall be U.S. Bank National Association, as Trustee under the Indenture. U.S. Bank National Association shall be permitted to resign as paying agent upon 30 days' written notice to the Owner Trustee and the Servicer. In the event that U.S. Bank National Association shall no longer be the paying agent, the Owner Trustee (acting at the written direction of the Administrator or the Certificateholder) shall appoint a successor to act as paying agent (which shall be a bank or trust company). The Owner Trustee shall cause the Trustee and such successor paying agent or any additional paying agent appointed by the Owner Trustee to execute and deliver to the Owner Trustee an instrument in which the Trustee and such successor paying agent or additional paying agent shall agree with the Owner Trustee that, as paying agent, the Trustee and such successor paying agent or additional paying agent will hold all sums, if any, held by it for payment to the Certificateholders in trust for the benefit of the Certificateholders entitled thereto until such sums shall be paid to such Certificateholders. The Trustee or any other party acting as paying agent, shall return all unclaimed funds to the Owner Trustee and upon removal of a paying agent such paying agent shall also return all funds in its possession to the Owner Trustee. The provisions of Sections 7.01, 7.04, 7.05, 7.06, 8.01 and 8.02 shall apply to U.S. Bank National Association or the Owner Trustee also in its role as paying agent and Certificate Registrar as if U.S. Bank National Association and the Owner Trustee were named in such Sections, for so long as U.S. Bank National Association or the Owner Trustee shall act as paying agent or Certificate Registrar and, to the extent applicable, to any other paying agent or certificate registrar appointed hereunder. Any reference in this Agreement to the paying agent shall include any co-paying agent unless the context requires otherwise.

Section 3.10 Transfer Restrictions.

The Trust Certificates may not be offered, transferred or sold except to the Trust Depositor or an Affiliate thereof or to Qualified Institutional Buyers ("QIBs") for purposes of Rule 144A under the Securities Act who are Qualified Purchasers for purposes of Section 3(c)(7) under the 1940 Act, and who are United States persons (as defined in Section 7701(a)(30) of the Code) in reliance on an exemption from the registration requirements of the Securities Act.

(a) The Trust Certificates have not been registered or qualified under the Securities Act, or any state securities law. No transfer, sale, pledge or other disposition of any Trust Certificate shall be made unless such disposition is made pursuant to an effective registration statement under the Securities Act and effective registration or qualification under applicable state securities laws, or is made in a transaction which does not require such registration or qualification. No transfer of any Trust Certificates shall be made if such transfer would require the Trust to register as an "investment company" under the 1940 Act. In the event that a transfer is to be made, the transferee shall execute and deliver to the Owner Trustee and Certificate Registrar a certification substantially in the form of Exhibit C hereto. In the event that such transfer is to be made in reliance on the availability of an exemption under the Securities Act, the Owner Trustee or the Certificate Registrar may require the prospective transferee to provide an Opinion of Counsel satisfactory to it that such transfer may be made pursuant to an exemption from the Securities Act, which Opinion of Counsel shall not be an expense of the Owner Trustee or of the Trust.

(b) Neither the Trust Certificates nor any beneficial interest in such Trust Certificates may be acquired or held by, on behalf of or with plan assets of any employee benefit plans, retirement arrangements, individual retirement accounts or Keogh plans subject to either Part 4, Subtitle B, Title I of the Employee Retirement Income Security Act of 1974, as amended, or Section 4975 of the Code or any entity whose underlying assets include assets of any such plan by reason of such a plan's investment in the entity (a "Benefit Plan") and any such purported transfer shall not be effective. Each transferee of a Trust Certificate shall be required to represent (a) that it is not and is not acting on behalf a Benefit Plan and is not acquiring such Trust Certificate with the plan assets of a Benefit Plan and (b) that if such Trust Certificate is subsequently deemed to be a plan asset of such a Benefit Plan, it will dispose of such Trust Certificate.

(c) Each Trust Certificate will bear the legends set forth in paragraph 6 of Exhibit C hereto.

(d) No transfer, sale, pledge or other disposition of one or more Trust Certificates (a "Transfer") shall be made unless the Percentage Interest of the Trust Certificates so Transferred is no less than ten (10%) percent.

(e) Notwithstanding any other provision herein or elsewhere, other than to determine that any certification delivered to the Owner Trustee or Certificate Registrar, as the case may be, pursuant to Section 3.10(a) hereof is substantially in the form of Exhibit C hereto and to determine (including, without limitation, based on one or more certificates from the Person transferring such Trust Certificate and/or the Note Registrar) that any transfer of a Trust Certificate described in such certification delivered to the Owner Trustee complies with Section 3.10(d), the Owner Trustee and Certificate Registrar shall have no obligation to determine whether or not any transfer or exchange or proposed or purported transfer or exchange of a Trust Certificate is permitted under or in accordance with this Agreement, the Securities Act or applicable state securities laws, and the Owner Trustee and Certificate Registrar shall have no personal liability to any Person in connection with any transfer or exchange or proposed or purported transfer or exchange (and/or registration thereof).

(f) No Transfer of the Certificates or any interest therein shall be made unless the Certificate Registrar receives from the prospective transferee a representation and warranty that the prospective transferee is a "United States person" within the meaning of Section 7701(a)(30) of the Code and a correct, complete and properly executed U.S. Internal Revenue Service Form W-9 (or appropriate successor form).

(g) No Transfer of the Certificates or any interest therein shall be made unless each Certificateholder acknowledges and agrees that no Certificate may be acquired or owned by any person that is classified for U.S. federal income tax purposes as a partnership, subchapter S corporation or grantor trust unless (A)(1) none of the direct or indirect beneficial owners of any interest in such person have or ever will have more than 40% of the value of its interest in such person attributable to the aggregate interest of such person in the combined value of the Certificates and any other equity interests of the Trust held by such person, and (2) it is not and will not be a principal purpose of the arrangement involving the investment of such person in the Certificates and any other equity interests of the Trust to permit any partnership to satisfy the 100 partner limitation of Treasury Regulation Section 1.7704-1(h)(1)(ii) or (B) such person obtains a written opinion of nationally recognized U.S. tax counsel that such transfer will not cause the Trust to be treated as a publicly traded partnership taxable as a corporation.

(h) No Transfer of the Certificates or any interest therein shall be made unless each Certificateholder acknowledges and agrees that the Certificates may not be acquired, and no Certificateholder may sell, transfer, assign, participate, pledge or otherwise dispose of the Certificate or other equity interest in the Trust or cause the Certificates or other equity interest in the Trust to be marketed, (A) on or through an "established securities market" within the meaning of Section 7704(b)(1) of the Code and Treasury Regulation Section 1.7704-1(b), including without limitation, an interdealer quotation system that regularly disseminates firm buy or sell quotations or (B) if such acquisition, sale, transfer, assignment, participation, pledge or disposition would cause the combined number of holders of the Certificate and other equity interests in the Trust to be held by more than 90 persons.

(i) No Transfer of the Certificates or any interest therein shall be made unless each Certificateholder acknowledges and agrees that it will not enter into any financial instrument the payments on which are, or the value of which is, determined in whole or in part by reference to the Certificates or other equity interests in the Trust (including the amount of distributions on the Certificates or equity interests, the value of the Trust's assets, or the result of the Trust's operations), or any contract that otherwise is described in Treasury Regulation Section 1.7704-1(a)(2)(i)(B).

(j) No Transfer of the Certificates or any interest therein shall be made unless each Certificateholder acknowledges and agrees that any sale, transfer, assignment, participation, pledge, or other disposition of the Certificates that would violate any of the three preceding paragraphs above or otherwise cause the Trust to be unable to rely on the "private placement" safe harbor of Treasury Regulation Section 1.7704-1(h) will be void and of no force or effect, and it will not transfer any interest in the Certificates to any person that does not agree to be bound by the three preceding paragraphs above or by this paragraph.

ARTICLE IV

ACTIONS BY OWNER TRUSTEE

Section 4.01 **Prior Notice to and Consent by Certificateholders with Respect to Certain Matters**.

With respect to the following matters, the Trust shall not take action unless either (i), at least ten (10) Business Days before the taking of such action, the Owner Trustee shall have notified the Certificateholders and the Trust Depositor (who shall promptly forward such notice to any Rating Agency) in writing of the proposed action and the Certificateholders holding a Percentage Interest of not less than 66-2/3% shall not, prior to the tenth (10th) Business Day after such notice is given, have notified the Owner Trustee in writing that such Certificateholders have withheld consent or provided alternative direction or (ii) Certificateholders holding a Percentage Interest of not less than 66-2/3% direct the Owner Trustee to take action with respect to:

(a) the initiation of any claim or lawsuit by the Trust and the compromise of any action, claim or lawsuit brought by or against the Trust;

(b) the election by the Trust to file an amendment to the Certificate of Trust (unless such amendment is required to be filed under the Statutory Trust Statute);

(c) the amendment of the Indenture or any other Transaction Document in circumstances where the consent of any Noteholder is required;

(d) the amendment of the Indenture or any other Transaction Document in circumstances where the consent of any Noteholder is not required and such amendment may reasonably be expected to adversely affect the interest of the Certificateholders;

(e) such Certificateholders direct the Owner Trustee to initiate any amendment to any Transaction Document or to seek any waiver or other modification thereof;

(f) the appointment pursuant to the Indenture of a successor paying agent or Trustee or pursuant to this Trust Agreement of a successor Certificate Registrar, or paying agent, or the consent to the assignment by the Trustee or Certificate Registrar of its obligations under the Indenture or this Trust Agreement, as applicable;

(g) the consent to the calling or waiver of any Event of Default of any Transaction Document or such Certificateholders direct the Owner Trustee to call or waive any such Event of Default;

(h) the consent to the assignment of the Trustee or Servicer of their respective obligations under any Transaction Document;

(i) except as provided in Article IX hereof, the dissolution, termination or liquidation of the Trust in whole or in part;

(j) the merger or consolidation of the Trust with or into any other entity, or conveyance or transfer of all or substantially all of the Trust's assets to any other entity;

(k) the incurrence, assumption or guaranty by the Trust of any indebtedness other than as set forth in this Agreement or the Transaction Documents;

(l) the doing of any act which would make it impossible to carry on the ordinary business of the Trust as described in Section 2.03 hereof;

(m) the confession of a judgment against the Trust;

(n) the possession of Loan Assets or other Collateral, or assignment of the Trust's right to property, for other than a purpose permitted under Section 2.03;

(o) the lending by the Trust of any funds to any entity, except as permitted or required under the Sale and Servicing Agreement with respect to the Loan Assets or other Collateral;

(p) the change in the Trust's purpose and powers from those set forth in this Trust Agreement; or

(q) the removal or replacement of the Servicer or the Trustee.

In addition, the Trust shall not commingle its assets with those of any other entity other than as permitted under the Transaction Documents. The Trust shall maintain its financial and accounting books and records separate from those of any other entity; *provided* that the Trust may be consolidated with another entity in accordance with U.S. generally accepted accounting principles and, when so consolidated will note on its consolidated financial statement that the Trust's assets are not available to satisfy the claims of creditors of such consolidating Person. Except as expressly set forth herein, the Trust shall pay its indebtedness, operating expenses and liabilities from its own funds, and the Trust shall not pay the indebtedness, operating expenses and liabilities of any other entity.

Section 4.02 Action by Certificateholders with Respect to Bankruptcy.

To the extent permitted by Applicable Law, the Trust shall not have the power, without the unanimous prior written approval of the Certificateholders, and to the extent otherwise consistent with the Transaction Documents, to (i) institute proceedings to have the Trust declared or adjudicated as bankrupt or insolvent, (ii) consent to the institution of bankruptcy or insolvency proceedings against the Trust, (iii) file a petition or consent to a petition seeking reorganization or relief on behalf of the Trust under any applicable federal or state law relating to bankruptcy, (iv) consent to the appointment of a receiver, liquidator, assignee, trustee, sequestrator (or any similar official) of the Trust or a substantial portion of the property of the Trust, (v) make any assignment for the benefit of the Trust's creditors, (vi) cause the Trust to admit in writing its inability to pay its debts generally as they become due, or (vii) take any action, or cause the Trust to take any action, in furtherance of any of the foregoing (any of the above, a "Bankruptcy Action"). So long as the Indenture remains in effect, and to the extent permitted by Applicable Law, no Certificateholder shall have the power to take and shall not take any Bankruptcy Action with respect to the Trust or direct the Owner Trustee to take any Bankruptcy Action with respect to the Trust.

Section 4.03 **Restrictions on Certificateholders' Power**.

The Certificateholders shall not direct the Owner Trustee to take or to refrain from taking any action if such action or inaction would be contrary to any obligation of the Trust or the Owner Trustee under this Trust Agreement or any of the Transaction Documents or would cause a violation of any of the Transaction Documents or would be contrary to or inconsistent with Section 2.03, nor shall the Owner Trustee be obligated to follow any such direction, if given.

Section 4.04 **Majority Control**.

Except as expressly provided herein or in any supplement to this Trust Agreement, any action or direction that may be taken or given by the Certificateholders under this Trust Agreement may not be taken or given unless agreed to or directed by the Majority Certificateholders. Except as expressly provided herein or in any supplement to this Trust Agreement, any written notice of the Certificateholders delivered pursuant to this Trust Agreement shall be effective if signed by Majority Certificateholders at the time of the delivery of such notice.

ARTICLE V

APPLICATION OF TRUST FUNDS; CERTAIN DUTIES

Section 5.01 **Establishment of Trust Account**.

(a) For the benefit of the Certificateholders, the Securities Intermediary shall establish and maintain in the name of the Trust an Eligible Deposit Account with the Trustee (the "Certificate Account"), bearing a designation clearly indicating that the funds deposited therein are held for the benefit of the Certificateholders. Each Qualified Institution maintaining the Certificate Account shall agree in writing (and the Trustee does hereby so agree) to comply with all instructions originated by the Trustee or any other party acting as paying agent, or Owner Trustee directing the disposition of funds in the account without the further consent of the Trust. Funds deposited to the Certificate Account shall remain uninvested.

(b) The Trust shall possess all right, title and interest in all funds on deposit from time to time in the Certificate Account and in all proceeds thereof. Except as provided in Section 3.09 or as otherwise expressly provided herein, the Certificate Account shall be under the sole dominion and control of the Trustee for the benefit of the Certificateholders. If, at any time, the Certificate Account ceases to be an Eligible Deposit Account, the Securities Intermediary shall within ten (10) Business Days (or such longer period, not to exceed 30 calendar days, as to which any Rating Agency may consent) establish a new Certificate Account as an Eligible Deposit Account and shall transfer any cash and/or any investments to such new Certificate Account.

Section 5.02 Application of Trust Funds.

(a) On each Payment Date and at and in accordance with the instruction of the Servicer, the Trustee shall distribute to the Certificateholders, *pro rata* based on their respective Percentage Interests, the amounts deposited in the Certificate Account received from the Trustee pursuant to the Indenture or the Sale and Servicing Agreement.

(b) On each Payment Date, the Trustee shall, or shall cause the Servicer to, make available to each Certificateholder via its website at www.usbank.com/abs the statement or statements provided to the Trustee by the Servicer pursuant to the Indenture and the Sale and Servicing Agreement with respect to such Payment Date.

(c) In the event that any withholding tax is imposed on the Trust's payment (or allocations of income) to a Certificateholder, such tax shall reduce the amount otherwise distributable to the Certificateholder in accordance with this Section 5.02. The Trustee is hereby authorized and directed to retain from amounts otherwise distributable to the Certificateholders sufficient funds for the payment of any tax that is legally owed by the Trust (but such authorization shall not prevent the Owner Trustee or the Trustee from contesting any such tax in appropriate proceedings, and withholding payment of such tax, if permitted by Applicable Law, pending the outcome of such proceedings); *provided* that the Trustee shall not be responsible for determining whether any such tax is owed and may rely for such purposes on the written direction of the Trust Depositor or Servicer. The amount of any withholding tax imposed with respect to a Certificateholder shall be treated as cash distributed to such Certificateholder at the time it is withheld by the Trust and remitted to the appropriate taxing authority. If there is a possibility that withholding tax is payable with respect to a distribution (such as a distribution to a non-U.S. Certificateholder), the Trustee may in its sole discretion withhold such amounts in accordance with this Section 5.02(c). In the event that a Certificateholder wishes to apply for a refund of any such withholding tax, the Owner Trustee or the Trustee shall reasonably cooperate with such Certificateholder in making such claim so long as such Certificateholder agrees to reimburse the Owner Trustee and the Trustee, in its capacity as paying agent, for any out-of-pocket expenses incurred. The Certificateholders shall supply the Owner Trustee, the Trustee and any paying agent with Internal Revenue Service forms, with appropriate supporting documentation, and such other certificates, information or forms that the Owner Trustee, the Trustee or any paying agent may request from time to time in connection with any withholding tax or the application for a refund thereof.

Section 5.03 Method of Payment.

Subject to Section 9.01(c), distributions required to be made to Certificateholders on any Payment Date shall be made to each Certificateholder of record on the preceding Record Date either by wire transfer, in immediately available funds, to the account of such Certificateholder at a bank or other entity having appropriate facilities therefor, if such Certificateholder shall have provided to the Certificate Registrar and the Trustee or any other party acting as paying agent appropriate written instructions at least five (5) Business Days prior to such Payment Date or, if not, by check mailed to such Certificateholder at the address of such holder appearing in the Certificate Register.

Section 5.04 **No Segregation of Moneys; No Interest**.

Subject to Sections 5.01 and 5.02, moneys received by the Owner Trustee, the Trustee or any paying agent hereunder need not be segregated in any manner except to the extent required by any Applicable Law or the Sale and Servicing Agreement and may be deposited under such general conditions as may be prescribed by any Applicable Law, and neither a paying agent, the Trustee, the Trust Company nor the Owner Trustee shall be liable for any interest thereon.

Section 5.05 **Accounting and Reports to the Certificateholders, the Internal Revenue Service and Others**.

The Trust Depositor shall (a) maintain (or cause to be maintained) the books of the Trust on a calendar year basis on the accrual method of accounting, (b) deliver (or cause to be delivered) to each Certificateholder, as may be required by the Code and applicable Treasury Regulations, such information as may be required (including, if applicable, Schedule K-1) to enable each Certificateholder to prepare its federal and state income tax returns, (c) prepare or cause to be prepared, and file, or cause to be filed, all tax returns, if any, relating to the Trust (including, if applicable, a partnership information return, IRS Form 1065) and in writing direct the Owner Trustee to make such elections as from time to time may be required or appropriate under any applicable state or federal statute or any rule or regulation thereunder so as to maintain the Trust's characterization as a partnership for federal income tax purposes or an entity the existence of which is disregarded as separate from the Certificateholders under applicable Treasury Regulations depending on whether the Trust Certificates are held by more than one owner or one owner, (d) collect or cause to be collected any withholding tax as described in and in accordance with Section 5.02(c) with respect to income or distributions to Certificateholders and (e) upon the request of the Trust, provide to necessary parties such reasonably current information as is specified in paragraph (d)(4) of Rule 144A under the Securities Act. The Owner Trustee shall make all elections pursuant to this Section 5.05 as directed by the Trust Depositor in writing.

Section 5.06 **Signature on Returns; Tax Matters Partner**.

(a) The Servicer shall sign on behalf of the Trust the tax returns of the Trust, and any other returns as may be required by law if any, as the same shall be furnished to it in execution form by the Trust Depositor, unless Applicable Law requires a Certificateholder to sign such documents, in which case such documents shall not be furnished to the Servicer, but shall be furnished to and signed by the Trust Depositor so long as it is a Certificateholder, in its capacity as "tax matters partner" (as defined in Section 6231(a)(7) of the Code) (if applicable), or such other Certificateholder as may have been designated "tax matters partner" (if applicable). In executing any such return, the Servicer shall rely entirely upon, and shall have no personal liability for, information or calculations provided by the Trust Depositor.

(b) In the event the Trust Depositor is a Certificateholder and the Trust is characterized as a partnership, the Trust Depositor shall be the "tax matters partner" of the Trust pursuant to the Code.

ARTICLE VI

AUTHORITY AND DUTIES OF OWNER TRUSTEE

Section 6.01 General Authority.

Each of the Owner Trustee, the Servicer, the Administrator and the Trust Depositor shall have power and authority, and each is hereby authorized and empowered, in the name and on behalf of the Trust, to execute and deliver the Transaction Documents to which the Trust is to be a party and each certificate or other document attached as an Exhibit to or contemplated by the Transaction Documents to which the Trust is to be a party and any amendment or other agreement or instrument, in each case, in such form as the Owner Trustee, the Servicer, the Administrator or the Trust Depositor shall approve, as evidenced conclusively by the Owner Trustee's, the Servicer's, the Administrator's or the Trust Depositor's execution thereof. In addition to the foregoing, the Owner Trustee shall have power and authority and hereby is further authorized (but shall not be obligated) to take all actions required of the Trust pursuant to the Transaction Documents. The Trust and the Owner Trustee are hereby authorized to delegate such power and authority, or any portion thereof, with respect to the duties and obligations of the Trust and/or the Owner Trustee under this Agreement and the other Transaction Documents to the Servicer and the Administrator. The Owner Trustee shall have power and authority and hereby is further authorized from time to time to take such action as the Trust Depositor, the Administrator or the Servicer recommends and directs with respect to the Transaction Documents.

Section 6.02 General Duties.

It shall be the duty of the Owner Trustee to discharge (or cause to be discharged) all of the duties expressly required to be performed by the Owner Trustee under the terms of this Agreement in the interest of the Certificateholders, subject to the Transaction Documents and in accordance with the provisions of this Agreement. Notwithstanding the foregoing, the Owner Trustee shall be deemed to have discharged its duties and responsibilities hereunder and under the Transaction Documents to the extent the Trust Depositor has agreed hereunder or the Servicer has agreed in the Sale and Servicing Agreement or the Administrator has agreed in the Administration Agreement to perform any act or to discharge any duty of the Owner Trustee or of the Trust under any Transaction Document, and the Owner Trustee shall not be held personally liable for the default or failure of the Trust Depositor, the Administrator or the Servicer to carry out its obligations under the Sale and Servicing Agreement, the Administration Agreement or this Trust Agreement, as applicable.

Section 6.03 Action upon Instruction.

(a) Subject to Article IV and Section 7.01 and in accordance with the terms of the Transaction Documents, the Certificateholders may by written instruction direct the Owner Trustee in the management of the Trust. Such direction may be exercised at any time by written instruction to the Owner Trustee of the Certificateholders pursuant to Article IV.

(b) The Owner Trustee shall not be required to take any action hereunder or under any Transaction Document if the Owner Trustee shall have reasonably determined, or shall have been advised by counsel, that such action is likely to result in personal liability on the part of the Owner Trustee or is contrary to the terms hereof or of any Transaction Document or is otherwise contrary to Applicable Law.

(c) Whenever the Owner Trustee is unable to decide between alternative courses of action permitted or required by the terms of this Trust Agreement or under any Transaction Document, the Owner Trustee shall promptly give notice (in such form as shall be appropriate under the circumstances) to the Certificateholders requesting instruction as to the course of action to be adopted and stating that if the Owner Trustee shall not have received appropriate instruction within ten (10) Business Days of such notice (or within such shorter period of time as reasonably may be specified in such notice or may be necessary under the circumstances) it may, but shall be under no duty to, take or refrain from taking such action not inconsistent with this Agreement and the other Transaction Documents as it shall deem to be in the best interests of the Certificateholders and shall have no personal liability to any Person for such action or inaction. To the extent the Owner Trustee acts or refrains from acting in good faith in accordance with any written instruction received from Majority Certificateholders, the Owner Trustee shall not be personally liable on account of such action or inaction to any Person. If the Owner Trustee shall not have received appropriate instruction within ten (10) Business Days of such notice (or within such shorter period of time as reasonably may be specified in such notice or may be necessary under the circumstances) it may, but shall be under no duty to, take or refrain from taking such action not inconsistent with this Agreement and the other Transaction Documents as it shall deem to be in the best interests of the Certificateholders and shall have no personal liability to any Person for such action or inaction.

(d) In the event that the Owner Trustee is unsure as to the application of any provision of this Trust Agreement or any Transaction Document or any such provision is ambiguous as to its application, or is, or appears to be, in conflict with any other applicable provision, or in the event that this Trust Agreement permits any determination by the Owner Trustee or is silent or is incomplete as to the course of action that the Owner Trustee is required or permitted to take with respect to a particular set of facts, the Owner Trustee may give notice (in such form as shall be appropriate under the circumstances) to the Certificateholders requesting instruction and stating that if the Owner Trustee shall not have received appropriate instruction within ten (10) Business Days of such notice (or within such shorter period of time as reasonably may be specified in such notice or may be necessary under the circumstances) it may, but shall be under no duty to, take or refrain from taking such action not inconsistent with this Agreement or the other Transaction Documents as it shall deem to be in the best interests of the Certificateholders, and shall have no personal liability to any Person for such action or inaction. To the extent that the Owner Trustee acts or refrains from acting in good faith in accordance with any such instruction received from Majority Certificateholders, the Owner Trustee shall not be personally liable, on account of such action or inaction, to any Person. If the Owner Trustee shall not have received appropriate instruction within ten (10) Business Days of such notice (or within such shorter period of time as reasonably may be specified in such notice or may be necessary under the circumstances) it may, but shall be under no duty to, take or refrain from taking such action not inconsistent with this Agreement or the other Transaction Documents as it shall deem to be in the best interests of the Certificateholders, and shall have no personal liability to any Person for such action or inaction.

Section 6.04 **No Duties Except as Specified in this Agreement or in Instructions**.

The Owner Trustee shall not have any duty or obligation to manage, make any payment with respect to, register, record, sell, dispose of, or otherwise deal with the Trust Estate, or to otherwise take or refrain from taking any action under, or in connection with, the Transaction Documents or any document contemplated hereby or thereby, except as expressly provided by the terms of this Trust Agreement or in any document or written instruction received by the Owner Trustee pursuant to Section 6.03; and no implied duties or obligations shall be read into this Trust Agreement or any other Transaction Document against the Owner Trustee. The Owner Trustee shall have no responsibility for filing any financing or continuation statement in any public office at any time or to otherwise perfect or maintain the perfection of any security interest or lien granted to it hereunder or to prepare or file any Commission filing for the Trust or to record this Trust Agreement or any Transaction Document. The Owner Trustee nevertheless agrees that it will, at its own cost and expense, promptly take all action as may be necessary to discharge any liens on any part of the Trust Estate that result from actions by, or claims against, the Owner Trustee in its individual capacity that are not related to the Trust, this Trust Agreement, the Trust Company's serving as Owner Trustee or the ownership or the administration of the Trust Estate.

Section 6.05 **Restrictions**.

The Owner Trustee shall not take any action that, (i) is inconsistent with the purposes of the Trust set forth in Section 2.03 or (ii) to the actual knowledge of a Responsible Officer of the Owner Trustee, would result in the Trust's becoming taxable as a corporation for federal income tax purposes. The Certificateholders shall not direct the Owner Trustee to take action that would violate the provisions of this Section 6.05.

ARTICLE VII

CONCERNING THE OWNER TRUSTEE

Section 7.01 **Acceptance of Trusts and Duties**.

The Owner Trustee accepts the trusts hereby created and agrees to perform its duties hereunder but only upon the terms of this Trust Agreement. The Owner Trustee also agrees to disburse all moneys actually received by it constituting part of the Trust Estate upon the terms of this Trust Agreement and the other Transaction Documents. The Owner Trustee shall not be personally answerable or accountable hereunder or under any other Transaction Document under any circumstances, except to the Trust and the Certificateholders (i) for its own willful misconduct, bad faith or gross negligence or (ii) in the case of the inaccuracy of any representation or warranty contained in Section 7.03 expressly made by the Owner Trustee. In particular, but not by way of limitation (and subject to the exceptions set forth in the preceding sentence):

(a) the Owner Trustee shall not be personally liable for any error of judgment made by a Responsible Officer of the Owner Trustee which did not result from gross negligence or willful misconduct on the part of such Responsible Officer;

(b) the Owner Trustee shall not be personally liable with respect to any action taken or omitted to be taken by it in accordance with the instructions of the Trust Depositor, the Servicer or of Certificateholders holding such Percentage Interest as is required with respect thereto under this Agreement or the applicable Transaction Documents;

(c) no provision of this Trust Agreement or any other Transaction Document shall require the Owner Trustee to expend or risk its own funds or otherwise incur any personal financial liability in the performance of any of its rights or powers hereunder or under any Transaction Document if the Owner Trustee shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured or provided to it;

(d) under no circumstances shall the Owner Trustee be personally liable for indebtedness evidenced by or arising under any of the Transaction Documents, including the principal of and interest on the Notes;

(e) the Owner Trustee shall not be personally responsible (i) for or in respect of the validity or sufficiency of this Trust Agreement or for the due execution hereof by the Trust Depositor, (ii) for the form, character, genuineness, sufficiency, value or validity of any of the Trust Estate, or (iii) for or in respect of the validity or sufficiency of the Transaction Documents, other than the Owner Trustee's due execution of the Trust Certificate on behalf of the Trust, and the Owner Trustee shall in no event assume or incur any personal liability, duty, or obligation to any Noteholder or any Certificateholder other than as expressly provided for herein or expressly agreed to in the Transaction Documents;

(f) the Owner Trustee shall not be personally liable for the default or misconduct of the Trust Depositor, the Trustee, the Certificate Registrar, the Administrator or the Servicer or any other Person under any of the Transaction Documents or otherwise and the Owner Trustee shall have no obligation or personal liability to monitor or perform the obligations of the Trust or the Certificate Registrar under this Trust Agreement or the other Transaction Documents that are required to be performed by the Trustee under the Indenture, the Administrator under the Administration Agreement or the Servicer or the Trust Depositor under the Sale and Servicing Agreement; and

(g) the Owner Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Trust Agreement, or to institute, conduct or defend any litigation under this Trust Agreement or otherwise or in relation to this Trust Agreement or any other Transaction Document, at the request, order or direction of any of the Certificateholders, unless such Certificateholders have offered to the Owner Trustee security or indemnity satisfactory to it against the costs, expenses and liabilities that may be incurred by the Owner Trustee therein or thereby. The right of the Owner Trustee to perform any discretionary act enumerated in this Trust Agreement or in any other Transaction Document shall not be construed as a duty, and the Owner Trustee shall not be personally answerable therefor other than to the Trust and the Certificateholders for its willful misconduct, bad faith or gross negligence in the performance of any such act.

Section 7.02 Furnishing of Documents.

The Owner Trustee shall furnish to the Certificateholders duplicates or copies of all reports, notices, requests, demands, certificates, financial statements and any other instruments furnished to the Owner Trustee under the Transaction Documents.

Section 7.03 Representations and Warranties.

The Owner Trustee hereby represents and warrants to the Trust Depositor, for the benefit of the Trust Depositor and Certificateholders, that:

(a) It is national banking association, duly organized and validly existing under the laws of the United States of America. It has all requisite power and authority to execute, deliver and perform its obligations under this Trust Agreement.

(b) It has taken all action necessary to authorize the execution and delivery by it of this Trust Agreement, and this Trust Agreement will be executed and delivered by one of its officers who is duly authorized to execute and deliver this Trust Agreement on its behalf.

(c) Neither the execution nor the delivery by it of this Trust Agreement, nor the consummation by it of the transactions contemplated hereby nor compliance by it with any of the terms or provisions hereof, will (i) contravene any federal or Delaware state law, governmental rule or regulation governing the trust powers of the Trust Company or any judgment or order binding on it, (ii) constitute any default under its charter documents or organizational documents or any indenture, mortgage, contract, agreement or instrument to which it is a party or by which any of its properties may be bound or (iii) result in the creation or imposition of any lien, charge or encumbrance on the Trust Estate resulting from actions by or claims against the Owner Trustee individually which are unrelated to this Agreement or the other Transaction Documents.

(d) This Agreement constitutes a legal, valid and binding obligation of the Owner Trustee enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization and similar laws relating to creditors' rights generally and creditors of national banking associations and subject to general principles of equity.

(e) To the Owner Trustee's best knowledge, there are no proceedings or investigations pending, or to the Owner Trustee's best knowledge threatened, before any court, regulatory body, administrative agency or other governmental instrumentality having jurisdiction over the Owner Trustee or its properties: (A) asserting the invalidity of this Trust Agreement, (B) seeking to prevent the consummation of any of the transactions contemplated by this Trust Agreement or (C) seeking any determination or ruling that might materially and adversely affect the performance by the Owner Trustee of its obligations under, or the validity or enforceability of, this Trust Agreement.

Section 7.04 **Reliance; Advice of Counsel**.

(a) The Owner Trustee shall incur no personal liability to anyone in acting upon any signature, instrument, notice, resolution, request, consent, order, certificate, report, opinion, bond or other document or paper believed by it to be genuine and believed by it to be signed by an appropriate Person or Persons. The Owner Trustee may accept a certified copy of a resolution of the board of directors or other governing body of any Person as conclusive evidence that such resolution has been duly adopted by such body and that the same is in full force and effect. As to any fact or matter the method of determination of which is not specifically prescribed herein, the Owner Trustee may for all purposes hereof require and rely on a certificate, signed by the president or any vice president or by the treasurer or other authorized officer or agent of an appropriate Person or Persons or of any manager thereof, as to such fact or matter and such certificate shall constitute full protection to the Owner Trustee for any action taken or omitted to be taken by it in good faith in reliance thereon.

(b) In the exercise or administration of the trusts hereunder and in the performance of its duties and obligations under this Trust Agreement or the other Transaction Documents, the Owner Trustee may act directly or through its agents or attorneys pursuant to agreements entered into with any of them, and the Owner Trustee shall not be personally liable for the conduct or misconduct of such agents or attorneys if such agents or attorneys shall have been selected by the Owner Trustee in good faith and without gross negligence, and may consult with counsel, accountants and other skilled Persons to be selected in good faith and without gross negligence and employed by it. The Owner Trustee shall not be personally liable for anything done, suffered or omitted in good faith by it in accordance with the written opinion or advice of any such counsel, accountants or other such Persons. The Owner Trustee shall have no duty to monitor or supervise any other trustee, the Certificate Registrar, a paying agent, the Trust Depositor, the Holders, the Servicer, any Subservicer, the Trustee, the Administrator, any agent, independent contractor, officer, employee or manager of the Trust, any delegatee of any trustee, or any other Person.

Section 7.05 **Not Acting in Individual Capacity**.

Except as provided in this Article VII, in performing its duties hereunder, the Trust Company acts solely as Owner Trustee hereunder and not in its individual capacity, and all Persons having any claim against the Owner Trustee by reason of the transactions contemplated by this Trust Agreement or any Transaction Document shall look only to the Trust Estate for payment or satisfaction thereof.

Section 7.06 **Owner Trustee Not Liable for Trust Certificates or Loans**.

The recitals contained herein and in the Trust Certificates shall be taken as the statements of the Trust Depositor and the Owner Trustee assumes no personal responsibility for the correctness thereof. The Owner Trustee makes no representations as to the validity or sufficiency of this Trust Agreement, of any other Transaction Document or of the Trust Certificates (other than as to the due execution by the Owner Trustee of the Trust Certificates on behalf of the Trust) or the Notes, or of any Loan or related documents. The Owner Trustee shall at no time have any personal responsibility or liability for or with respect to the legality, validity and enforceability of any Loan, or for or with respect to the sufficiency of the Trust Estate or its ability to generate the payments to be distributed to Certificateholders under this Trust Agreement or the Noteholders under the Indenture, including, without limitation: (a) the existence, condition and ownership of any collateral securing a Loan; (b) the existence and enforceability of any insurance thereon; (c) the validity of the assignment of any Loan to the Trust or of any intervening assignment; (d) the performance or enforcement of any Loan; and (e) the compliance by the Trust Depositor or the Servicer with any warranty or representation made under any Transaction Document or in any related document or the accuracy of any such warranty or representation, or any action of the Trust Depositor, the Trustee, the Administrator or the Servicer or any subservicer taken in the name of the Owner Trustee.

Section 7.07 **Owner Trustee May Own Trust Certificates and Notes**.

The Owner Trustee in its individual or any other capacity may become the owner or pledgee of Trust Certificates or Notes and may deal with the Trust Depositor, the Trustee and the Servicer in banking transactions with the same rights as it would have if it were not Owner Trustee.

ARTICLE VIII

COMPENSATION OF OWNER TRUSTEE

Section 8.01 **Owner Trustee's Fees and Expenses**.

The Owner Trustee shall receive as compensation for its services hereunder such fees as have been separately agreed upon before the date hereof between the Trust Depositor and the Owner Trustee, and the Owner Trustee shall be entitled to be reimbursed by the Trust Depositor for its other reasonable expenses hereunder, including, but not limited to, the reasonable compensation, expenses and disbursements of such agents, representatives, experts and counsel as the Owner Trustee may employ in connection with the exercise and performance of its rights and its duties hereunder. The Trust Depositor shall be responsible for such fees and expenses only to the extent the same are not paid pursuant to the Priority of Payments, such fees and expenses to be paid to the Owner Trustee in accordance with the Priority of Payments.

Section 8.02 Indemnification.

Trust Depositor shall be liable as primary obligor for, and shall indemnify, defend and hold harmless the Owner Trustee (in its individual capacity and in its capacity as Owner Trustee) and its successors, assigns, agents and servants (collectively, the "Indemnified Parties") from and against, any and all liabilities, obligations, losses, damages, taxes, claims, actions and suits (provided that any indemnification for damages is limited to actual damages, not consequential, special or punitive damages), and any and all reasonable costs, expenses and disbursements (including reasonable legal fees and expenses) of any kind and nature whatsoever (collectively, "Expenses") which may at any time be imposed on, incurred by or asserted against an Indemnified Party in any way relating to or arising out of this Trust Agreement, the Transaction Documents, the Trust Estate, the administration of the Trust Estate or the action or inaction of the Owner Trustee hereunder, except only that the Trust Depositor shall not be liable for or required to indemnify an Indemnified Party from and against Expenses arising or resulting from the gross negligence or willful misconduct of such Indemnified Party. The indemnities contained in this Section shall survive the resignation or removal of the Owner Trustee and the termination of this Trust Agreement. If an Indemnified Party seeks indemnification hereunder it shall promptly notify the Trust Depositor if a Responsible Officer of the Indemnified Party receives a complaint, claim, compulsory process or other notice of any loss, claim, damage or liability giving rise to a claim of indemnification hereunder but failure to provide such notice shall not relieve the Trust Depositor of its indemnification obligations hereunder unless the Trust Depositor is deprived of material substantive or procedural rights or defenses as a result thereof. The Trust Depositor shall assume (with the consent of the Indemnified Party, such consent not to be unreasonably withheld) the defense and any settlement of any such claim and pay all expenses in connection therewith, including reasonable counsel fees, and promptly pay, discharge and satisfy any judgment or decree which may be entered against the Indemnified Party in respect of such claim; provided that the Owner Trustee shall be entitled to retain separate counsel at the expense of the Trust Depositor in the event that a conflict of interest or the possible imposition of criminal liability. If the consent of the Indemnified Party required in the immediately preceding sentence is unreasonably withheld, the Trust Depositor is relieved of its indemnification obligations hereunder with respect to such Person to the extent its defense of its claims are prejudiced thereby. The Trust Depositor shall be responsible for such indemnification to the extent the same is not paid pursuant to the Priority of Payments, such indemnification to be paid first in accordance with the Priority of Payments.

Section 8.03 Payments to the Owner Trustee.

Any amounts paid to the Owner Trustee pursuant to this Article VIII shall be deemed not to be a part of the Trust Estate immediately after such payment.

ARTICLE IX

TERMINATION OF TRUST AGREEMENT

Section 9.01 Termination of Trust Agreement.

(a) The Trust shall dissolve, liquidate and be wound up in accordance with Section 3808 of the Statutory Trust Statute upon (i) the final distribution by the Trustee or any other party acting as paying agent of all moneys or other property or proceeds of the Trust Estate in accordance with the terms of the Indenture, the Sale and Servicing Agreement and Article V, upon which the Trustee or any other party acting as paying agent shall notify the Owner Trustee and the Trust Depositor in writing and (ii) the written consent of the Certificateholders. The bankruptcy, liquidation, termination, dissolution, death or incapacity of any Certificateholder shall not (x) operate to dissolve or terminate this Trust Agreement or the Trust or (y) entitle such Certificateholder's legal representatives or heirs to claim an accounting or to take any action or proceeding in any court for a partition or winding up of all or any part of the Trust or Trust Estate or (z) otherwise affect the rights, obligations and liabilities of the parties hereto.

(b) Except as provided in Section 9.01(a), neither the Trust Depositor nor any Certificateholder shall be entitled to revoke or terminate the Trust.

(c) Notice of any termination of the Trust, specifying the Payment Date upon which the Certificateholders shall surrender their Trust Certificates to the Trustee or any other party acting as paying agent of the Trustee for payment of the final distribution and cancellation, shall be given by the Trustee or any other party acting as paying agent by letter to Certificateholders mailed within five (5) Business Days of receipt of written notice of such termination from the Servicer stating, as set forth in such notice from the Servicer, (i) the Payment Date upon or with respect to which final payment of the Trust Certificates shall be made upon presentation and surrender of the Trust Certificates at the office of the Trustee therein designated, (ii) the amount of any such final payment and (iii) that the Record Date otherwise applicable to such Payment Date is not applicable, payments being made only upon presentation and surrender of the Trust Certificates at the office of the Trustee therein specified. The Trustee shall give such notice to the Certificate Registrar (if other than the Owner Trustee) and the Owner Trustee at the time such notice is given to Certificateholders. Upon presentation and surrender of the Trust Certificates, the Trustee shall cause to be distributed to Certificateholders amounts distributable on such Payment Date pursuant to Section 5.02.

In the event that all of the Certificateholders shall not surrender their Trust Certificates for cancellation within six months after the date specified in the above mentioned written notice, the Trustee shall give a second written notice to the remaining Certificateholders to surrender their Trust Certificates for cancellation and receive the final distribution with respect thereto. If within one year after the second notice all the Trust Certificates shall not have been surrendered for cancellation, the Trustee may take appropriate steps, or may appoint an agent to take appropriate steps, to contact the remaining Certificateholders concerning surrender of their Trust Certificates, and the cost thereof shall be paid out of the funds and other assets that shall remain subject to this Trust Agreement. Any funds remaining in the Trust after exhaustion of such remedies shall be distributed by the Trustee or any other party acting as paying agent, to the Trust Depositor. Certificateholders shall thereafter look solely to the Trust Depositor as general unsecured creditors.

(d) Upon the winding up of the Trust and payment of all liabilities in accordance with Section 3808 of the Statutory Trust Statute, the paying agent shall make a final distribution to the Certificateholders in accordance with Article V and Section 9.01(c) above and the Administrator shall instruct the Owner Trustee to cause the Certificate of Trust to be cancelled by filing a certificate of cancellation with the Secretary of State in accordance with the provisions of Section 3810 of the Statutory Trust Statute. Thereupon, the Trust and this Trust Agreement (other than the rights, benefits, protections, privileges and immunities of the Owner Trustee and the Trust Company) shall terminate.

ARTICLE X

SUCCESSOR OWNER TRUSTEES AND ADDITIONAL OWNER TRUSTEES

Section 10.01 Eligibility Requirements for Owner Trustee.

The Owner Trustee shall at all times be a Person (a) satisfying the provisions of Section 3807(a) of the Statutory Trust Statute; (b) authorized to exercise corporate trust powers; (c) having a combined capital and surplus of (or having a parent with a combined capital and surplus of) at least $100,000,000 and subject to supervision or examination by federal or state banking authorities; and (d) having (or having a parent that has) an investment grade rating with respect to S&P and Moody's. If such Person shall publish reports of condition at least annually pursuant to Applicable Law or the requirements of the aforesaid supervising or examining authority, then for the purpose of this Section 10.01, the combined capital and surplus of such Person shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Owner Trustee shall cease to be eligible in accordance with the provisions of this Section 10.01, the Owner Trustee shall resign immediately in the manner and with the effect specified in Section 10.02.

Section 10.02 Resignation or Removal of Owner Trustee.

(a) The Owner Trustee may at any time resign and be discharged from the trusts hereby created by giving written notice thereof to the Trust Depositor. Upon receiving such notice of resignation, the Trust Depositor shall promptly appoint a successor Owner Trustee by written instrument, in duplicate, one copy of which instrument shall be delivered to the resigning Owner Trustee and one copy shall be delivered to the successor Owner Trustee. If no successor Owner Trustee shall have been so appointed and have accepted appointment within 30 days after the giving of such notice of resignation, the resigning Owner Trustee, at the expense of the Trust Depositor, may petition any court of competent jurisdiction for the appointment of a successor Owner Trustee.

(b) The Trust Depositor may remove the Owner Trustee at any time without cause or at any time (1) that the Owner Trustee shall cease to be eligible in accordance with the provisions of Section 10.01 and shall fail to resign after written request therefor by the Trust Depositor or (2) the Owner Trustee shall be legally unable to act, or shall be adjudged bankrupt or insolvent, or a receiver of the Owner Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Owner Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation. If the Trust Depositor shall remove the Owner Trustee under the authority of the immediately preceding sentence, the Trust Depositor shall promptly appoint a successor Owner Trustee by written instrument, in duplicate, one (1) copy of which instrument shall be delivered to the outgoing Owner Trustee so removed, and one (1) copy shall be delivered to the successor Owner Trustee, and shall pay all fees owed to the outgoing Owner Trustee in its individual capacity.

(c) Any resignation or removal of the Owner Trustee and appointment of a successor Owner Trustee pursuant to any of the provisions of this Section shall not become effective until the appointment by the successor Owner Trustee pursuant to Section 10.03 has become effective and, in the case of removal, payment of all accrued and unpaid fees and expenses owed to the outgoing Owner Trustee in its individual capacity. The Trust Depositor shall provide notice of such resignation or removal of the Owner Trustee to all Holders, the Trustee, the Servicer and any Rating Agency.

Section 10.03 Successor Owner Trustee.

(a) Any successor Owner Trustee appointed pursuant to Section 10.02 shall execute, acknowledge and deliver to the Trust Depositor and to its predecessor Owner Trustee an instrument accepting such appointment under this Trust Agreement, and thereupon the resignation or removal of the predecessor Owner Trustee shall become effective, and such successor Owner Trustee, without any further act, deed or conveyance, shall become fully vested with all the rights, powers, duties and obligations of its predecessor under this Trust Agreement, with like effect as if originally named as Owner Trustee. The predecessor Owner Trustee shall upon payment of fees, expenses and indemnity owing to it in its individual capacity deliver to the successor Owner Trustee all documents and statements and monies held by it under this Trust Agreement; and the Trust Depositor and the predecessor Owner Trustee shall execute and deliver such instruments and do such other things as may reasonably be required for fully and certainly vesting and confirming in the successor Owner Trustee all such rights, powers, duties and obligations.

(b) No successor Owner Trustee shall accept appointment as provided in this Section 10.03 unless at the time of such acceptance such successor Owner Trustee shall be eligible pursuant to Section 10.01.

(c) Upon acceptance of appointment by a successor Owner Trustee pursuant to this Section 10.03, the Trust Depositor shall mail notice thereof to all Holders, the Trustee, the Servicer and any Rating Agency. If the Trust Depositor shall fail to mail such notice within ten (10) Business Days after acceptance of such appointment by the successor Owner Trustee, the successor Owner Trustee shall cause such notice to be mailed at the expense of the Trust Depositor. Furthermore, upon acceptance of appointment by a successor Owner Trustee pursuant to this Section 10.03, such successor Owner Trustee shall file an amendment to the Certificate of Trust with the Secretary of State in accordance with the provisions of Section 3810 of the Statutory Trust Statute.

Section 10.04 Merger or Consolidation of Owner Trustee.

Any Person into which the Owner Trustee may be merged or converted or with which it may be consolidated, or any Person resulting from any merger, conversion or consolidation to which the Owner Trustee shall be a party, or any Person succeeding to all or substantially all of the corporate trust business of the Owner Trustee, shall be the successor of the Owner Trustee hereunder, without the execution or filing of any instrument or any further act on the part of any of the parties hereto, anything herein to the contrary notwithstanding; *provided* that such Person shall be eligible pursuant to Section 10.01; *provided*, *further*, that the Owner Trustee shall mail notice of such merger or consolidation to all Holders, the Trustee, the Servicer and the Trust Depositor (who shall promptly forward such notice to any Rating Agency) and file an amendment to the Certificate of Trust with the Secretary of State in accordance with the provisions of Section 3810 of the Statutory Trust Statute.

Section 10.05 **Appointment of Co-Trustee or Separate Trustee**.

(a) Notwithstanding any other provisions of this Trust Agreement, at any time, for the purpose of meeting any legal requirements of any jurisdiction in which any part of the Trust Estate may at the time be located, the Trust Depositor and the Owner Trustee acting jointly shall have the power and authority to execute and deliver all instruments to appoint one or more Persons approved by the Trust Depositor and Owner Trustee to act as co-trustee, jointly with the Owner Trustee, or as separate trustee or separate trustees, of all or any part of the Trust Estate, and to vest in such Person, in such capacity, such title to the Trust Estate or any part thereof and, subject to the other provisions of this Section, such powers, duties, obligations, rights and trusts as the Trust Depositor and the Owner Trustee may consider necessary or desirable. If the Trust Depositor shall not have joined in such appointment within 15 Business Days after the receipt by it of a request so to do, the Owner Trustee alone shall have the power, authority and authorization to make such appointment. No co-trustee or separate trustee under this Trust Agreement shall be required to meet the terms of eligibility as a successor Owner Trustee pursuant to Section 10.01 and no notice of the appointment of any co-trustee or separate trustee shall be required pursuant to Section 10.03.

(b) Each separate trustee and co-trustee shall, to the extent permitted by any Applicable Law, be appointed and act subject to the following provisions and conditions:

(i) all rights, powers, duties and obligations conferred or imposed upon the Owner Trustee shall be conferred upon and exercised or performed by the Owner Trustee and such separate trustee or co-trustee jointly (it being understood that such separate trustee or co-trustee is not authorized to act separately without the Owner Trustee joining in such act), except to the extent that under any Applicable Law of any jurisdiction in which any particular act or acts are to be performed, the Owner Trustee shall be incompetent or unqualified to perform such act or acts, in which event such rights, powers, duties and obligations (including the holding of title to the Trust Estate or any portion thereof in any such jurisdiction) shall be exercised and performed singly by such separate trustee or co-trustee, but solely at the direction of the Owner Trustee;

(ii) no separate trustee or co-trustee under this Trust Agreement or the Owner Trustee shall be personally liable by reason of any act or omission of any other trustee under this Trust Agreement; and

(iii) the Trust Depositor and the Owner Trustee acting jointly may at any time accept the resignation of or remove any separate trustee or co-trustee.

(c) Any notice, request or other writing given to the Owner Trustee shall be deemed to have been given to each of the then separate trustees and co-trustees, as effectively as if given to each of them. Every instrument appointing any separate trustee or co-trustee shall refer to this Trust Agreement and the conditions of this Article X. Each separate trustee and co-trustee, upon its acceptance of the trusts conferred, shall be vested with the estates or property specified in its instrument of appointment, either jointly with the Owner Trustee or separately, as may be provided therein, subject to all the provisions of this Trust Agreement, specifically including every provision of this Agreement relating to the conduct of, affecting the liability of, or affording protection to, the Owner Trustee. Each such instrument shall be filed with the Owner Trustee and a copy thereof given to each of the Trust Depositor, the Trustee and the Servicer.

(d) Any separate trustee or co-trustee may at any time appoint the Owner Trustee as its agent or attorney-in-fact with full power and authority, to the extent not prohibited by law, to do any lawful act under or in respect of this Trust Agreement on its behalf and in its name, and the Owner Trustee shall have the full power and authority to delegate its responsibilities to the Servicer as provided for herein and in the other Transaction Documents. If any separate trustee or co-trustee shall die, become incapable of acting, resign or be removed, all of its estates, properties, rights, remedies and trusts shall vest in and be exercised by the Owner Trustee, to the extent permitted by law, without the appointment of a new or successor co-trustee or separate trustee.

ARTICLE XI

MISCELLANEOUS

Section 11.01 Supplements and Amendments.

(a) This Trust Agreement may be amended by the Trust Depositor, the Trust Company, and the Owner Trustee, with the consent of the Majority Noteholders (so long as the Notes are outstanding) and the consent of the Majority Certificateholders for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions in this Trust Agreement or of modifying in any manner the rights of the Noteholders or the Certificateholders; *provided* that such action shall not, as evidenced by an Officer's Certificate of the Servicer, materially adversely affect the interests of any Noteholder or Certificateholder. Notwithstanding anything to the contrary contained herein, this Trust Agreement may be amended by the Trust Depositor, the Trust Company, and the Owner Trustee without the consent of any Noteholder or Certificateholder to cure any ambiguity or to correct or supplement any provisions in this Trust Agreement in a manner consistent with the intent of this Trust Agreement and the Transaction Documents.

(b) Except as provided in Section 11.01(a) hereof, this Trust Agreement may be amended from time to time by the Trust Depositor, the Trust Company, and the Owner Trustee, with the consent of the Majority Noteholders (so long as the Notes are outstanding) and the consent of the Majority Certificateholders, for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Trust Agreement or of modifying in any manner the rights of the Noteholders or the Certificateholders hereunder; *provided* that no such amendment shall (a) increase or reduce in any manner the amount of, or accelerate or delay the timing of any amounts received on the Loans which are required to be distributed on any Note or Trust Certificate without the consent of the Holder of that Note or Trust Certificate or (b) reduce the aforesaid percentage of Noteholders and the aggregate Percentage Interest of Certificateholders required to consent to any such amendment, without the consent of the holders of all the outstanding Notes and Trust Certificates.

(c) Promptly after the execution of any such amendment or consent, the Owner Trustee shall furnish written notification of the substance of such amendment or consent to the Trustee and the Trust Depositor (who shall promptly forward such notice to any Rating Agency) and the Trustee shall furnish written notification of the substance of such amendment or consent to each Certificateholder and Noteholder.

(d) It shall not be necessary for the consent of Certificateholders or Noteholders pursuant to this Section 11.01 to approve the particular form of any proposed amendment or consent, but it shall be sufficient if such consent shall approve the substance thereof. The manner of obtaining such consents (and any other consents of Certificateholders or Noteholders provided for in this Trust Agreement or in any other Transaction Document) and of evidencing the authorization of the execution thereof by Certificateholders or Noteholders shall be subject to such reasonable requirements as the Owner Trustee may prescribe.

(e) Promptly after the execution of any amendment to the Certificate of Trust, the Owner Trustee shall cause the filing of such amendment with the Secretary of State of Delaware.

(f) Prior to the execution of any amendment to this Trust Agreement or the Certificate of Trust, the Owner Trustee shall be entitled to receive and rely upon an Opinion of Counsel stating that the execution of such amendment is authorized or permitted by this Trust Agreement and an officer's certificate of the Trust Depositor that all conditions precedent to the execution and delivery of such amendment have been met. The Owner Trustee and the Trust Company may, but shall not be obligated to, enter into any such amendment that affects the Owner Trustee's or the Trust Company's own rights, duties or immunities under this Trust Agreement or otherwise. Notwithstanding any other provision herein or elsewhere, no provision, amendment, supplement, waiver, or consent of or with respect to any of the Transaction Documents that affects any right, power, authority, duty, benefit, protection, privilege, immunity or indemnity of the Owner Trustee or the Trust Company shall be binding on the Owner Trustee or the Trust Company unless the Owner Trustee and the Trust Company shall have expressly consented thereto in writing.

Section 11.02 No Legal Title to Trust Estate in Certificateholders.

The Certificateholders shall not have legal title to any part of the Trust Estate. The Certificateholders shall be entitled to receive distributions with respect to their undivided beneficial ownership interest therein only in accordance with Articles V and IX. No transfer, by operation of law or otherwise, of any right, title or interest of the Certificateholders to and in their beneficial ownership interest in the Trust Estate shall operate to dissolve the Trust or terminate this Agreement or the trusts hereunder or entitle any transferee to an accounting or to the transfer to it of legal title to any part of the Trust Estate.

Section 11.03 Limitations on Rights of Others.

The provisions of this Trust Agreement are solely for the benefit of the Owner Trustee, the Trust Company, the Indemnified Parties, the Trust Depositor, the Certificateholders and, to the extent expressly provided herein, the Trustee and the Noteholders, and nothing in this Trust Agreement, whether express or implied, shall be construed to give to any other Person any legal or equitable right, remedy or claim in the Trust Estate or under or in respect of this Trust Agreement or any covenants, conditions or provisions contained herein.

Section 11.04 Notices.

(a) Any request, demand, authorization, direction, notice, consent, waiver or Act of Certificateholders or other documents provided or permitted by this Trust Agreement shall be in writing to and mailed, return receipt requested, hand delivered, sent by overnight courier service guaranteeing next day delivery or by facsimile or telecopy in legible form, if to the Owner Trustee, addressed to its Corporate Trust Office; or if to the Trust Depositor, addressed to Horizon Funding 2013-1 LLC, c/o Horizon Technology Finance Corporation, 312 Farmington Avenue, Farmington, Connecticut 06032 Attention: Legal Department, Re: Horizon Funding Trust 2013-1 Telephone: (860) 676-8654, Facsimile No.: 860-676-8655; with a copy to Horizon Funding 2013-1 LLC, c/o Horizon Technology Finance Corporation, 312 Farmington Avenue, Farmington, Connecticut 06032 Attention: Legal Department, Re: Horizon Funding Trust 2013-1 Telephone: (860) 676-8654, Facsimile No.: 860-676-8655 or if to a Certificateholder shall be given by first-class mail, postage prepaid, at the address of such Certificateholder as shown in the Certificate Register.

(b) Delivery of any request, demand, authorization, direction, notice, consent, waiver or Act of Noteholders or other documents made as provided above will be deemed effective (except that notice to the Owner Trustee shall be deemed given only upon actual receipt by the Owner Trustee): (i) if in writing and delivered in Person or by overnight courier service, on the date it is delivered; (ii) if sent by facsimile transmission, on the date that transmission is received by the recipient in legible form (it being agreed that the burden of proving receipt will be on the sender and will not be met by a transmission report generated by the sender's facsimile machine); and (iii) if sent by mail, on the date that mail is delivered or its delivery is attempted; in each case, unless the date of that delivery (or attempted delivery) or that receipt, as applicable, is not a Business Day or that communication is delivered (or attempted) or received, as applicable, after the close of business on a Business Day, in which case that communication shall be deemed given and effective on the first following day that is a Business Day.

Section 11.05 Severability.

Any provision of this Trust Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 11.06 Separate Counterparts.

This Trust Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

Section 11.07 Successors and Assigns.

All covenants and agreements contained herein shall be binding upon, and inure to the benefit of, each of the Trust Depositor, the Owner Trustee, the Trust Company, each Certificateholder and their respective successors and permitted assigns, all as herein provided. Any request, notice, direction, consent, waiver or other instrument or action by a Certificateholder shall bind the successors and assigns of such Certificateholder.

Section 11.08 No Petition.

(a) To the extent permitted by Applicable Law, the Trust Depositor will not, prior to the date which is one (1) year and one (1) day (or, if longer, the applicable preference period then in effect) after payment in full of the Notes rated by any Rating Agency (or such longer preference period as shall then be in effect), institute against the Trust any bankruptcy proceedings under any United States Federal or state bankruptcy or similar law in connection with any obligations relating to the Trust Certificates, the Notes, this Trust Agreement or any of the other Transaction Documents.

(b) To the extent permitted by Applicable Law, the Owner Trustee, by entering into this Trust Agreement, each Certificateholder, by accepting a Trust Certificate, and the Trustee and each Noteholder, by accepting the benefits of this Trust Agreement, hereby covenant and agree that they will not, prior to the date which is one (1) year and one (1) day (or if longer, the applicable preference period as shall then be in effect) after payment in full of the Notes rated by any Rating Agency (or such longer preference period as shall then be in effect), institute against the Trust, or join in any institution against the Trust of, any bankruptcy proceedings under any United States federal or state bankruptcy or similar law in connection with any obligations relating to the Trust Certificates, the Notes, this Trust Agreement or any of the other Transaction Documents, provided, however, that nothing contained herein shall prevent the Owner Trustee from filing a proof of claim in any such proceeding.

(c) The provisions of this Section 11.08 shall survive the termination of this Trust Agreement for any reason whatsoever.

Section 11.09 No Recourse.

To the extent permitted by Applicable Law, each Certificateholder by accepting a Trust Certificate acknowledges that such Certificateholder's Trust Certificates represent beneficial interests in the Trust only and do not represent interests in or obligations of the Trust Depositor, the Servicer, the Seller, the Owner Trustee, the Trust Company, the Trustee, Certificate Registrar or any Affiliate thereof and no recourse may be had against such parties or their assets, except as may be expressly set forth or contemplated in this Trust Agreement, the Trust Certificates or the Transaction Documents. Each Certificateholder by accepting a Trust Certificate (i) acknowledges that such Trust Certificate represents a beneficial interest in the Trust only and does not represent an interest in or an obligation of the Trust Depositor, the Servicer, the Seller, the Owner Trustee, the Trustee, or any Affiliate of the foregoing, and no recourse may be had against any such party or their assets, except as may be expressly set forth or contemplated in the Transaction Documents and (ii) enters into the undertakings and agreements provided for such Certificateholder set forth in Section 13.09 of the Sale and Servicing Agreement. The right to distributions of the assets of the Trust or the proceeds thereof arising under this Agreement or the Trust Certificates shall be payable solely in accordance with the priority set forth in Section 7.05 of the Sale and Servicing Agreement until the final discharge of the Indenture, and no Certificateholder shall have any recourse against the Trust except in accordance therewith. The provisions of this Section 11.09 shall survive any termination of this Agreement.

Section 11.10 Headings.

The headings of the various Articles and Sections herein are for convenience of reference only and shall not define or limit any of the terms or provisions hereof.

Section 11.11 **GOVERNING LAW; SUBMISSION TO JURISDICTION; WAIVER OF JURY TRIAL**.

THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE, WITHOUT REFERENCE TO ITS CONFLICT OF LAW PROVISIONS, AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS. SECTION 3540 OF TITLE 12 OF THE DELAWARE CODE SHALL NOT APPLY TO THIS TRUST.

ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS TRUST AGREEMENT MAY BE BROUGHT IN THE COURTS OF THE UNITED STATES FOR THE DISTRICT OF DELAWARE, AND BY EXECUTION AND DELIVERY OF THIS TRUST AGREEMENT, EACH PARTY HERETO CONSENTS, FOR ITSELF AND IN RESPECT OF ITS PROPERTY, TO THE NON-EXCLUSIVE JURISDICTION OF THOSE COURTS. EACH SUCH PARTY IRREVOCABLY WAIVES ANY OBJECTION, INCLUDING ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY ACTION OR PROCEEDING IN SUCH JURISDICTION IN RESPECT OF THIS TRUST AGREEMENT OR ANY DOCUMENT RELATED HERETO.

TO THE EXTENT PERMITTED BY APPLICABLE LAW, EACH PARTY HERETO IRREVOCABLY WAIVES ALL RIGHT OF TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM BASED ON, OR ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR ANY MATTER ARISING HEREUNDER.

Section 11.12 **Termination of Original Trust Agreement**.

The parties hereto agree that the Original Trust Agreement is hereby superseded in its entirety by this Agreement.

[Remainder of Page Intentionally Left Blank.]

IN WITNESS WHEREOF, the parties hereto have caused this Trust Agreement to be duly executed by their respective officers hereunto duly authorized, as of the day and year first above written.

HORIZON FUNDING 2013-1 LLC, as Trust Depositor

By: /s/ Robert D. Pomeroy, Jr.
Name: Robert D. Pomeroy, Jr.
Title: Chief Executive Officer

IN WITNESS WHEREOF, the parties hereto have caused this Trust Agreement to be duly executed by their respective officers hereunto duly authorized, as of the day and year first above written.

WILMINGTON TRUST, NATIONAL ASSOCIATION, as Owner Trustee and as the Trust Company

By: /s/ Yvette L. Howell
Name: Yvette L. Howell
Title: Assistant Vice President

IN WITNESS WHEREOF, the parties hereto have caused this Trust Agreement to be duly executed by their respective officers hereunto duly authorized, as of the day and year first above written.

U.S. BANK NATIONAL ASSOCIATION, as Trustee, hereby accepts the appointment as Certificate Registrar and paying agent pursuant to Sections 3.04 and 3.09 hereof and agrees to be bound by the obligations expressly set forth herein applicable to it in such capacities.

By: /s/ Melissa A. Rosal
Name: Melissa A. Rosal
Title: Vice President

EXHIBIT A

FORM OF TRUST CERTIFICATE

THIS TRUST CERTIFICATE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE " SECURITIES ACT") OR STATE SECURITIES LAWS. THE HOLDER HEREOF, BY PURCHASING THIS TRUST CERTIFICATE, AGREES THAT THIS TRUST CERTIFICATE MAY BE MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAW AND ONLY TO (1) A "QUALIFIED INSTITUTIONAL BUYER," AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT THAT IS A "QUALIFIED PURCHASER" AS DEFINED IN SECTION 2(A)(51) OF THE INVESTMENT COMPANY ACT OF 1940 (EACH SUCH PERSON, A " QUALIFIED PURCHASER"), (2) AN INSTITUTION THAT QUALIFIES AS AN "ACCREDITED INVESTOR" MEETING THE REQUIREMENTS OF RULE 501(A)(1), (2), (3) OR (7) OF REGULATION D UNDER THE SECURITIES ACT (AN "INSTITUTIONAL ACCREDITED INVESTOR") THAT IS A QUALIFIED PURCHASER PURSUANT TO AN EXEMPTION UNDER THE SECURITIES ACT AND, IN EITHER CASE, IS ACQUIRING SUCH TRUST CERTIFICATE FOR ITS OWN ACCOUNT (AND NOT FOR THE ACCOUNT OF OTHERS) OR AS A FIDUCIARY OR AGENT FOR OTHERS (WHICH OTHERS ALSO ARE INSTITUTIONAL ACCREDITED INVESTORS), PURSUANT TO AN EXEMPTION FROM REGISTRATION REQUIREMENTS UNDER THE SECURITIES ACT AND IN EACH CASE, SUBJECT TO (A) THE RECEIPT BY THE OWNER TRUSTEE AND THE CERTIFICATE REGISTRAR OF A LETTER SUBSTANTIALLY IN THE FORM PROVIDED IN THE TRUST AGREEMENT AND (B) THE RECEIPT BY THE OWNER TRUSTEE AND THE CERTIFICATE REGISTRAR OF SUCH OTHER EVIDENCE ACCEPTABLE TO THE OWNER TRUSTEE THAT SUCH REOFFER, RESALE, PLEDGE OR TRANSFER IS IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAW OR IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE UNITED STATES AND SECURITIES AND BLUE SKY LAWS OF ANY STATE OF THE UNITED STATES AND ANY OTHER APPLICABLE JURISDICTION, (3) PURSUANT TO ANOTHER EXEMPTION AVAILABLE UNDER THE SECURITIES ACT AND IN ACCORDANCE WITH ANY APPLICABLE STATE SECURITIES LAWS, OR (4) PURSUANT TO A VALID REGISTRATION STATEMENT. EACH INVESTOR IN THIS TRUST CERTIFICATE WILL BE DEEMED TO HAVE REPRESENTED AND WARRANTED THAT EITHER (I) IT IS NOT, AND IS NOT DIRECTLY OR INDIRECTLY ACQUIRING THIS TRUST CERTIFICATE FOR, ON BEHALF OF OR WITH ANY ASSETS OF, AN EMPLOYEE BENEFIT PLAN OR OTHER ARRANGEMENT SUBJECT TO PART 4, SUBTITLE B, TITLE I OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (" ERISA"), A PLAN SUBJECT TO SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE " CODE"), OR AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE PLAN ASSETS OF ANY SUCH PLANS (COLLECTIVELY, A " BENEFIT PLAN INVESTOR") OR A PLAN OR OTHER ARRANGEMENT SUBJECT TO ANY PROVISIONS UNDER ANY FEDERAL, STATE, LOCAL, NON-U.S. OR OTHER LAWS OR REGULATIONS THAT ARE SUBSTANTIVELY SIMILAR TO THE FOREGOING PROVISIONS OF ERISA OR THE CODE ("SIMILAR LAW") OR (II) ITS ACQUISITION, HOLDING AND DISPOSITION OF SUCH TRUST CERTIFICATE OR ANY INTEREST THEREIN WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, OR A NON-EXEMPT VIOLATION OF SIMILAR LAW. SUCH REPRESENTATION SHALL BE DEEMED MADE ON EACH DAY FROM THE DATE ON WHICH THE ACQUIRER ACQUIRES ITS INTEREST IN THE TRUST CERTIFICATE THROUGH AND INCLUDING THE DATE ON WHICH THE ACQUIRER DISPOSES OF ITS INTEREST IN THE TRUST CERTIFICATE.

THIS TRUST CERTIFICATE IS NOT GUARANTEED OR INSURED BY ANY GOVERNMENTAL AGENCY.

NO TRANSFER, SALE, PLEDGE OR OTHER DISPOSITION OF ONE OR MORE TRUST CERTIFICATES (A "TRANSFER") SHALL BE MADE UNLESS SIMULTANEOUSLY WITH THE TRANSFER THE PERCENTAGE INTEREST OF THE TRUST CERTIFICATES SO TRANSFERRED IS NO LESS THAN TEN (10%) PERCENT.

NUMBER 1 **PERCENTAGE INTEREST: 100%**

HORIZON FUNDING TRUST 2013-1

TRUST CERTIFICATE

Evidencing a beneficial ownership interest in the Trust, as defined below, the property of which includes primarily the Loans transferred to the Trust by Horizon Funding 2013-1 LLC.

(This Trust Certificate does not represent an interest in or obligation of Horizon Funding 2013-1 LLC, Horizon Technology Finance Corporation. (the "Servicer") or the Owner Trustee (as defined below) (as such or in its individual capacity) or any of their respective affiliates, except to the extent described below.)

THIS CERTIFIES THAT HORIZON FUNDING 2013-1 LLC is the registered owner of the nonassessable, fully paid, beneficial ownership interest in HORIZON FUNDING TRUST 2013-1 (the "Trust") formed by Horizon Funding 2013-1 LLC, in the Percentage Interest evidenced hereby.

The Trust was created pursuant to a Trust Agreement, dated as of June 18, 2013 (as amended and restated as of June 28, 2013 and as further amended, modified, restated, waived, substituted or supplemented from time to time, the "Trust Agreement"), between Horizon Funding 2013-1 LLC, as trust depositor (the "Trust Depositor"), and Wilmington Trust, National Association, as owner trustee (the " Owner Trustee"), a summary of certain of the pertinent provisions of which is set forth below and a Certificate of Trust filed with the Secretary of State of the State of Delaware on June 18, 2013. To the extent not otherwise defined herein, the capitalized terms used herein have the meanings assigned to them in the Trust Agreement.

This Trust Certificate is one of a duly authorized issue of Horizon Funding Trust 2013-1 Certificates (herein called the "Trust Certificates"). This Trust Certificate is issued under and is subject to the terms, provisions and conditions of the Trust Agreement, to which Trust Agreement the holder of this Trust Certificate by virtue of its acceptance hereof assents and by which such holder is bound.

Under the Trust Agreement, there will be distributed on the 15th day of each January, April, July and October or, if such 15th day is not a Business Day, the next Business Day (each, a "Payment Date"), commencing on August 15, 2013, to the Person in whose name this Trust Certificate is registered at the close of business on the last Business Day of the month immediately preceding the Payment Date (the "Record Date"), such Certificateholder's Percentage Interest in the amount to be distributed to Certificateholders on such Payment Date pursuant to the terms of the Sale and Servicing Agreement and the Indenture.

The Holder of this Trust Certificate acknowledges and agrees that its rights to receive distributions in respect of this Trust Certificate are subordinated to the rights of the Noteholders as described in the Sale and Servicing Agreement and the Indenture.

Each Certificateholder must represent and warrant that it is a "United States person" within the meaning of Section 7701(a)(30) of the Code and provide the Certificate Registrar with a correct, complete and properly executed U.S. Internal Revenue Service Form W-9 (or appropriate successor form).

It is the intent of the Trust Depositor, the Servicer and the Certificateholders that, (i) in the event that the Trust Certificates are owned by a single Holder, for federal income tax purposes, the Trust will be treated as disregarded as an entity separate from such Holder, and such Holder, by acceptance of the Trust Certificates, agrees to take no action inconsistent with such treatment and (ii) in the event that the Trust Certificates are owned by more than one Holder, for federal income tax purposes, the Trust will be treated as a partnership, other than a publicly traded partnership, the partners of which are the Certificateholders, and the Certificateholders, by acceptance of a Trust Certificate, respectively, agree to treat the Trust Certificates as equity and to take no action inconsistent with such treatment.

This Certificate may not be acquired or owned by any person that is classified for U.S. federal income tax purposes as a partnership, subchapter S corporation or grantor trust unless (A)(i) none of the direct or indirect beneficial owners of any interest in such person have or ever will have more than 40% of the value of its interest in such person attributable to the interest of such person in the combined value of the Certificate and any other equity interests of the Trust held by such person, and (2) it is not and will not be a principal purpose of the arrangement involving the investment of such person in the Certificate and any other equity interests of the Trust to permit any partnership to satisfy the 100 partner limitation of Treas. Reg. § 1.7704-1(h)(1)(ii) or (B) such person obtains a written opinion of nationally recognized U.S. tax counsel that such transfer will not cause the Trust to be treated as a publicly traded partnership taxable as a corporation.

This Certificate may not be acquired, and no Certificateholder may sell, transfer, assign, participate, pledge or otherwise dispose of the Certificate or other equity in the Trust or cause the Certificate or other equity interest in the Trust to be marketed, (A) on or through an "established securities market" within the meaning of Section 7704(b)(1) of the Code and Treas. Reg. § 1.7704-1(b), including, without limitation, an interdealer quotation system that regularly disseminates firm buy or sell quotations, or (B) if such acquisition, sale, transfer, assignment, participation, pledge or other disposition would cause the combined number of holders the Certificate and other equity interests in the Trust to be held by more than 90 persons.

To the fullest extent permitted by Applicable Law, each Certificateholder, by its acceptance of a Trust Certificate, covenants and agrees that such Certificateholder, will not prior to the date which is one (1) year and one (1) day (or, if longer, the applicable preference period then in effect) after the payment in full of the Notes rated by any Rating Agency, institute against the Trust, or join in any institution against the Trust of, any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, or other proceedings under any United States federal or state bankruptcy or similar law in connection with any obligations relating to the Trust Certificates, the Notes, the Trust Agreement or any of the other Transaction Documents.

Distributions on this Trust Certificate will be made as provided in the Trust Agreement by the Trustee or any other party acting as paying agent by wire transfer or check mailed to the Certificateholder of record in the Certificate Register without the presentation or surrender of this Trust Certificate or the making of any notation hereon. Except as otherwise provided in the Trust Agreement and notwithstanding the above, the final distribution on this Trust Certificate will be made after due notice by the Trustee or any other party acting as paying agent of the pendency of such distribution and only upon presentation and surrender of this Trust Certificate at the office or agency maintained for that purpose by the Trustee or any other party acting as paying agent.

Reference is hereby made to the further provisions of this Trust Certificate set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon shall have been executed by an authorized officer of the Certificate Registrar, by manual signature, this Trust Certificate shall not entitle the Holder hereof to any benefit under the Trust Agreement or the Sale and Servicing Agreement or be valid for any purpose.

THIS TRUST CERTIFICATE SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE, WITHOUT REFERENCE TO ITS CONFLICT OF LAW PROVISIONS, AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS.

IN WITNESS WHEREOF, the Owner Trustee, on behalf of the Trust and not in its individual capacity, has caused this Trust Certificate to be duly executed.

HORIZON FUNDING TRUST 2013-1

By: WILMINGTON TRUST, NATIONAL ASSOCIATION, solely as Owner Trustee and not in its individual capacity

By: _____
Authorized Signatory

CERTIFICATE OF AUTHENTICATION

This is one of the Trust Certificates of Horizon Funding Trust 2013-1 referred to in the within-mentioned Trust Agreement.

U.S. BANK NATIONAL ASSOCIATION, as Certificate Registrar

By: _____
Authorized Signatory

[REVERSE OF TRUST CERTIFICATE]

The Trust Certificates do not represent an obligation of, or an interest in, the Trust Depositor, the Servicer, the Owner Trustee or any affiliates of any of them and no recourse may be had against such parties or their assets, except as expressly set forth or contemplated herein or in the Trust Agreement, the Indenture or the Transaction Documents. In addition, this Trust Certificate is not guaranteed by any governmental agency or instrumentality and is limited in right of payment to certain collections and recoveries with respect to the Loans (and certain other amounts), all as more specifically set forth herein and in the Transaction Documents. A copy of each of the Transaction Documents may be examined by any Certificateholder upon written request during normal business hours at the principal office of the Trust Depositor and at such other places, if any, designated by the Trust Depositor.

The Trust Agreement permits, with certain exceptions therein provided, the amendment thereof and the modification of the rights and obligations of the Trust Depositor and the rights of the Certificateholders under the Trust Agreement at any time, by the Trust Depositor, the Trust Company and the Owner Trustee with the consent of the holders of the Trust Certificates evidencing not less than a majority of the outstanding Percentage Interest and of the holders of the Majority Noteholders. Any such consent by the holder of this Trust Certificate shall be conclusive and binding on such holder and on all future holders of this Trust Certificate and of any Trust Certificate issued upon the transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent is made upon this Trust Certificate. The Trust Agreement also permits the amendment thereof, in certain limited circumstances, without the consent of the holders of any of the Trust Certificates.

As provided in the Trust Agreement and subject to certain limitations therein set forth, the transfer of this Trust Certificate is registerable in the Certificate Register upon surrender of this Trust Certificate for registration of transfer at the offices or agencies of the Certificate Registrar, accompanied by a written instrument of transfer in form satisfactory to the Owner Trustee and the Certificate Registrar duly executed by the holder hereof or such holder's attorney duly authorized in writing, and thereupon one or more new Trust Certificates of authorized denominations evidencing the same aggregate interest in the Trust will be issued to the designated transferee. The initial Certificate Registrar appointed under the Trust Agreement is U.S. Bank National Association.

The Trust Certificates are issuable only as registered Trust Certificates without coupons in minimum Percentage Interests of ten (10%) percent and integral multiples of one (1%) percent in excess thereof; *provided* that one Trust Certificate may be issued in a different denomination. As provided in the Trust Agreement and subject to certain limitations therein set forth, Trust Certificates are exchangeable for new Trust Certificates of authorized denominations evidencing the same aggregate denomination, as requested by the holder surrendering the same. No service charge will be made for any such registration of transfer or exchange, but the Owner Trustee or the Certificate Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

The Owner Trustee, the Certificate Registrar and any agent of the Owner Trustee or the Certificate Registrar may treat the Person in whose name this Trust Certificate is registered as the owner hereof for all purposes, and none of the Owner Trustee, the Certificate Registrar or any such agent shall be affected by any notice to the contrary.

This Trust Certificate may not be acquired directly or indirectly by, or held by, on behalf of or with plan assets of any employee benefit plans, retirement arrangements, individual retirement accounts or Keogh plans subject to either part 4, Subtitle B, Title I of the Employee Retirement Income Security Act of 1974, as amended, or Section 4975 of the Internal Revenue Code of 1986, as amended, or an entity whose underlying assets include plan assets of any plan. By accepting and holding this Trust Certificate, the Holder hereof shall be deemed to have represented and warranted that it is not any of the foregoing entities.

This Trust Certificate may not be transferred to any person who is not a U.S. Person, as such term is defined in Section 7701(a)(30) of the Internal Revenue Code, as amended.

Each purchaser of the Trust Certificates shall be required, prior to purchasing a Trust Certificate, to execute the Purchaser's Representation and Warranty Letter in the form attached to the Trust Agreement as Exhibit C.

The obligations and responsibilities created by the Trust Agreement and the Trust created thereby shall terminate upon (i) the payment to Certificateholders of all amounts required to be paid to them pursuant to the Trust Agreement and the Sale and Servicing Agreement and the disposition of all property held as part of the Trust and (ii) the written consent of the Certificateholders. The Servicer on behalf of the Trustee has the option to cause the sale of the corpus of the Trust at a price and pursuant to procedures specified in the Indenture and the Sale and Servicing Agreement, and such sale of the receivables and other property of the Trust will effect early retirement of the Trust Certificates.

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto

PLEASE INSERT SOCIAL SECURITY OR
OTHER IDENTIFYING NUMBER OF ASSIGNEE

_____

(Please print or type name and address, including postal zip code, of assignee)

_____

the within Trust Certificate, and all rights thereunder, hereby irrevocably constituting and appointing

_____

to transfer said Trust Certificate on the books of the Certificate Registrar, with full power of substitution in the premises.

Dated:

_____*

Signature Guaranteed:

_____*

* NOTICE: The signature to this assignment must correspond with the name as it appears upon the face of the within Trust Certificate in every particular, without alteration, enlargement or any change whatever. Such signature must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank or trust company.

EXHIBIT B

CERTIFICATE OF TRUST OF
HORIZON FUNDING TRUST 2013-1

This Certificate of Trust of HORIZON FUNDING TRUST 2013-1 (the "Trust"), is being duly executed and filed by the undersigned, as owner trustee, to form a statutory trust under the Statutory Trust Statute (12 Del. Code, § 3801 *et seq*.) (the "Act").

1. Name. The name of the statutory trust formed hereby is HORIZON FUNDING TRUST 2013-1.

2 . Delaware Trustee. The name and business address of a trustee of the Trust having its principal place of business in the State of Delaware is Wilmington Trust, National Association, 1100 North Market Street, Wilmington, Delaware 19890, Attention: Corporate Trust Administration.

3. Effective Date. This Certificate of Trust shall be effective upon its filing with the Secretary of State of the State of Delaware.

IN WITNESS WHEREOF, the undersigned, being the only owner trustee of the Trust, has duly executed this Certificate of Trust in accordance with Section 3811(a)(1) of the Act.

WILMINGTON TRUST, NATIONAL ASSOCIATION, not in its individual capacity, but solely as owner trustee of the Trust

By: _____
Name: _____
Title: _____

EXHIBIT C

Form of Purchaser's Representation and Warranty Letter

Horizon Funding Trust 2013-1
c/o Wilmington Trust, National Association, as Owner Trustee
1100 North Market Street
Wilmington, Delaware 19890
Attention: Corporate Trust Administration

U.S. Bank National Association, as Certificate Registrar
60 Livingston Avenue, EP-MN WS3D
St. Paul, Minnesota 55107
Attention: Structured Finance – Horizon 2013-1

Re: **Horizon Funding Trust 2013-1 (the "Trust")**

Ladies and Gentlemen:

In connection with our proposed acquisition of Trust Certificates (the "Trust Certificates") issued under the Trust Agreement, dated as of June 18, 2013 (as amended and restated as of June 28, 2013 and as further amended, modified, restated, replaced, waived, substituted, supplemented or extended from time to time, the "Agreement"; capitalized terms used but not defined herein shall have the meanings given to such terms in the Agreement), between Horizon Funding 2013-1 LLC, as Trust Depositor (the "Trust Depositor"), and Wilmington Trust, National Association, as Owner Trustee, the undersigned (the "Purchaser") represents, warrants and agrees that:

1. It is (1) the Trust Depositor or an Affiliate thereof, (2) a Qualified Institutional Buyer (a "QIB") for purposes of Rule 144A under the Securities Act and is acquiring the Trust Certificates for its own institutional account or for the account of a QIB or (3) an Institutional "Accredited Investor" (within the meaning of Rule 501 (a)(1)-(3) or (7) under the Securities Act) purchasing for investment and not for distribution in violation of the act.

2. It is not, and is not acting on behalf of or with any plan assets of, an employee benefit plan, retirement arrangement, individual retirement account or Keogh plan subject to either Part 4, Subtitle B, Title I of the Employee Retirement Income Security Act of 1974, as amended, or Section 4975 of the Internal Revenue Code of 1986, as amended, or an entity whose underlying assets include plan assets of any such plan.

3. It is a U.S. Person as defined in Section 7701(a)(30) of the Code and it has provided to the Certificate Registrar a correct, complete and properly executed U.S. Internal Revenue Service Form W-9 (or appropriate successor form).

4. It has such knowledge and experience in evaluating business and financial matters so that it is capable of evaluating the merits and risks of an investment in the Trust Certificates. It understands the full nature and risks of an investment in the Trust Certificates and based upon its present and projected net income and net worth, it believes that it can bear the economic risk of an immediate or future loss of its entire investment in the Trust Certificates.

5. It understands that the Trust Certificates will be offered in a transaction not involving any public offering within the meaning of the Securities Act, and that, if in the future it decides to resell, pledge or otherwise transfer any Trust Certificates, such Trust Certificates may be resold, pledged or transferred only (a) to a person who the seller reasonably believes is a QIB/QP that purchases for its own account or for the account of another QIB/QP or (b) pursuant to an effective registration statement under the Securities Act.

6. It understands that each Trust Certificate will bear legends substantially to the following effect:

THIS TRUST CERTIFICATE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT") OR STATE SECURITIES LAWS. THE HOLDER HEREOF, BY PURCHASING THIS TRUST CERTIFICATE, AGREES THAT THIS TRUST CERTIFICATE MAY BE MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE ACT AND OTHER APPLICABLE LAW AND ONLY (1) A "QUALIFIED INSTITUTIONAL BUYER," AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT THAT IS A "QUALIFIED PURCHASER" AS DEFINED IN SECTION 2(A)(51) OF THE INVESTMENT COMPANY ACT OF 1940 (EACH SUCH PERSON, A "QUALIFIED PURCHASER") , (2) AN INSTITUTION THAT QUALIFIES AS AN "ACCREDITED INVESTOR" MEETING THE REQUIREMENTS OF RULE 501(A)(1), (2), (3) OR (7) OF REGULATION D UNDER THE SECURITIES ACT ("INSTITUTIONAL ACCREDITED INVESTOR") THAT IS A QUALIFIED PURCHASER PURSUANT TO AN EXEMPTION UNDER THE SECURITIES ACT AND, IN EITHER CASE, IS ACQUIRING SUCH TRUST CERTIFICATE FOR ITS OWN ACCOUNT (AND NOT FOR THE ACCOUNT OF OTHERS) OR AS A FIDUCIARY OR AGENT FOR OTHERS (WHICH OTHERS ALSO ARE INSTITUTIONAL ACCREDITED INVESTORS), PURSUANT TO AN EXEMPTION FROM REGISTRATION REQUIREMENTS UNDER THE SECURITIES ACT AND IN EACH CASE, SUBJECT TO (A) THE RECEIPT BY THE OWNER TRUSTEE AND THE CERTIFICATE REGISTRAR OF A LETTER SUBSTANTIALLY IN THE FORM PROVIDED IN THE TRUST AGREEMENT AND (B) THE RECEIPT BY THE OWNER TRUSTEE AND THE CERTIFICATE REGISTRAR OF SUCH OTHER EVIDENCE ACCEPTABLE TO THE OWNER TRUSTEE THAT SUCH REOFFER, RESALE, PLEDGE OR TRANSFER IS IN COMPLIANCE WITH THE ACT AND OTHER APPLICABLE LAW OR IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE UNITED STATES AND SECURITIES AND BLUE SKY LAWS OF ANY STATE OF THE UNITED STATES AND ANY OTHER APPLICABLE JURISDICTION, (3) PURSUANT TO ANOTHER EXEMPTION AVAILABLE UNDER THE ACT AND IN ACCORDANCE WITH ANY APPLICABLE STATE SECURITIES LAWS, OR (4) PURSUANT TO A VALID REGISTRATION STATEMENT. EACH INVESTOR IN THIS TRUST CERTIFICATE WILL BE DEEMED TO HAVE REPRESENTED AND WARRANTED THAT EITHER (I) IT IS NOT, AND IS NOT DIRECTLY OR INDIRECTLY ACQUIRING THIS TRUST CERTIFICATE FOR, ON BEHALF OF OR WITH ANY ASSETS OF, AN EMPLOYEE BENEFIT PLAN OR OTHER ARRANGEMENT SUBJECT TO PART 4, SUBTITLE B, TITLE I OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), A PLAN SUBJECT TO SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), OR AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE PLAN ASSETS OF ANY SUCH PLANS (COLLECTIVELY, A "BENEFIT PLAN INVESTOR") OR A PLAN OR OTHER ARRANGEMENT SUBJECT TO ANY PROVISIONS UNDER ANY FEDERAL, STATE, LOCAL, NON-U.S. OR OTHER LAWS OR REGULATIONS THAT ARE SUBSTANTIVELY SIMILAR TO THE FOREGOING PROVISIONS OF ERISA OR THE CODE ("SIMILAR LAW") OR (II) ITS ACQUISITION, HOLDING AND DISPOSITION OF SUCH TRUST CERTIFICATE OR ANY INTEREST THEREIN WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, OR A NON-EXEMPT VIOLATION OF SIMILAR LAW. SUCH REPRESENTATION SHALL BE DEEMED MADE ON EACH DAY FROM THE DATE ON WHICH THE ACQUIRER ACQUIRES ITS INTEREST IN THE TRUST CERTIFICATE THROUGH AND INCLUDING THE DATE ON WHICH THE ACQUIRER DISPOSES OF ITS INTEREST IN THE TRUST CERTIFICATE.

THIS TRUST CERTIFICATE IS NOT GUARANTEED OR INSURED BY ANY GOVERNMENTAL AGENCY.

NO TRANSFER, SALE, PLEDGE OR OTHER DISPOSITION OF ONE OR MORE TRUST CERTIFICATES (A "TRANSFER") SHALL BE MADE UNLESS SIMULTANEOUSLY WITH THE TRANSFER THE PERCENTAGE INTEREST OF THE TRUST CERTIFICATES SO TRANSFERRED IS NO LESS THAN TEN (10%) PERCENT.

7. It is acquiring the Trust Certificates for its own account and not with a view to the public offering thereof in violation of the Securities Act (subject, nevertheless, to the understanding that disposition of its property shall at all times be and remain within its control).

8. It has been furnished with all information regarding the Trust and Trust Certificates which it has requested from the Trust and the Trust Depositor.

9. Neither it nor anyone acting on its behalf has offered, transferred, pledged, sold or otherwise disposed of any Trust Certificate, any interest in any Trust Certificate or any other similar security to, or solicited any offer to buy or accept a transfer, pledge or other disposition of any Trust Certificate, any interest in any Trust Certificate or any other similar security from, or otherwise approached or negotiated with respect to any Trust Certificate, any interest in any Trust Certificate or any other similar security with, any person in any manner or made any general solicitation by means of general advertising or in any other manner, which would constitute a distribution of the Trust Certificates under the Securities Act or which would require registration pursuant to the Securities Act nor will it act, nor has it authorized or will authorize any person to act, in such manner with respect to any Trust Certificate.

10. It is a Qualified Purchaser ("QP") for purposes of Section 3(c)(7) of the 1940 Act.

11. It acknowledges and agrees that no Certificate may be acquired or owned by any person that is classified for U.S. federal income tax purposes as a partnership, subchapter S corporation or grantor trust unless (A)(1) none of the direct or indirect beneficial owners of any interest in such person have or ever will have more than 40% of the value of its interest in such person attributable to the aggregate interest of such person in the combined value of the Certificates and any other equity interests of the Trust held by such person, and (2) it is not and will not be a principal purpose of the arrangement involving the investment of such person in the Certificates and any other equity interests of the Trust to permit any partnership to satisfy the 100 partner limitation of Treasury Regulation Section 1.7704-1(h)(1)(ii) or (B) such person obtains a written opinion of nationally recognized U.S. tax counsel that such transfer will not cause the Trust to be treated as a publicly traded partnership taxable as a corporation.

12. It acknowledges and agrees that the Certificates may not be acquired, and it may not sell, transfer, assign, participate, pledge or otherwise dispose of the Certificates or other equity interest in the Trust or cause the Certificate or other equity interest in the Trust to be marketed, (A) on or through an "established securities market" within the meaning of Section 7704(b)(1) of the Code and Treasury Regulation Section 1.7704-1(b), including without limitation, an interdealer quotation system that regularly disseminates firm buy or sell quotations or (B) if such acquisition, sale, transfer, assignment, participation, pledge or other disposition would cause the combined number of holders of the Certificates and other equity interests in the Trust to be more than 90 persons.

13. It acknowledges and agrees that it will not enter into any financial instrument the payments on which are, or the value of which is, determined in whole or in part by reference to the Certificates or other equity interests in the Trust (including the amount of distributions on the Certificates or equity interests, the value of the Trust's assets, or the result of the Trust's operations), or any contract that otherwise is described in Treasury Regulation Section 1.7704-1(a)(2)(i)(B).

14. It acknowledges and agrees that any sale, transfer, assignment, participation, pledge, or other disposition of the Certificates that would violate any of the three preceding paragraphs above or otherwise cause the Trust to be unable to rely on the "private placement" safe harbor of Treasury Regulation Section 1.7704-1(h) will be void and of no force or effect, and it will not transfer any interest in the Certificate to any person that does not agree to be bound by the three preceding paragraphs above or by this paragraph.

Dated:_____

Very truly yours,

HORIZON FUNDING 2013-1 LLC

_____

Name: Robert D. Pomeroy, Jr.

Title: Chief Executive Officer

EXECUTION COPY

SALE AND SERVICING AGREEMENT

by and among

HORIZON FUNDING TRUST 2013-1,
as the Issuer,

HORIZON FUNDING 2013-1 LLC,
as the Trust Depositor,

HORIZON TECHNOLOGY FINANCE CORPORATION
as the Seller and as the Servicer,

and

U.S. BANK NATIONAL ASSOCIATION,
as the Trustee, Backup Servicer, Custodian and Securities Intermediary

Dated as of June 28, 2013

Horizon Funding Trust 2013-1
Asset-Backed Notes

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SALE AND SERVICING AGREEMENT

THIS SALE AND SERVICING AGREEMENT, dated as of June 28, 2013, is by and among:

(1) **HORIZON FUNDING TRUST 2013-1**, a statutory trust created and existing under the laws of the State of Delaware (together with its successors and assigns, the "Issuer");

(2) **HORIZON FUNDING 2013-1 LLC**, a Delaware limited liability company, as the trust depositor (together with its successor and assigns, in such capacity, the "Trust Depositor");

(3) **HORIZON TECHNOLOGY FINANCE CORPORATION**, a Delaware corporation (together with its successors and assigns, "Horizon"), as the servicer (together with its successors and assigns, in such capacity, the "Servicer"), and as the seller (together with its successors and assigns, in such capacity, the "Seller"); and

(4) **U.S. BANK NATIONAL ASSOCIATION** (together with its successors and assigns, "U.S. Bank"), not in its individual capacity but as the trustee (together with its successors and assigns, in such capacity, the "Trustee"), not in its individual capacity but as the backup servicer (together with its successors and assigns, in such capacity, the "Backup Servicer"), not in its individual capacity but as the custodian (together with its successors and assigns in such capacity, the "Custodian") and not in its individual capacity but solely as securities intermediary (together with its successors and assigns, in such capacity, the "Securities Intermediary").

RECITALS

WHEREAS, in the regular course of its business, the Seller originates Loans (as defined herein);

WHEREAS, the Trust Depositor acquired the Initial Loans from the Seller and may acquire from time to time thereafter certain Substitute Loans;

WHEREAS, it is a condition to the Trust Depositor's acquisition of the Initial Loans and any Substitute Loans from the Seller that the Seller make certain representations and warranties regarding the Loan Assets for the benefit of the Trust Depositor as well as the Issuer;

WHEREAS, on the Closing Date, the Trust Depositor will sell, convey and assign all its right, title and interest in the Initial Loan Assets and certain other assets to the Issuer as provided herein;

WHEREAS, the Issuer is willing to purchase and accept assignment of the Loan Assets from the Trust Depositor pursuant to the terms hereof;

WHEREAS, the Servicer is willing to service the Loan Assets for the benefit and account of the Issuer pursuant to the terms hereof; and

WHEREAS, the Backup Servicer is willing to provide backup servicing for the Loan Assets.

NOW, THEREFORE, based upon the above recitals, the mutual premises and agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

ARTICLE 1.

DEFINITIONS

Section 1.01. Definitions.

Whenever used in this Agreement, the following words and phrases, unless the context otherwise requires, shall have the following meanings:

"1940 Act" means the Investment Company Act of 1940, as amended.

"Adjusted Pool Balance" means, as of any Payment Date, the Pool Balance minus (a) the Excess Concentration Amounts and (b) the aggregate Outstanding Loan Balance of all Delinquent Loans and Restructured Loans as of such Payment Date.

"Administration Agreement" means the Administration Agreement, as amended, supplemented or otherwise modified and in effect from time to time, dated as of June 28, 2013, among the Issuer, the Administrator, the Owner Trustee and the Trustee.

"Administrator" means Horizon, as administrator pursuant to the Administration Agreement.

"Administrative Expenses" means fees and expenses (excluding amounts related to indemnification) due or accrued with respect to any Payment Date and payable by the Issuer:

(a) to any Person in respect of any governmental fee, charge or tax in relation to the Issuer;

(b) to the Trustee, Lockbox Bank and the Custodian, (i) any monthly fees to be paid to it pursuant to the Transaction Documents, (ii) any additional fees, expenses or other amounts due and owing thereto and (iii) if a Successor Servicer is being appointed, any Servicing Transfer Costs incurred by the Trustee;

(c) to the Owner Trustee, (i) any monthly fees to be paid to it pursuant to the Transaction Documents and (ii) any additional fees, expenses or other amounts due and owing thereto;

(d) to the Backup Servicer, (i) the Backup Servicer Fee to be paid to it pursuant to the Transaction Documents, (ii) any additional fees, expenses or other amounts due and owing thereto and (iii) fees and expenses and other amounts payable to the Backup Servicer in connection with a Servicer Transfer pursuant to Section 8.02(c);

(e) to the Independent Accountants, agents and counsel of the Issuer for fees and expenses including, but not limited to, audit fees and expenses, and to the Servicer for expenses and other amounts (excluding the Servicing Fee, any Scheduled Payment Advances and any Servicing Advances) payable under this Agreement;

(f) to the Trustee, for unpaid fees and expenses (including fees and expenses of its agents and counsel) incurred in the exercise of its rights and remedies on behalf of the Securityholders pursuant to Article V of the Indenture; and

(g) to Moody's for its surveillance fees in relation to the Notes;

provided that Administrative Expenses will not include (I) any amounts due or accrued with respect to the actions taken on or in connection with the Closing Date, (II) any principal of or interest on any Notes or (III) amounts payable to Trustee and the Owner Trustee in respect of indemnification.

"Advance Rate" means fifty-two percent (52.0%).

"Advisor" means Horizon Technology Finance Management LLC, a Delaware limited liability company.

"Affiliate" of any specified Person means any other Person that, directly or indirectly, controls, is controlled by or is under common control with such Person, or is a director or officer of such Person; *provided* that for purposes of determining whether any Loan is an Eligible Loan or any Obligor is an Eligible Obligor, the term Affiliate shall not include any Affiliate relationship which may exist solely as a result of direct or indirect ownership of, or control by, a common owner which is a financial institution, fund or other investment vehicle which is in the business of making diversified investments including investments independent from the Loans. For the purposes of this definition, "control" (including the terms "controlling," "controlled by" and "under common control with"), when used with respect to any specified Person means the possession, direct or indirect, of the power to vote 25% or more of the voting securities of such Person or to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise. Each of the Trustee and the Owner Trustee may conclusively presume that a Person is not an Affiliate of another Person unless a Responsible Officer of such trustee has actual knowledge to the contrary.

"Aggregate Outstanding Loan Balance" means, as of any date, the sum of the Outstanding Loan Balance for each Loan owned by the Issuer.

"Aggregate Outstanding Pool Balance" means, as of any date of determination, the sum of (i) the Aggregate Outstanding Loan Balance and (ii) the amount of Collections on deposit in the Collection Account.

"Aggregate Outstanding Principal Balance" means, as of any date of determination, the sum of the Outstanding Principal Balances of the Notes on such date.

"Agreement" means this Sale and Servicing Agreement, as amended, modified, waived, supplemented or restated from time to time in accordance with the terms hereof.

"Applicable Law" means, for any Person or property of such Person, all existing and future applicable laws, rules, regulations (including proposed, temporary and final income tax regulations), statutes, treaties, codes, ordinances, permits, certificates, orders and licenses of and interpretations by any Governmental Authority (including, without limitation, usury laws, the Federal Truth in Lending Act, and Regulation Z and Regulation B of the Board of Governors of the Federal Reserve System), and applicable judgments, decrees, injunctions, writs, awards or orders of any court, arbitrator or other administrative, judicial, or quasi-judicial tribunal or agency of competent jurisdiction.

"Assignment" means each Assignment, substantially in the form of Exhibit A, relating to an assignment, transfer and conveyance of Loans and the Related Property by the Trust Depositor to the Issuer.

"Available Funds" means, with respect to any Payment Date, an amount equal to the sum of, without duplication, (a) Collections received during the related Collection Period; (b) interest earned on and any other investment earnings with respect to funds on deposit in each of the Collection Account and the Reserve Account during the related Interest Period; and (c) any Scheduled Payment Advances deposited into the Collection Account on the related Reference Date.

"Backup Servicer" has the meaning provided in the Preamble.

"Backup Servicer Fee" means the annual administration fee payable to the Backup Servicer as provided in the fee letter agreement between the Issuer and U.S. Bank.

"Bankruptcy Code" means the United States Bankruptcy Reform Act of 1978 (11 U.S.C. § 101, et seq.), as amended from time to time.

"Beneficial Owner" shall have the meaning provided in the Indenture.

"Borrowing Base" means, as of any Payment Date, the product of the Advance Rate and the Adjusted Pool Balance.

"Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in New York, New York, Farmington, Connecticut, Wilmington, Delaware, Chicago, Illinois, or St. Paul, Minnesota are authorized or obligated by law or executive order to be closed.

"Certificate" means the Horizon Funding Trust 2013-1 Certificate representing a beneficial ownership interest in the Issuer and issued pursuant to the Trust Agreement.

"Certificate Account" shall have the meaning provided in Section 5.01 of the Trust Agreement.

"Certificate Register" shall have the meaning provided in the Trust Agreement.

"Certificateholder" means the registered holder of the Certificate.

"Cleantech Loan" means a Loan made to an Obligor that provides products and services such as, alternative energy, energy efficiency technologies, green building materials, water purification, and waste recycling.

"Closing Date" means June 28, 2013.

"Co-Lender" means each lender, other than the Seller, with respect to a Co-Lender Loan.

"Co-Lender Loan" means, with respect to any Loan, (a) the Loan is originated or purchased by the Seller in accordance with the Credit and Collection Policy as a part of a syndicated loan transaction that has been fully consummated prior to such Loan becoming part of the Collateral, (b) the Issuer, as assignee of the Loan, has all of the rights (including without limitation voting rights) of the Seller with respect to such Loan and the Seller's right, title and interest in and to the Related Property, (c) the Loan is secured by an undivided interest in the Related Property that also secures and is shared by, on a *pro rata* basis, all other holders of such Obligor's notes of equal priority issued in such syndicated loan transaction, (d) either (i) the Seller (or a wholly owned subsidiary of the Seller) is the agent or collateral agent for all lenders in such syndicated loan transaction, (ii) neither Seller nor any Co-Lender is identified as the agent or collateral agent with respect to such syndicated loan transaction or (iii) a Co-Lender is the agent or collateral agent for all lenders in such syndicated loan transaction, and (e) the Seller receives payment directly from the Obligor under such Loan on behalf of itself (but not on behalf of any Co-Lenders).

"Code" means the Internal Revenue Code of 1986, as amended, or any successor legislation thereto.

"Collateral" means, as of any date, the "Indenture Collateral," as such term is defined in the Indenture.

"Collection Account" means the interest bearing trust account so designated and established and maintained pursuant to Section 7.03(a).

"Collection Period" means, with respect to the first Payment Date, the period from and including the Cutoff Date to the close of business on August 4, 2013, and for any Payment Date thereafter, the period from and including the 5th day of the calendar month in which the prior Payment Date occurred to the 4th day of the calendar month in which such Payment Date occurs.

"Collections" means the aggregate of Interest Collections and Principal Collections.

"Commission" means the United States Securities and Exchange Commission.

"Computer Records" means the computer records generated by the Servicer that provide information relating to the Loans and that were used by the Seller in selecting the Loans conveyed by the Trust Depositor to the Issuer pursuant to Section 2.01 (and any Substitute Loans conveyed by the Trust Depositor to the Issuer pursuant to Section 2.04 and Section 2.06, respectively).

"Continued Error" shall have the meaning provided in Section 8.03(e).

"Contractual Obligation" means, with respect to any Person, any provision of any securities issued by such Person or any indenture, mortgage, deed of trust, contract, undertaking, agreement, instrument or other document to which such Person is a party or by which it or any of its property is bound or is subject.

"Corporate Trust Office" means, with respect to the Trustee, the Owner Trustee or the Backup Servicer, as applicable, the office of the Trustee, the Owner Trustee or the Backup Servicer at which at any particular time its corporate trust business shall be principally administered, which offices at the date of the execution of this Agreement are located at the addresses set forth in Section 13.04.

"Credit and Collection Policy" means the policies and procedures of the Seller and Servicer with respect to underwriting, credit monitoring, investment grading, collection and servicing in effect on the Cutoff Date, including without limitation the Credit Policies and Procedures, in each case as amended, modified or supplemented from time to time, a description of which has been provided to the Trust Depositor, the Issuer, the Owner Trustee and the Trustee; and, with respect to any Successor Servicer, the written credit and collection policies and procedures of such Person at the time such Person becomes a Successor Servicer.

"Credit Policies and Procedures" means the credit policies and procedures set forth in the Seller's Credit Policies and Procedures Manual.

"Curtailment" means, with respect to a Loan, any payment of principal received by the Issuer during a Collection Period as part of a payment allocable to a Loan that is in excess of the principal portion of the Scheduled Payment due for such Collection Period and which is not intended to satisfy the Loan in full, nor is intended to cure a delinquency including any accelerated amortization due to structural features of the related Loan.

"Custodian" has the meaning provided in the Preamble.

"Cutoff Date" means June 5, 2013.

"Cutoff Date Pool Balance" shall have the meaning provided in Section 2.09.

"Defaulted Loan" means a Loan in the Collateral as to which the earliest of the following has occurred: (i) any payment, or any part of any payment in excess of 90%, due under such Loan (taking into account any waivers or modifications granted by the Servicer on such Loan) has become 120 days or more delinquent, whether or not the Servicer has foreclosed upon the related Collateral or if the related obligor is insolvent or has declared bankruptcy and the Loan is more than 180 days delinquent; (ii) the Servicer has foreclosed upon and sold the related collateral; (iii) 90 days has elapsed since the related Collateral was foreclosed upon by the Servicer; or (iv) the Servicer has determined in accordance with its customary practices that the Loan is uncollectible or the final recoverable amounts have been received; *provided*, *however*, that any Loan that the Seller or the Servicer is obligated to repurchase or purchase under this Agreement or any Loan that has been substituted and replaced by the Issuer with a Substitute Loan pursuant to Section 2.04 and Section 2.06 will not be deemed to be a Defaulted Loan.

"Distribution Account" means the non-interest bearing trust account so designated and established and maintained pursuant to Section 7.01.

"Delinquent Loan" means a Loan which is more than forty-five (45) days delinquent in payment; *provided*, *however*, that any Loan that has been substituted and replaced by the Issuer with a Substitute Loan pursuant to Section 2.04 and Section 2.06 will not be deemed to be a Delinquent Loan.

"Dollar" and "$" means the lawful currency of the United States.

"Eligible Deposit Account" means either (a) a segregated account with a Qualified Institution, or (b) a segregated trust account with the corporate trust department of a depository institution organized under the laws of the United States or any state of the United States or the District of Columbia, or any domestic branch of a foreign bank, having corporate trust powers and acting as trustee for funds deposited in the related account, so long as any of the securities of that depository institution has a credit rating from Moody's in one of its generic rating categories that signifies investment grade.

"Eligible Loan" means, on and as of the Cutoff Date, in the case of the Initial Loans, and on and as of the related Substitute Loan Cutoff Date, in the case of any Substitute Loans, a Loan as to which each of the following is true:

(a) such Loan has been originated or purchased by the Seller in the ordinary course of the Seller's business and has been fully and properly executed by the parties thereto;

(b) such Loan provides for periodic payments of interest and/or principal in cash, which are due and payable on a monthly or quarterly basis;

(c) provides for, in the event that such Loan is prepaid in whole or in part, a prepayment that fully pays the principal amount of such prepayment together with interest at the related interest rate through the date of payment;

(d) the information provided to the Issuer and its assigns in respect of such Loan pursuant to the transaction documents is true and correct in all material respects;

(e) such Loan satisfies in all material respects the requirements under the Credit and Collection Policy and was originated in accordance therewith;

(f) such Loan represents the legal, valid and binding payment obligation in writing of the related Obligor, enforceable by the holder thereof in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization or other similar laws affecting the enforcement of creditors' rights generally and by general principles of equity;

(g) such Loan is not due from the United States or any state thereof or from any agency, department or instrumentality of the United States or any state thereof;

(h) if the Seller is the sole lender pursuant to the Underlying Loan Agreement, immediately prior to its conveyance, transfer, contribution and assignment by the Trust Depositor to the Issuer, such Loan is secured by a valid, binding and enforceable perfected security interest in favor of the Seller, in certain property of the Obligor identified in the Loan documentation, which security interest in favor of the Seller has been assigned by the Seller to the Trust Depositor, by the Trust Depositor to the Issuer, and by the Issuer to the Trustee;

(i) such Loan is not subject to any right of rescission, setoff, counterclaim or defense, including the defense of usury, and the operation of any of the terms of any contract, or the exercise of any right thereunder, will not render such contract unenforceable in whole or in part or subject to any right of rescission, setoff, counterclaim or defense, including the defense of usury, and neither the Seller nor the Trust Depositor has received written notice of the assertion of any such right of rescission, setoff, counterclaim or defense asserted with respect thereto;

(j) such Loan does not have liens or claims (other than Permitted Liens) that exist or have been filed for work, labor or materials or unpaid state or federal taxes relating to collateral that are prior to, or equal or coordinate with, the security interest in such collateral created by the related Loan contract, except for such liens or claims that have been waived or modified as permitted hereunder;

(k) no default, breach, violation or event permitting acceleration under the terms of any Loan contract has occurred and is continuing with respect to such Loan, nor is there a continuing condition with respect to such Loan that, with notice or the lapse of time or both, would constitute a default, breach, violation or event permitting acceleration under the terms of any contract, except for such defaults, breaches, violations or events which have been waived or modified as permitted under the Servicing Standard and the Credit and Collection Policy;

(l) such Loan does not relate to property that has been foreclosed upon;

(m) such Loan has not been sold, transferred, assigned or pledged to any person other than the Issuer and has not been discharged;

(n) immediately prior to the transfer of such Loan to the Issuer, the Trust Depositor had good and marketable title to such Loan free and clear of all liens, encumbrances, security interests and rights of others (other than Permitted Liens) and, immediately upon such transfer, the Issuer shall have good and marketable title to such Loan, free and clear of all liens, encumbrances, security interests and rights of others;

(o) such Loan has been perfected against the related Obligor by all necessary action under the relevant UCC;

(p) such Loan has not been originated in, and is not subject to the laws of, any jurisdiction under which the sale, transfer, assignment and conveyance of such contract under this Agreement or the pledge of such Loan under the Indenture is unlawful, void or voidable;

(q) other than with respect to Co-Lender Loans, such Loan has only one original executed promissory note for each note relating to such Loan;

(r) such Loan was not due from an Obligor that was the subject of a proceeding under the Bankruptcy Code or was bankrupt;

(s) such Loan had an interest rate of at least 6% per annum;

(t) the Required Loan Documents relating to such Loan have been delivered to the Custodian prior to the Closing Date, in the case of any Initial Loan, or the applicable date of substitution, in the case of any Substitute Loan;

(u) such Loan had no payment due that was thirty-one (31) or more days past due and such Loan was not a Defaulted Loan;

(v) such Loan is due from an Obligor with its headquarters, principal place of business and primary operations in the United States;

(w) such Loan is payable in U.S. Dollars;

(x) such Loan has not been waived or modified, except as permitted hereunder; and

(y) such Loan is due and payable to an Obligor with a Horizon Credit Rating of "2," "3" or "4"; and

(z) if the Loan is a Co-Lender Loan:

(i) if the entity serving as the collateral agent of the security for all notes of the Obligor issued under the applicable Underlying Loan Agreement has changed from the time of the origination of the Loan, all appropriate assignments of the collateral agent's rights in and to the collateral on behalf of the holders of the indebtedness of the Obligor under such facility have been executed and filed or recorded as appropriate prior to such Loan becoming a part of the Collateral;

(ii) all required notifications, if any, have been given to the agent, the collateral agent and any other parties required by the Underlying Loan Agreement of, and all required consents, if any, have been obtained with respect to, the Seller's assignment of such Loan and the Seller's right, title and interest in the Related Property to the Trust Depositor, the assignment thereof to the Issuer and the Trustee's security interest therein on behalf of the Noteholders;

(iii) except as otherwise provided in the related intercreditor agreement, the right to control certain actions of and replace the agent and/or the collateral agent of the Obligor's indebtedness under the facility is to be exercised by at least a majority in interest of all holders of such indebtedness; and

(iv) all indebtedness of the Obligor of the same priority within each facility is cross-defaulted, the Related Property securing such indebtedness is held by the collateral agent for the benefit of all holders of such indebtedness and all holders of such indebtedness (A) have an undivided *pari passu* interest in the collateral securing such indebtedness, (B) share in the proceeds of the sale or other disposition of such collateral on a *pro rata* basis and (C) may transfer or assign their right, title and interest in the Related Property.

"Eligible Repurchase Obligations" means repurchase obligations with respect to any security that is a direct obligation of, or fully guaranteed by, the United States or any agency or instrumentality thereof the obligations of which are backed by the full faith and credit of the United States, in either case entered into with a depository institution or trust company (acting as principal) described in clause (c)(ii) of the definition of Permitted Investments.

"End of Term Payments" with respect to a Loan, payments required to be made by the applicable Obligor on the maturity date of such Loan in an amount equal to a specified percentage of the original principal amount of such Loan, but excluding, for the avoidance of doubt, any amounts representing the repayment of principal due on such date under such Loan.

"Error" shall have the meaning provided in Section 8.03(e).

"Event of Default" shall have the meaning specified in Section 5.01 of the Indenture.

"Excess Concentration Amounts" means, as to any Payment Date, the sum of (without duplication):

(a) the amount by which the aggregate Outstanding Loan Balance of all Loans made to any single Obligor in the Collateral exceeds five percent (5%) of the Pool Balance;

(b) the amount by which the aggregate Outstanding Loan Balance of all Loans made to the five (5) largest Obligors in the Collateral (based on the aggregate Outstanding Loan Balance of all Loans in the Collateral as of the Payment Date) exceeds twenty-three percent (23%) of the Pool Balance; and

(c) the amount by which the aggregate Outstanding Loan Balance of all Loans made to the ten (10) largest Obligors in the Collateral (based on the aggregate Outstanding Loan Balance of all Loans in the Collateral as of the Payment Date) exceeds forty-four percent (44%) of the Pool Balance.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Excluded Amounts" means (a) any amount received by, on or with respect to any Loan in the Collateral, which amount is attributable to the payment of any tax, fee or other charge imposed by any Governmental Authority on such Loan, (b) any amount representing escrows relating to taxes, insurance and other amounts in connection with any Loan which is held in an escrow account for the benefit of the related Obligor and the secured party pursuant to escrow arrangements, (c) any amount with respect to any Loan substituted, sold, retransferred or replaced under Sections 2.05, 2.06 or 11.01, to the extent such amount is attributable to a time after the effective date of such substitution, sale, retransfer or replacement, (d) any origination fee retained by the Seller in connection with the origination of any Loan, and (e) any amount permitted to be retained by the Servicer as an Excluded Amount hereunder.

"FDIC" means the Federal Deposit Insurance Corporation and any successor thereto.

"Finance Charges" means, with respect to any Loan, any interest or finance charges owing by an Obligor pursuant to or with respect to such Loan.

"Foreclosed Property" means Related Property acquired by the Issuer or a subsidiary thereof for the benefit of the Noteholders in foreclosure or by other legal process.

"Foreclosed Property Disposition" means the final sale of a Foreclosed Property or of Repossessed Property. The proceeds of any "Foreclosed Property Disposition" constitute part of the definition of Liquidation Proceeds.

"Global Note" shall have the meaning provided in the Indenture.

"Governmental Authority" means, with respect to any Person, any nation or government, any state or other political subdivision thereof, any central bank (or similar monetary or regulatory authority) thereof, any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government and any court or arbitrator having jurisdiction over such Person or its property.

"Healthcare Loan" means a Loan made to an Obligor that provides products and services such as new diagnostics, medical records, and service and patient management software.

"Holder" means (a) with respect to a Certificate, the Person in whose name such Certificate is registered in the Certificate Register, and (b) with respect to a Note, the Person in whose name such Note is registered in the Note Register; *provided* that a Beneficial Owner of a Note shall be deemed a Holder of such Note as provided in Section 13.17.

"Horizon" means Horizon Technology Finance Corporation, a Delaware corporation, together with its successors in interest.

"Horizon Credit Rating" means, for any Obligor, the internal credit rating grade assigned to such Obligor by the Seller in accordance with the Credit and Collection Policy.

"Indebtedness" means, with respect to any Person at any date, (a) all indebtedness of such Person for borrowed money or for the deferred purchase price of property or services (other than current liabilities incurred in the ordinary course of business and payable in accordance with customary trade practices) or which is evidenced by a note, bond, debenture or similar instrument, (b) all obligations of such Person under capital leases, (c) all obligations of such Person in respect of acceptances issued or created for the account of such Person, and (d) all liabilities secured by any Lien on any property owned by such Person even though such Person has not assumed or otherwise become liable for the payment thereof.

"Indenture" means the Indenture, dated as June 28, 2013, between the Issuer and the Trustee, as such agreement may be amended, modified, waived, supplemented or restated from time to time.

"Independent" means, when used with respect to any specified Person, such Person (a) is in fact independent of the Issuer, any other obligor on the Notes, the Trust Depositor and any Affiliate of any of the foregoing Persons, (b) does not have any direct financial interest or any material indirect financial interest in the Issuer, any such other obligor, the Trust Depositor or any Affiliate of any of the foregoing Persons and (c) is not connected with the Issuer, any such other obligor, the Trust Depositor or any Affiliate of any of the foregoing Persons as an officer, employee, trustee, partner, director or person performing similar functions; provided that a Person that otherwise satisfies the requirements of clauses (a) through (c) of this definition, but is a director, officer or manager of a bankruptcy remote special purpose Affiliate of Horizon, will be deemed to be Independent for purposes hereof.

"Independent Accountants" shall have the meaning provided in Section 9.05.

"Ineligible Loan" shall have the meaning provided in Section 11.01.

"Initial Note Principal Balance" means $90,000,000.

"Initial Loans" means those Loans conveyed to the Issuer on the Closing Date and identified for inclusion in the Collateral on the initial List of Loans required to be delivered pursuant to Section 2.02(d).

"Initial Loan Assets" means any assets acquired by the Issuer from the Trust Depositor on the Closing Date pursuant to Section 2.01, which assets shall include the Trust Depositor's right, title and interest in the following:

(i) the Initial Loans listed in the initial List of Loans and all monies due, to become due or paid in respect thereof accruing on and after the Cutoff Date and all Insurance Proceeds, Liquidation Proceeds and other recoveries thereon, in each case as they arise after the Cutoff Date;

(ii) all security interests and Liens and Related Property subject thereto from time to time purporting to secure payment by Obligors under such Loans;

(iii) all guaranties, indemnities and warranties, and other agreements or arrangements of whatever character from time to time supporting or securing payment of such Loans;

(iv) the Transaction Accounts, together with all cash and investments in each of the foregoing;

(v) all collections and records (including Computer Records) with respect to the foregoing;

(vi) all documents relating to the applicable Loan Files and other Records relating to the Initial Loans and Related Property; and

(vii) all income, payments, proceeds and other benefits of any and all of the foregoing, including but not limited to, all accounts, cash and currency, chattel paper, electronic chattel paper, tangible chattel paper, copyrights, copyright licenses, equipment, fixtures, general intangibles, instruments, commercial tort claims, deposit accounts, inventory, investment property, letter of credit rights, software, supporting obligations, accessions, and other property consisting of, arising out of, or related to the foregoing, but excluding any Excluded Amount with respect thereto.

"Initial Purchaser" means Guggenheim Securities, LLC.

"Insolvency Event" means, with respect to a specified Person, (i) the filing of a decree or order for relief by a court having jurisdiction in the premises in respect of such Person or any substantial part of its property in an involuntary case under any applicable Insolvency Law now or hereafter in effect, or the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official for such Person or for any substantial part of its property, or the ordering of the winding-up or liquidation of such Person's affairs, which decree or order shall remain unstayed or undismissed and in effect for a period of 60 consecutive days; or (ii) the commencement by such Person of a voluntary case under any applicable Insolvency Law now or hereafter in effect, or the consent by such Person to the entry of an order for relief in an involuntary case under any such law, or the consent by such Person to the appointment of or the taking of possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official for such Person or for any substantial part of its property, or the making by such Person of any general assignment for the benefit of creditors, or the failure by such Person generally to pay its debts as such debts become due, or the taking of action by such Person in furtherance of any of the foregoing.

"Insolvency Laws" means the Bankruptcy Code and all other applicable liquidation, conservatorship, bankruptcy, moratorium, rearrangement, receivership, insolvency, reorganization, suspension of payments, or similar debtor relief laws from time to time in effect affecting the rights of creditors generally.

"Insolvency Proceeding" means any case, action or proceeding before any court or other Governmental Authority relating to any Insolvency Event.

"Insurance Policy" means, with respect to any Loan, an insurance policy covering liability and physical damage to or loss of the applicable Related Property, including, but not limited to, title, hazard, life, accident and/or flood insurance policies.

"Insurance Proceeds" means any amounts payable or any payments made on or with respect to a Loan or the Related Property under any Insurance Policy which are not applied or paid by the Obligor, the Servicer or, in the case of Co-Lender Loans, the party primarily responsible for servicing such Loans, as applicable, to the restoration or repair of the Related Property or released to the Obligor, another creditor or any other Person in accordance with the Applicable Law, the Required Loan Documents, the Credit and Collection Policy, the Servicing Standard and this Agreement, net of costs of collection.

"Interest Amount" means, for each Interest Period, the sum of (A) product of (i) the Interest Rate for such Interest Period, (ii) the Outstanding Principal Balance of the Notes as of the first day of such Interest Period (after giving effect to all distributions made on such day) and (iii) one-twelfth (or, in the case of the first Interest Period, a fraction, the numerator of which is the number of days from and after the Closing Date to and including the day before the first Payment Date, and the denominator of which is 360) and (B) all unpaid Interest Shortfalls from any prior Payment Dates (and interest accrued thereon at the Interest Rate).

"Interest Collections" means the aggregate of:

(a) amounts deposited into the Collection Account in respect of:

(i) all payments received on or after the Cutoff Date on account of interest on the Loans (including Finance Charges and fees), End of Term Payments, and all late payment, default and waiver charges; and

(ii) the interest portion of any amounts received (x) in connection with the purchase or repurchase of any Loan (but which shall exclude interest on Loans accrued to the date of acquisition thereof by the Issuer purchased with Principal Collections) and the amount of any adjustment for Substitute Loans and (y) as Scheduled Payment Advances (if any); *plus*

(b) investment earnings on funds invested in Permitted Investments in the Transaction Accounts (other than the Reserve Account); *minus*

(c) the amount of any losses incurred in connection with investments in Permitted Investments in the Transaction Accounts (other than the Reserve Account).

"Interest Period" means, for the first Payment Date, the period commencing on the Closing Date and ending on and including the day before the first Payment Date; and thereafter, the period commencing on a Payment Date and ending on and including the day before the next Payment Date.

"Interest Rate" means the annual rate of interest payable with respect to the Notes, which shall be equal to 3.00% *per annum*.

"Interest Shortfall" means, with respect to the Notes and any Payment Date, as applicable, an amount equal to the excess, if any, of (a) the Interest Amount over (b) the amount of interest actually paid to the Notes.

"Issuer" means the trust created by the Trust Agreement and funded pursuant to this Agreement.

"Legal Final Payment Date" means May 15, 2018.

"Lien" means any mortgage, deed of trust, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever, including, without limitation, any conditional sale or other title retention agreement, and any financing lease having substantially the same economic effect as any of the foregoing (including any UCC financing statement or any similar instrument filed against a Person's assets or properties).

"Life Sciences Loan" means a Loan made to an Obligor that provides products and services such as medical devices, biopharmaceuticals, drug discovery, and drug delivery.

"Liquidation Expenses" means, with respect to any Loan, the aggregate amount of all out-of-pocket expenses reasonably incurred by the Servicer (including amounts paid to any Subservicer) and any reasonably allocated costs of counsel (if any), in each case in accordance with the Servicer's customary procedures in connection with the repossession, refurbishing and disposition of any Related Property securing such Loan upon or after the expiration or earlier termination of such Loan and other out-of-pocket costs related to the liquidation of any such Related Property, including the attempted collection of any amount owing pursuant to such Loan if it is a Defaulted Loan, and, if requested by the Trustee, the Servicer must provide to the Trustee a breakdown of the Liquidation Expenses for any Loan along with any supporting documentation therefor.

"Liquidation Proceeds" means, with respect to any Defaulted Loan, whatever is receivable or received when such Loan or the Related Property is sold, liquidated, foreclosed, exchanged, or otherwise disposed of, whether such disposition is voluntary or involuntary, and includes all amounts representing late fees and penalties relating thereto net of, without duplication, (a) Liquidation Expenses relating to such Loan or Related Property reimbursed to the Servicer therefrom pursuant to the terms of this Agreement and (b) amounts required to be released to other creditors, including any other costs, expenses and taxes, or the related Obligor or grantor pursuant to applicable law or the governing Required Loan Documents.

"Liquidation Report" shall have the meaning provided in Section 5.03(d).

"List of Loans" means the list identifying each Loan constituting part of the Loan Assets, which list shall consist of the initial List of Loans reflecting the Initial Loans transferred to the Issuer on the Closing Date attached to this Agreement as Exhibit G, together with any Subsequent List of Loans amending the most current List of Loans reflecting any Substitute Loans transferred to the Issuer on the related Substitute Loan Cutoff Date (together with, if applicable, a deletion from such list of the related Loan or Loans with respect to which a Substitution Event has occurred), and which list in each case (a) identifies by account number each Loan included in the Collateral, and (b) sets forth as to each such Loan (i) the Outstanding Loan Balance as of the Cutoff Date in the case of the Initial Loans and the related Substitute Loan Cutoff Date in the case of Substitute Loans, (ii) the maturity date (iii) the Loan Type, (iv) whether such Loan is a Co-Lender Loan (and the name of the agent thereunder) and (v) whether evidence of filing of UCC-1 financing statements naming the Seller as secured party with respect to such Loan are available.

"Loan" means, to the extent transferred by the Trust Depositor to the Issuer, an individual loan to an Obligor, or portion thereof made by the Seller including, but not limited to, Co-Lender Loans.

"Loan Assets" means, collectively and as applicable, the Initial Loan Assets and the Substitute Loan Assets, as applicable.

"Loan File" means, with respect to any Loan and Related Property, (a) each of the Required Loan Documents and (b) duly executed originals (to the extent indicated on the List of Loans) or copies (including electronic copies) of any credit agreement, intercreditor agreement, subordination agreement, UCC financing statements (or similar instruments) and any amendments to any of the foregoing, in each case, identified with respect to such Loan and Related Property on Annex A to the List of Loans.

"Loan Rate" means, for each Loan and Collection Period, the current cash pay interest rate for such Loan in such period, as specified in the related Underlying Note, Underlying Loan Agreement or related Required Loan Documents.

"Loan Type" with respect to any Loan, means the characterization of such Loan as a Technology Loan, Life Sciences Loan, Healthcare Loan or Cleantech Loan.

"Lockbox Account" means the segregated account so designated and established and maintained pursuant to Section 7.01(a).

"Majority Noteholders" means, as of any date of determination, the Noteholders evidencing at least 51% of the aggregate Outstanding Principal Balance of all Notes (voting as a single class).

"Master Services Agreement" means the Agreement, dated as of June 18, 2013, by the Issuer to the terms and conditions of the Securities Intermediary's provision of accounts and related services, as such agreement may be amended, modified, waived, supplemented or restated from time to time.

"Monthly Report" shall have the meaning provided in Section 9.01.

"Moody's" means Moody's Investors Service, Inc. and any successor thereto.

"Nonrecoverable Advance" means any Scheduled Payment Advance or Servicing Advance, as applicable, previously made in respect of a Loan or any Related Property that, as determined by the Servicer in its reasonable, good faith judgment, will not be ultimately recoverable from subsequent payments or collections with respect to the applicable Loan including, without limitation, payments or reimbursements from the related Obligor, Insurance Proceeds or Liquidation Proceeds on or in respect of such Loan or Related Property.

"Note" means any one of the notes of the Issuer, executed and authenticated in accordance with the Indenture.

"Note Register" shall have the meaning provided in Section 4.02(a) of the Indenture.

"Noteholder" means each Person in whose name a Note is registered in the Note Register; *provided* that a Beneficial Owner of a Note shall be deemed a Holder of such Note as provided in Section 13.17.

"Notice of Substitution" shall have the meaning provided in Section 2.06.

"Obligor" means, with respect to any Loan, any Person or Persons obligated to make payments pursuant to or with respect to such Loan, including any guarantor thereof, but excluding, in each case, any such Person that is an obligor or guarantor that is in addition to the primary obligors or guarantors with respect to the assets, cash flows or credit of which the related Loan is principally underwritten.

"Obligor Shortfall" means, with respect to any Loan and any Collection Period, an amount determined by the Servicer equal to the excess, if any, of (a) the amount of interest due under such Loan with respect to such Collection Period over (b) the actual amount of payments made with respect to interest collected under such Loan during such Collection Period.

"Offering Memorandum" means the Offering Memorandum dated June 26, 2013, prepared in connection with the offer and sale of the Notes.

"Officer's Certificate" means a certificate delivered to the Trustee signed by a Responsible Officer of (i) the member of the Trust Depositor, (ii) the Servicer, or (iii) the Owner Trustee, the Administrator, or any other Person acting on behalf of the Issuer, as required by this Agreement or any other Transaction Document.

"Opinion of Counsel" means a written opinion of counsel, who may be outside counsel, or internal counsel (except with respect to federal securities law, tax law, bankruptcy law or UCC matters), for the Issuer, the Trust Depositor or the Servicer, including Dechert LLP or other counsel reasonably acceptable to the Owner Trustee or the Trustee, as the case may be.

"Optional Redemption" means a redemption of the Notes pursuant to Section 10.01 of the Indenture.

"Original Trust Agreement" shall have the meaning provided in Section 2.01.

"Outstanding" shall have the meaning provided in Section 1.01 of the Indenture.

"Outstanding Loan Balance" of a Loan means, with respect to any date of determination, the outstanding principal amount of such Loan.

"Outstanding Principal Balance" means, as of date of determination and with respect to any Notes, the original principal amount of such Notes on the Closing Date, as reduced by all amounts paid by the Issuer with respect to such principal amount up to such date.

"Owner Trustee" means the Person acting, not in its individual capacity, but solely as Owner Trustee, under the Trust Agreement, its successors in interest and any successor owner trustee under the Trust Agreement. The Owner Trustee will initially be Wilmington Trust, National Association.

"Payment Date" means the 15th day of each month, commencing in August 2013, or if such day is not a Business Day, on the next succeeding Business Day.

"Percentage Interest" means, for the Holder of any Note of any class, the fraction, expressed as a percentage, the numerator of which is the then current Outstanding Principal Balance represented by such Note and the denominator of which is the then current Outstanding Principal Balance of all Notes.

"Permitted Investments" means on any date of determination, book-entry securities, negotiable instruments or securities represented by instruments in registered form for U.S. federal income tax purposes or, in the case of an obligation that is not a "registration-required obligation" (as defined in section 163(f) of the Code), in bearer or registered form, with maturities on the Business Day prior to the next Payment Date that evidence:

(i) direct obligations of, and obligations fully guaranteed by, the United States or any agency or instrumentality of the United States;

(ii) demand deposits, time deposits or certificates of deposit of any depository institution (including any affiliate of the Trust Depositor, the Servicer, the Trustee or the Owner Trustee) or trust company incorporated under the laws of the United States or any state thereof or the District of Columbia (or any domestic branch of a foreign bank) and subject to supervision and examination by Federal or state banking or depository institution authorities (including depository receipts issued by any such institution or trust company as custodian with respect to any obligation referred to in clause (i) above or a portion of such obligation for the benefit of the holders of such depository receipts); provided that at the time of the investment or contractual commitment to invest therein (which shall be deemed to be made again each time funds are reinvested following each Payment Date), the commercial paper or other short-term senior unsecured debt obligations (other than such obligations the rating of which is based on the credit of a person other than such depository institution or trust company) of such depository institution or trust company shall have a credit rating from Moody's of "P-1";

(iii) commercial paper (including commercial paper of any affiliate of the Trust Depositor, the Servicer, the Trustee or the Owner Trustee) having, at the time of the investment or contractual commitment to invest therein, a rating from Moody's of "P-1";

(iv) investments in money market funds (including funds for which the Trust Depositor, the Servicer, the Trustee or the Owner Trustee or any of their respective affiliates is investment manager or advisor) having a rating from Moody's of "Aaa (mf)";

(v) banker's acceptances issued by any depository institution or trust company referred to in clause (ii) above; and

(vi) repurchase obligations with respect to any security that is a direct obligation of, or fully guaranteed by, the United States or any agency or instrumentality thereof the obligations of which are backed by the full faith and credit of the United States, in either case entered into with a depository institution or trust company (acting as principal) referred to in clause (ii) above.

The Trustee may purchase or sell to itself or an Affiliate, as principal or agent, the Permitted Investments described above.

"Permitted Liens" means

(i) with respect to the interest of the Seller, the Trust Depositor and the Issuer in the Loans included in the Collateral: (a) Liens in favor of the Trust Depositor created pursuant to the Sale and Contribution Agreement and transferred to the Issuer pursuant hereto, (b) Liens in favor of the Issuer created pursuant to this Agreement, (c) Liens in favor of the Trustee created pursuant to the Indenture and/or this Agreement, and (d) Liens, if any, which have priority over first priority perfected security interests in the Loans or any portion thereof under the UCC or any other Applicable Law; and

(ii) with respect to the interest of the Seller, the Trust Depositor and the Issuer in the other Collateral (including any Related Property): (a) materialmen's, warehousemen's, mechanics' and other Liens arising by operation of law in the ordinary course of business for sums not due or sums that are being contested in good faith, (b) purchase money security interests in certain items of equipment, (c) Liens for state, municipal and other local taxes if such taxes shall not at the time be due and payable or the validity or amount thereof is currently being contested by an appropriate Person in good faith by appropriate proceedings, (d) other customary Liens permitted with respect thereto consistent with the Credit and Collection Policy or the Servicing Standard, (e) Liens in favor of the Trust Depositor created by the Seller and transferred by the Trust Depositor to the Issuer pursuant to this Agreement, (f) Liens in favor of the Issuer created pursuant to this Agreement, (g) Liens in favor of the Trustee created pursuant to the Indenture and/or this Agreement, and (h) with respect to Co-Lender Loans, Liens in favor of the agent or the collateral agent on behalf of all holders of indebtedness of such Obligor under the related facility.

"Person" means any individual, corporation, estate, partnership, business or statutory trust, limited liability company, sole proprietorship, joint venture, association, joint stock company, trust (including any beneficiary thereof), unincorporated organization or government or any agency or political subdivision thereof or other entity.

"Physical Note" shall have the meaning provided in the Indenture.

"Pool Balance" means, as of any date of determination, the Aggregate Outstanding Loan Balance minus (a) the Outstanding Loan Balance of all Defaulted Loans and (b) the Outstanding Loan Balance of all Ineligible Loans required to be repurchased by the Seller pursuant to Section 11.01.

"Predecessor Servicer Work Product" shall have the meaning provided in Section 8.03(e).

"Prepayments" means any and all (a) prepayments, including prepayment premiums, on or with respect to a Loan (including, with respect to any Loan and any Collection Period, any Scheduled Payment, Finance Charge or portion thereof that is due in a subsequent Collection Period that the Servicer has received and expressly permitted the related Obligor to make in advance of its scheduled due date, and that will be applied to such Scheduled Payment on such due date), (b) Liquidation Proceeds, and (c) Insurance Proceeds.

"Principal Collections" means amounts deposited into the Collection Account in respect of payments received on or after the Cutoff Date in the case of the Initial Loans and the applicable Substitute Loan Cutoff Date in the case of any Substitute Loans on account of principal of the Loans, including (without duplication):

(a) the principal portion of:

(i) any Scheduled Payments and Prepayments; and

(ii) any amounts received (1) in connection with the purchase or repurchase of any Loan (which shall include interest on Loans accrued to the date of acquisition thereof by the Issuer purchased with Principal Collections) and the amount of any adjustment for Substitute Loans and (2) as Scheduled Payment Advances (if any);

(b) all Curtailments;

(c) all Liquidation Proceeds;

(d) Insurance Proceeds (other than amounts to be applied to the restoration or repair of the Related Property, or released or to be released to the Obligor or others);

(e) any proceeds from any Related Property securing the Loans (other than amounts released or to be released to the Obligor or others);

(f) all Sale Proceeds; and

(g) all other amounts not specifically included in Interest Collections.

"Priority of Payments" means, collectively, the payments made on each Payment Date in accordance with Section 7.05(a), Section 7.05(b) and Section 7.05(c), as applicable.

"Proceeds" means, with respect to any Collateral, whatever is receivable or received when such Collateral is sold, liquidated, foreclosed, exchanged, or otherwise disposed of, whether such disposition is voluntary or involuntary, and includes all rights to payment with respect to any insurance relating to such Collateral.

"Qualified Institution" means (a) the corporate trust department of the Trustee, or (b) a depository institution organized under the laws of the United States or any one of the states thereof or the District of Columbia (or any domestic branch of a foreign bank), that has either a long-term unsecured debt rating of at least "Baa3" from Moody's or a long-term unsecured debt rating, a short-term unsecured debt rating or a certificate of deposit rating acceptable to Moody's, and whose deposits are insured by the FDIC.

"Qualified Substitute Loan" means a Loan which meets each of the following criteria, as of its date of substitution:

a) is an Eligible Loan originated or purchased by the Seller;

b) the interest rate of such Substitute Loan (or, if more than one Substitute Loan will replace a Loan or Loans, the weighted average of the interest rates of such Substitute Loans) is substantially similar to the Loan it will replace, and in no case more than 200 basis points less than the interest rate applicable to the replaced Loan (for the avoidance of doubt, if a floating rate Loan is to be substituted for a fixed rate Loan, the interest rate of the floating rate Loan will be deemed to be the applicable interest rate floor under such Loan);

c) the credit quality of such Substitute Loan is substantially similar to, or better than, the credit quality to the Loan it will replace (as measured by reference to the Horizon Credit Rating of the replaced Loan at the time such Loan was initially transferred to the Issuer);

d) the scheduled term to maturity of such Substitute Loan (or, if more than one Substitute Loan will replace a Loan or Loans in the Collateral, the scheduled term to maturity of each such Substitute Loan) will not cause the weighted average life of the Loans in the Collateral (assuming inclusion of the Substitute Loan and exclusion of the replaced Loan or Loans) to exceed the weighted average life of the Loans in the Collateral prior to such substitution by more than one (1) month; provided that no Substitute Loan may have a scheduled final payment date later than the Legal Final Payment Date;

e) such Substitute Loan is of the same Loan Type as the Loan it will replace;

f) the Outstanding Loan Balance of such Substitute Loan (or, if more than one Substitute Loan will replace a Loan or Loans in the Collateral, the sum of the Outstanding Loan Balances of such Substitute Loans) is substantially similar to the Loan it will replace, and in no case more than 110.0% of the aggregate Outstanding Loan Balance(s) of the Loan(s) being replaced;

g) no selection procedures believed by the Servicer or the Trust Depositor to be adverse to the interests of any Noteholder shall have been employed in the selection of such Substitute Loan; and

h) all actions or additional actions (if any) necessary to perfect the security interest and assignment of such Substitute Loan and the Related Property to the Trust Depositor, the Issuer, and the Trustee have been taken as of or prior to the date of substitution of such Substitute Loan.

"Quarterly Report" has the meaning provided in Section 9.02.

"Rapid Amortization Event" shall mean the occurrence of any of the following:

(i) the aggregate Outstanding Loan Balance of all Delinquent Loans and Restructured Loans that would constitute Delinquent Loans had such Loans not become Restructured Loans exceeds ten percent (10%) of the Aggregate Outstanding Loan Balance for a period of three (3) consecutive calendar months;

(ii) the aggregate Outstanding Loan Balance of all Defaulted Loans exceeds five percent (5%) of the Aggregate Outstanding Loan Balance determined as of the Closing Date for a period of three (3) consecutive calendar months;

(iii) the Aggregate Outstanding Principal Balance of the Notes exceeds the Borrowing Base for a period of three (3) consecutive calendar months;

(iv) the Loans in the Collateral consist of Loans to 10 or fewer Obligors; and

(v) the occurrence and continuance of an Event of Default.

"Rating Agency" means each of Moody's and any other nationally recognized statistical rating organization, so long as such Persons maintain a rating on any of the Notes; and if any of Moody's or such other organization (if any) no longer maintains a rating on any of the Notes, such other nationally recognized statistical rating organization, if any, selected by the Trust Depositor.

"Record Date" means (i) for Global Notes, the close of business on the business day immediately preceding that Payment Date and (ii) for Physical Notes, the close of business on the last business day of the month immediately preceding the month in which such Payment Date occurs.

"Records" means all documents, books, records and other information (including without limitation, computer programs, tapes, disks, data processing software and related property and rights) executed in connection with the origination or acquisition of the Loans or maintained with respect to the Loans and the related Obligors that the Seller or the Servicer have generated, in which the Seller, the Trust Depositor, the Issuer, the Trustee or the Servicer have acquired an interest pursuant to the Transfer and Servicing Agreements or in which the Seller, the Trust Depositor, the Issuer, the Trustee or the Servicer have otherwise obtained an interest to the extent transferable, and subject to any confidentiality and/or transferability restrictions.

"Redemption Date" means any Payment Date designated as such by the Issuer in connection with an Optional Redemption.

"Redemption Price" means, in connection with an Optional Redemption, pursuant to Section 10.01 of the Indenture, an amount equal to the sum (without duplication) of: (i) the then Outstanding Principal Balance of the Notes to be redeemed plus accrued and unpaid interest thereon but excluding the Redemption Date and all other amounts accrued and unpaid with respect thereto; *plus* (ii) all administrative and other fees, expenses, advances and other amounts accrued and payable or reimbursable in accordance with the Priority of Payments (including fees and expenses, if any, incurred by the Trustee and the Servicer in connection with any sale of Loans in connection with an Optional Redemption).

"Reference Date" means the day of each month that is the third (3rd) Business Day prior to a Payment Date.

"Registered" means, with respect to any debt obligation, that such debt obligation was issued after July 18, 1984 and that is in registered form for purposes of the Code.

"Related Property" means, with respect to any Loan and as applicable in the context used, the interest of the Obligor, or the interest of the Seller, Trust Depositor or Issuer under the Loan, in any property or other assets designated and pledged or mortgaged as collateral to secure repayment of such Loan (including, without limitation, a pledge of the stock, membership or other ownership interests in the Obligor, but excluding any warrant interest in an Obligor held by the Seller or any of its Affiliates other than the Issuer or Trust Depositor), including all Proceeds from any sale or other disposition of such property or other assets.

"Repossessed Property" means items of Related Property taken in the name of the Issuer or a subsidiary thereof as a result of legal action enforcing the Lien on the Related Property resulting from a default on the related Loan.

"Required Loan Documents" means, with respect to:

(a) all Loans in the aggregate:

(i) a blanket assignment of all of the Seller's and Trust Depositor's right, title and interest in and to all Related Property securing the Loans at any time transferred to the Issuer including, without limitation, all rights under applicable guarantees and Insurance Policies;

(ii) irrevocable powers of attorney of the Seller, the Trust Depositor and the Issuer to the Trustee to execute, deliver, file or record and otherwise deal with the Related Property for the Loans at any time transferred to the Issuer. The powers of attorney will be delegable by the Trustee to the Servicer and any Successor Servicer and will permit the Trustee or its delegate to prepare, execute and file or record UCC financing statements and notices to insurers;

(iii) blanket UCC-1 financing statements in respect of the Loans to be transferred to the Issuer as Collateral and naming the Issuer and the Trustee, as assignee of the Issuer, as "Secured Party" and the Trust Depositor as the "Debtor";

(b) for each Loan: the original or, if accompanied by a "lost note" affidavit and indemnity, a copy of the Underlying Note, endorsed by the prior holder of record either in blank or to the Trustee (and evidencing an unbroken chain of endorsements from the prior holder thereof evidenced in the chain of endorsements to the Trustee), with any endorsement to the Trustee to be in the following form: "U.S. Bank National Association, its successors and assigns, as Trustee under the Indenture, dated as of June 28, 2013, relating to Horizon Funding Trust 2013-1."

"Required Payments" shall mean each of the items described in clauses 1 through 4 of Section 7.05(a).

"Reserve Account" means the interest bearing trust account so designated and established and maintained pursuant to Section 7.02(a).

"Reserve Account Required Balance" shall mean, as of any Payment Date, an amount equal to 7.5% of the Aggregate Outstanding Principal Balance of the Notes on such date after taking into account all amounts applied to the Aggregate Outstanding Principal Balance on such date.

"Reserve Available Funds" means all amounts deposited into the Collection Account from the Reserve Account pursuant to Section 7.02.

"Responsible Officer" means, when used with respect to (a) the Owner Trustee or the Trustee, any officer assigned to the Corporate Trust Office with responsibility for administration of the transactions contemplated by the Transaction Documents, including any Chief Executive Officer, President, Executive Vice President, Vice President, Assistant Vice President, Secretary, any Assistant Secretary, Financial Services Officer, trust officer or any other officer of the Owner Trustee or the Trustee customarily performing functions similar to those performed by any of the above designated officers and also, with respect to a particular matter, any other officer to whom such matter is referred because of such officer's knowledge of and familiarity with the particular subject, (b) the Trust Depositor, the Seller, the Administrator, the Servicer or the Backup Servicer, the President, Chief Executive Officer, Executive Vice President or any Vice President thereof who is also a Servicing Officer of such Person or of the sole member of such Person, as applicable and (c) with respect to the Issuer, a Responsible Officer of the Trust Depositor, Administrator, Servicer or Owner Trustee.

"Restructured Loan" means any Loan that has been, or in accordance with the Credit and Collection Policy is required to be, modified or restructured to extend the maturity thereof or reduce the amount (other than by reason of the repayment thereof) or extend the time for payment of principal thereof, in each case as a result of the Obligor's material financial underperformance, distress or default. Such Loan shall cease to be a Restructured Loan when such Loan has been performing for at least six (6) consecutive calendar months since the date the most recent modification was made and is no longer required to be so modified or restructured in accordance with the Credit and Collection Policy.

"Sale and Contribution Agreement" means the Sale and Contribution Agreement, dated as of the date hereof, between the Seller and the Trust Depositor, as such agreement may be amended, modified, waived, supplemented or restated from time to time.

"Sale Proceeds" means all proceeds received as a result of sales of Loans (other than Defaulted Loans) pursuant to this Agreement, net of any sales, brokerage and related administrative or sales expenses of the Servicer or the Trustee in connection with any such sale.

"Scheduled Payment" means, with respect to any Loan, each payment of principal and/or interest scheduled to be made by the related Obligor under the terms of such Loan after (a) in the case of the Initial Loans, the Cutoff Date or (b) in the case of Substitute Loans, the related Substitute Loan Cutoff Date, as adjusted pursuant to the terms of the related Underlying Note and/or Required Loan Documents.

"Scheduled Payment Advance" means, with respect to any Payment Date, the amounts, if any, deposited by the Servicer in the Collection Account for such Payment Date in respect of Scheduled Payments (or portions thereof) pursuant to Section 5.09.

"Secured Parties" means, collectively, the Noteholders, the Trustee, the Servicer, the Backup Servicer, the Custodian, and the Owner Trustee.

"Securities" means the Notes and the Certificate, or any of them.

"Securities Act" means the Securities Act of 1933, as amended.

"Securities Intermediary" has the meaning provided in the Preamble.

"Securityholders" means, collectively, the Noteholders and the Certificateholder.

"Seller" shall have the meaning provided in the Preamble.

"Servicer" means initially Horizon, or its successors in interest, until any Servicer Transfer hereunder or the resignation or permitted assignment by the Servicer and, thereafter, means the Backup Servicer or other Successor Servicer appointed pursuant to Article VIII with respect to the duties and obligations required of the Servicer under this Agreement.

"Servicer Default" shall have the meaning specified in Section 8.01.

"Servicer Transfer" shall have the meaning specified in Section 8.02(c).

"Servicing Advances" means all reasonable and customary "out-of-pocket" costs and expenses incurred in the performance by the Servicer of its servicing obligations, including, but not limited to, the cost of (a) the preservation, restoration and protection of any Related Property, (b) any enforcement or judicial proceedings, including foreclosures, (c) the management and liquidation of any Foreclosed Property or Repossessed Property, (d) compliance with its obligations under this Agreement and other Transaction Documents and (e) services rendered in connection with the liquidation of a Loan (other than Liquidation Expenses), for all of which costs and expenses the Servicer is entitled to reimbursement with interest thereon as provided in this Agreement.

"Servicing Fee" shall have the meaning provided in Section 5.11.

"Servicing File" means, for each Loan, the following documents or instruments:

(a) copies of each of the Required Loan Documents;

(b) any other portion of the Loan File that is not part of the Required Loan Documents; and

(c) any other Records relating to such Loan and Related Property.

"Servicing Officer" means any officer of the Servicer involved in, or responsible for, the administration and servicing of Loans whose name appears on a list of servicing officers appearing in an Officer's Certificate furnished to the Trustee by the Servicer, as the same may be amended from time to time.

"Servicing Standard" means, with respect to any Loans and all other assets included in the Collateral, to service and administer such Loans and other assets in the Collateral in accordance with the Underlying Loan Agreements (as applicable) and all customary and usual servicing practices, in a manner consistent with the Servicer's servicing of comparable senior loan agreements that it owns or services for itself or others, without regard to: (i) the Servicer's right to receive compensation for its services hereunder or with respect to any particular transaction, or (ii) the ownership, servicing or management for others by the Servicer of any other loans, debt securities or property by the Servicer.

"Servicing Transfer Costs" means the Successor Servicing Fee and any costs and expenses, if any, incurred by the Trustee or by any Successor Servicer (including the Backup Servicer) in connection with the transfer of servicing to any such Successor Servicer, which shall not exceed $50,000 for a servicing transfer to the Backup Servicer or $175,000 to any other Successor Servicer.

"Solvent" means, as to any Person at any time, that (a) the fair value of the property of such Person is greater than the amount of such Person's liabilities (including disputed, contingent and unliquidated liabilities) as such value is established and liabilities evaluated for purposes of Section 101(32) of the Bankruptcy Code; (b) such Person is able to realize upon its property and pay its debts and other liabilities (including disputed, contingent and unliquidated liabilities) as they mature in the normal course of business; (c) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person's ability to pay as such debts and liabilities mature; and (d) such Person is not engaged in business or a transaction, and is not about to engage in a business or a transaction, for which such Person's property would constitute unreasonably small capital.

"Statutory Trust Statute" means Chapter 38 of Title 12 of the Delaware Code, 12 Del. C. §§ 3801 et seq., as the same may be amended from time to time.

"Subsequent List of Loans" means a list, in the form of the initial List of Loans delivered on the Closing Date, but listing each Substitute Loan, as the case may be, transferred to the Issuer from time to time.

"Subservicer" means any direct or indirect wholly owned subsidiary of Horizon, including without limitation the Advisor, that Horizon has identified as a subservicer or additional collateral agent or any other Person with whom the Servicer has entered into a Subservicing Agreement and who satisfies the requirements set forth in Section 5.02(b) of this Agreement in respect of the qualification of a Subservicer.

"Subservicing Agreement" means any agreement between the Servicer and any Subservicer relating to subservicing and/or administration of certain Loans as provided in this Agreement, a copy of which shall be delivered, along with any modifications thereto, to the Trustee. For the avoidance of doubt, the Investment Management Agreement, dated as of October 28, 2010 between the Servicer and the Advisor shall constitute a Subservicing Agreement.

"Substitute Loan" means one or more Loans transferred by the Seller to the Trust Depositor and by the Trust Depositor to the Issuer under and in accordance with Section 2.06.

"Substitute Loan Assets" means any assets acquired by the Issuer from the Trust Depositor following the Closing Date in connection with substitution of one or more Substitute Loans pursuant to Section 2.04 or Section 2.06, which assets shall include the Trust Depositor's right, title and interest in the following:

(i) the Substitute Loans listed in the related Subsequent List of Loans and all monies due, to become due or paid in respect thereof accruing on and after the Substitute Loan Cutoff Date and all Insurance Proceeds, Liquidation Proceeds and other recoveries thereon, in each case as they arise after the Substitute Loan Cutoff Date;

(ii) all security interests and Liens and Related Property subject thereto from time to time purporting to secure payment by Obligors under such Loans;

(iii) all guaranties, indemnities and warranties, and other agreements or arrangements of whatever character from time to time supporting or securing payment of such Loans;

(iv) all collections and records (including Computer Records) with respect to the foregoing;

(v) all documents relating to the applicable Loan Files and other Records relating to such Substitute Loans and Related Property; and

(vi) all income, payments, proceeds and other benefits of any and all of the foregoing, including but not limited to, all accounts, cash and currency, chattel paper, electronic chattel paper, tangible chattel paper, copyrights, copyright licenses, equipment, fixtures, general intangibles, instruments, commercial tort claims, deposit accounts, inventory, investment property, letter of credit rights, software, supporting obligations, accessions, and other property consisting of, arising out of, or related to the foregoing, but excluding any Excluded Amount with respect thereto.

"Substitute Loan Cutoff Date" means each date on or after the Closing Date on which a Substitute Loan is transferred to the Issuer.

"Substitution Event" shall have the meaning provided in Section 2.06.

"Successor Servicer" shall have the meaning provided in Section 8.02(b).

"Successor Servicer Engagement Fee" shall have the meaning provided in Section 5.02(y).

"Tape" shall have the meaning provided in Section 9.04(a).

"Technology Loan" means a Loan made to an Obligor that provides products or services that require advanced technologies, including, but not limited to, computer software and hardware, networking systems, semiconductors, semiconductor capital equipment, information technology infrastructure or services, Internet consumer and business services, telecommunications, and telecommunications equipment.

"Termination Notice" shall have the meaning provided in Section 8.02(a).

"Transaction Account Property" means the Transaction Accounts, all amounts and investments held from time to time in any Transaction Account (whether in the form of deposit accounts, physical property, book-entry securities, uncertificated securities or otherwise), and all proceeds of the foregoing.

"Transaction Accounts" means, collectively, the Collection Account, the Reserve Account, the Distribution Account and the Lockbox Account.

"Transaction Documents" means the Transfer and Servicing Agreements, the Trust Agreement, the Administration Agreement, the Note Purchase Agreement, the Master Services Agreement, the Notes, the Certificate, any fee letters, any UCC financing statements filed pursuant to the terms of the Transaction Documents, and any additional document the execution of which is necessary or incidental to carrying out the terms of, or which is identified as a "Transaction Document" in, the foregoing documents, all as such documents are amended, modified, restated, replaced, waived, substituted, supplemented or extended from time to time.

"Transfer and Servicing Agreements" means, collectively, this Agreement, the Indenture and the Sale and Contribution Agreement.

"Transfer Deposit Amount" means, on any date of determination with respect to any Loan, an amount equal to the sum of (a) the Outstanding Loan Balance of such Loan, (b) accrued interest thereon through such date of determination at the Loan Rate provided for thereunder and (c) any outstanding Scheduled Payment Advances and Servicing Advances thereon that have not been waived by the Servicer entitled thereto.

"Trust Agreement" means the Amended and Restated Trust Agreement, dated as of June 28, 2013, between the Trust Depositor and the Owner Trustee, as amended, modified, restated, waived or supplemented from time to time.

"Trust Depositor" shall have the meaning provided in the Preamble.

"Trust Depositor LLC Agreement" means the Limited Liability Company Agreement of the Trust Depositor, dated as of June 28, 2013, between the Seller, as the sole member, and the Independent manager party thereto.

"Trust Estate" shall have the meaning provided in the Trust Agreement.

"Trustee" means the Person acting as Trustee under the Indenture, its successors in interest and any successor trustee under the Indenture.

"Trustees" means the Owner Trustee and the Trustee, or any of them individually as the context may require.

"UCC" means the Uniform Commercial Code, as amended from time to time, as in effect in any specified jurisdiction.

"Underlying Loan Agreement" means each single lender or multi-lender commercial loan or credit agreements or other debt agreements or instruments customary for the applicable type of Loan originated or acquired by Horizon or one of its Affiliates.

"Underlying Note" means the one or more promissory notes executed by the applicable Obligor evidencing a Loan.

"United States" means the United States of America.

"U.S. Bank" shall have the meaning provided in the Preamble.

Section 1.02. Usage of Terms.

With respect to all terms in this Agreement, the singular includes the plural and the plural the singular; words importing any gender include the other genders; references to "writing" include printing, typing, lithography and other means of reproducing words in a visible form; references to agreements and other contractual instruments include all amendments, modifications and supplements thereto or any changes therein entered into in accordance with their respective terms and not prohibited by this Agreement; references to Persons include their permitted successors and assigns; and the term "including" means "including without limitation."

Section 1.03. Section References.

All Section references (including references to the Preamble), unless otherwise indicated, shall be to Sections (and the Preamble) in this Agreement.

Section 1.04. Calculations.

Except as otherwise provided herein, all interest rate and basis point calculations hereunder will be made on the basis of a 360 day year consisting of twelve 30-day months and will be carried out to at least three decimal places.

Section 1.05. Accounting Terms.

All accounting terms used but not specifically defined herein shall be construed in accordance with generally accepted accounting principles in the United States.

ARTICLE 2.

ESTABLISHMENT OF ISSUER; TRANSFER OF LOAN ASSETS

Section 2.01. Creation and Funding of Issuer; Transfer of Loan Assets.

(a) The Issuer shall be governed pursuant to the terms and conditions of the Trust Agreement, dated as of June 17, 2013, between the Trust Depositor and the Owner Trustee (the "Original Trust Agreement"), upon the execution and delivery of the Original Trust Agreement and created by the filing by the Owner Trustee of an appropriately completed Certificate of Trust (as defined in the Original Trust Agreement) under the Statutory Trust Statute. The Trust Depositor, as settlor of the Issuer, shall fund and convey assets to the Issuer pursuant to the terms and provisions hereof. The Issuer shall be administered pursuant to the provisions of this Agreement, the Administration Agreement and the Trust Agreement for the benefit of the Securityholders. Each of the Owner Trustee and the Administrator is hereby specifically recognized by the parties hereto as empowered to conduct business dealings on behalf of the Issuer in accordance with the terms hereof and of the Trust Agreement and Administration Agreement. The initial Servicer is hereby specifically recognized by the parties hereto as empowered to act on behalf of the Issuer in accordance with Section 5.02(g) and Section 5.02(h). The Servicer is hereby specifically recognized by the parties hereto as empowered to perform the duties and obligations required to be performed by the Servicer under the Transaction Documents.

(b) Subject to and upon the terms and conditions set forth herein, and in consideration of the Issuer's delivery to or upon the order of the Trust Depositor of the Notes and the net proceeds of the Notes, the Trust Depositor hereby sells, transfers, assigns, sets over and otherwise conveys to the Issuer all the right, title and interest of the Trust Depositor in and to the Initial Loan Assets.

To the extent the purchase price paid to the Trust Depositor for any Loan Assets is less than the fair market value of such Loan Assets, the difference between such fair market value and such purchase price shall be deemed to be a capital contribution made by the Trust Depositor to the Issuer on the Closing Date in the case of the Initial Loans and as of the related Substitute Loan Cutoff Date in the case of any Substitute Loans. For all purposes of this Agreement, any contributed Loan Assets shall be treated the same as Loan Assets sold for cash, including without limitation for purposes of Section 11.01.

(c) The Seller and the Trust Depositor each acknowledge with respect to itself that the representations and warranties of the Seller in the Sale and Contribution Agreement and of the Trust Depositor in Section 3.01 through Section 3.04 hereof will run to and be for the benefit of the Issuer and the Trustees, and the Issuer and the Trustees may enforce directly (without joinder of the Trust Depositor when enforcing against the Seller) the repurchase obligations of the Seller or Trust Depositor, as applicable, with respect to breaches of such representations and warranties that materially and adversely affect the interests of any Noteholder as set forth in the Sale and Contribution Agreement or in this Agreement; provided that neither the Owner Trustee nor the Trustee shall have a duty or obligation (i) to discover or make and attempt to discover, inquire about or investigate the breach of any of such representations or warranties or (ii) to determine if such breach materially and adversely affects the interests of any Noteholder.

(d) The sale, transfer, assignment, set-over and conveyance of the Loan Assets by the Trust Depositor to the Issuer pursuant to this Agreement does not constitute and is not intended to result in a creation or an assumption by the Issuer of any obligation of the Seller or the Trust Depositor in connection with the Loan Assets, or any agreement or instrument relating thereto, including, without limitation, (i) any obligation to any Obligor relating to any unfunded commitment from the Seller or the Trust Depositor, (ii) any taxes, fees, or other charges imposed by any Governmental Authority and (iii) any insurance premiums that remain owing with respect to any Loan Asset at the time such Loan Asset is sold hereunder. Without limiting the foregoing, (x) the Issuer does not assume any obligation to purchase any additional notes or loans under agreements governing the Loan Assets and (y) the sale, transfer, assignment, set-over and conveyance of the Loan Assets by the Trust Depositor to the Issuer pursuant to this Agreement does not constitute and is not intended to result in a creation or an assumption by the Trust Depositor or the Issuer of any obligation of the Seller as lead agent or collateral agent under any Co-Lender Loan. The Trust Depositor also hereby assigns to the Issuer all of the Trust Depositor's right, title and interest (but none of its obligations) under the Sale and Contribution Agreement, including but not limited to the Trust Depositor's right to exercise the remedies created by the Sale and Contribution Agreement.

(e) The Seller, Trust Depositor and Issuer intend and agree that (i) the transfer of the Loan Assets by the Seller to the Trust Depositor under the Sale and Contribution Agreement and the transfer of the Loan Assets by the Trust Depositor to the Issuer hereunder are intended to be a sale, conveyance and transfer of ownership of the Loan Assets, as the case may be, rather than the mere granting of a security interest to secure a borrowing and (ii) such Loan Assets shall not be part of the Seller's or the Trust Depositor's estate in the event of a filing of a bankruptcy petition or other action by or against such Person under any Insolvency Law. In the event, however, that notwithstanding such intent and agreement, such transfers are deemed to be a mere granting of a security interest to secure indebtedness, the Seller shall be deemed to have granted (and as of the Closing Date hereby grants to) the Trust Depositor and the Trust Depositor shall be deemed to have granted (and as of the Closing Date hereby grants) to the Issuer, as the case may be, a perfected first priority security interest in all right, title and interest of the Seller or of the Trust Depositor, respectively, in such Loan Assets and this Agreement shall constitute a security agreement under Applicable Law, securing the repayment of the purchase price paid hereunder, the obligations and/or interests represented by the Securities, in the order and priorities, and subject to the other terms and conditions of, this Agreement, the Indenture and the Trust Agreement, together with such other obligations or interests as may arise hereunder and thereunder in favor of the parties hereto and thereto.

(f) If any such transfer of the Loan Assets is deemed to be the mere granting of a security interest to secure a borrowing, the Trust Depositor may, to secure the Trust Depositor's own borrowing under this Agreement (to the extent that the transfer of the Loan Assets thereunder is deemed to be a mere granting of a security interest to secure a borrowing) repledge and reassign (i) all or a portion of the Loan Assets pledged to Trust Depositor by the Seller and with respect to which the Trust Depositor has not released its security interest at the time of such pledge and assignment, and (ii) all proceeds thereof. Such repledge and reassignment may be made by Trust Depositor with or without a repledge and reassignment by Trust Depositor of its rights under any agreement with the Seller, and without further notice to or acknowledgment from the Seller. The Seller waives, to the extent permitted by applicable law, all claims, causes of action and remedies, whether legal or equitable (including any right of setoff), against Trust Depositor or any assignee of Trust Depositor relating to such action by Trust Depositor in connection with the transactions contemplated by this Agreement.

(g) The Trust Depositor and the Issuer acknowledge and agree (and the Trustee is hereby directed to acknowledge and does acknowledge) that, solely for administrative convenience, any assignment agreement required to be executed and delivered in connection with the transfer of a Loan in accordance with the terms of related Underlying Loan Agreements may reflect that the Seller is assigning such Loan directly to the Issuer. Nothing in such assignment agreements shall be deemed to impair the transfers of the Loan Assets by the Seller to the Trust Depositor in accordance with the terms of the Sale and Contribution Agreement and the subsequent transfer of the Loan Assets by the Trust Depositor to the Issuer in accordance with the terms hereof.

Section 2.02. Conditions to Transfer of Initial Loan Assets to Issuer.

On or before the Closing Date, the Seller or the Trust Depositor, as applicable, shall deliver or cause to be delivered to the Owner Trustee and Trustee each of the documents, certificates and other items as follows:

(a) a certificate of an officer of the Seller substantially in the form of Exhibit C hereto;

(b) copies of resolutions of Horizon, as Seller and Servicer, and the sole member of the Trust Depositor approving the execution, delivery and performance of this Agreement, the Transaction Documents to which it is a party and the transactions contemplated hereunder and thereunder, certified in each case by the Secretary or an Assistant Secretary of Horizon and the sole member of the Trust Depositor;

(c) officially certified evidence dated within 30 days of the Closing Date of due formation and good standing of the Seller under the laws of the State of Delaware;

(d) the initial List of Loans, certified by an officer of the Trust Depositor, together with an Assignment with respect to the Initial Loan Assets substantially in the form of Exhibit A (along with the delivery of any instruments and Loan Files as required under Section 2.08);

(e) a certificate of an officer of the sole member of the Trust Depositor substantially in the form of Exhibit B hereto;

(f) a letter from a nationally recognized accounting firm, addressed to the Seller and the Trust Depositor, stating that such firm has reviewed a sample of ten (10) of the Initial Loans and performed specific procedures for such sample with respect to certain loan terms;

(g) officially certified evidence dated within 30 days of the Closing Date of due organization and good standing of the Trust Depositor under the laws of the State of Delaware;

(h) evidence of the proper filing of a UCC-1 financing statement, naming the Seller as seller or debtor, naming the Trust Depositor as assignor, buyer or secured party, and naming the Issuer as assignee of assignor, buyer or secured party and describing the Loan Assets as collateral, with the office of the Secretary of State of the State of Delaware and in such other locations as required by the applicable UCC; and evidence of the proper filing of a UCC-1 financing statement, naming the Trust Depositor as seller or debtor, naming the Issuer as assignor, buyer or secured party, and naming the Trustee as assignee of assignor, buyer or secured party and describing the Loan Assets as collateral with the office of the Secretary of State of the State of Delaware and in such other locations as required by the applicable UCC; and evidence of proper filing of a UCC-1 financing statement, naming the Issuer as debtor, naming the Trustee as secured party and describing the Collateral as collateral with the office of the Secretary of State of the State of Delaware and in such other locations as required by the applicable UCC;

(i) an Officer's Certificate listing the Servicer's Servicing Officers;

(j) a fully executed copy of each of the Transaction Documents.

On or before the Closing Date, the Servicer shall have notified and directed the Obligor with respect to each such Loan to make all payments on the Loans, whether by wire transfer or otherwise, directly to the Lockbox Account.

Section 2.03. Acceptance by Issuer.

On the Closing Date, if the conditions set forth in Section 2.02 have been satisfied, the Issuer shall issue to, or upon the order of, the Trust Depositor the Certificate representing ownership of a beneficial interest in one hundred percent (100%) of the Issuer and the Issuer shall issue, and the Trustee shall authenticate, to, or upon the order of, the Trust Depositor the Notes secured by the Collateral.

Section 2.04. Conveyance of Substitute Loans.

(a) With respect to any Substitute Loans to be conveyed to the Trust Depositor by the Seller as described in Section 2.06, the Seller hereby sells, transfers, assigns, sets over and otherwise conveys to the Trust Depositor, without recourse other than as expressly provided herein (and the Trust Depositor shall purchase through cash payment and/or by exchange of one or more related Loans released by the Issuer to the Trust Depositor on the related Substitute Loan Cutoff Date), all the right, title and interest of the Seller in and to the Substitute Loans and Related Property.

The purchase price may equal, exceed or be less than the fair market value of such Substitute Loan as of the related Substitute Loan Cutoff Date, plus in each case accrued interest thereon. To the extent the purchase price of any Loan is less than the fair market value thereof, the Seller will be deemed to have made a capital contribution with respect to such excess to the Trust Depositor.

(b) Subject to Sections 2.01(d) and (e) and the conditions set forth in Section 2.06, the Trust Depositor shall sell, transfer, assign, set over and otherwise convey to the Issuer, without recourse other than as expressly provided herein and therein, (i) all the right, title and interest of the Trust Depositor in and to the Substitute Loans and (ii) all other Related Property related to such Substitute Loans (the property in clauses (i) and (ii) above, upon such transfer, becoming part of the Collateral).

(c) The Seller shall transfer to the Trust Depositor under the Sale and Contribution Agreement and the Trust Depositor shall transfer to the Issuer hereunder the applicable Substitute Loans and Related Property only upon the satisfaction of each of the following conditions on or prior to the related Substitute Loan Cutoff Date (in addition to the conditions set forth in Section 2.09):

(i) the Trust Depositor shall have provided the Issuer and the Trustee with timely notice of such substitution, which shall be delivered no later than 11:00 a.m. on the related Substitute Loan Cutoff Date;

(ii) there shall have occurred, with respect to each such Substitute Loan, a corresponding Substitution Event with respect to one or more Loans then in the Collateral;

(iii) the Seller and the Trust Depositor shall have delivered to the Issuer and the Trustee a Subsequent List of Loans listing the applicable Substitute Loans and an assignment agreement as required by the related Underlying Loan Agreement indicating that the Issuer is the holder of the related Substitute Loan;

(iv) the Seller shall have deposited or caused to be deposited in the Collection Account all Collections received by it with respect to the applicable Substitute Loans on and after the related Substitute Loan Cutoff Date;

(v) each of the representations and warranties made by the Trust Depositor pursuant to Sections 3.02 and 3.04 applicable to the Substitute Loans shall be true and correct as of the related Substitute Loan Cutoff Date; and

(vi) the Seller shall bear all incidental transactions costs incurred in connection with a substitution effected pursuant to this Agreement and shall, at its own expense, on or prior to the related Substitute Loan Cutoff Date, indicate in its Computer Records that ownership of each Substitute Loan identified on the Subsequent List of Loans has been sold by the Seller to the Trust Depositor and by the Trust Depositor to the Issuer pursuant to the Transfer and Servicing Agreements.

(d) The Servicer, the Issuer and the Trustee (at the request of the Servicer) shall execute and deliver such instruments, consents or other documents and perform all acts reasonably requested by the Servicer in order to effect the transfer and release of any of the Issuer's interests in the Loans that are being substituted.

Section 2.05. Optional Sales of Loans.

(a) At its option, any Loan may be sold by the Issuer to Horizon (or any of its Affiliates) or a third party if:

(i) such Loan becomes a Defaulted Loan;

(ii) such Loan becomes a Delinquent Loan;

(iii) such Loan becomes a Restructured Loan; or

(iv) the Issuer, in its discretion, elects to sell the Loan.

(b) No optional sale of any Loan (whether to Horizon, any of its affiliates, or a third party) may be executed for a price less than the sum of (i) the Outstanding Loan Balance of such Loan and (ii) interest accrued to the date of such sale on the principal balance of such Loan at the interest rate applicable to such Loan, and any such sale shall be subject to the further limitations described in Section 2.09 below.

The Sale Proceeds from any sale pursuant to this Section 2.05(a) will be deposited into the Collection Account and allocated as provided in Section 7.05. Upon receipt by the Servicer for deposit in the Collection Account of the amounts of Sale Proceeds received in connection with any such sale, the Servicer shall request and the Issuer and the Trustee shall assign to the party designated by the Servicer (or to the Servicer itself) all of the Issuer's and Trustee's right, title and interest in the repurchased Loan and related Loan Assets without recourse, representation or warranty. Thereafter, such reassigned Loan shall no longer be included in the Collateral.

Section 2.06. Optional Substitution of Loans.

(a) At its option, any Loan may be substituted by the Issuer and replaced with a substitute loan (each such Loan, a "Substitute Loan") if any of the following occur (each, a "Substitution Event"):

(i) such Loan becomes a Defaulted Loan;

(ii) such Loan becomes a Delinquent Loan;

(iii) such Loan becomes a Restructured Loan; or

(iv) the Issuer, in its discretion, elects to substitute the Loan.

Any such substitution shall be initiated by delivery of written notice (a "Notice of Substitution") to the Trustee from the Servicer that the Issuer intends to substitute a Loan pursuant to this Section 2.06 and shall be completed prior to 60 days after delivery of such notice. Each Notice of Substitution shall specify the Loan to be substituted, the reasons for such substitution and the Transfer Deposit Amount with respect to the Loan. The price deemed paid by the Issuer for any Substitute Loan shall be an amount equal to the Outstanding Loan Balance thereof, *plus* accrued interest thereon.

(b) No substitution of a Substitute Loan will be permitted unless the Servicer determines that such Substitute Loan is a Qualified Substitute Loan as of the date each such Substitute Loan is transferred to the Issuer.

(c) Any such substitution shall be subject to the further limitations described in Section 2.09 below.

Section 2.07. Release of Excluded Amounts.

(a) The parties hereto acknowledge and agree that the Issuer has no interest in the Excluded Amounts. The Trustee hereby agrees to release to the Issuer from the Loan Assets, and the Issuer hereby agrees to release to the Trust Depositor, any Excluded Amounts immediately upon identification thereof and upon receipt of an Officer's Certificate of the Servicer, which release shall be automatic and shall require no further act by the Trustee or the Issuer; *provided* that the Trustee and Issuer shall execute and deliver such instruments of release and assignment or other documents, or otherwise confirm the foregoing release, as may reasonably be requested by the Trust Depositor in writing. Such Excluded Amounts shall not constitute and shall not be included in the Loan Assets.

(b) Immediately upon the release to the Trust Depositor by the Trustee of any Excluded Amounts, the Trust Depositor hereby irrevocably agrees to release to the Seller such Excluded Amounts, which release shall be automatic and shall require no further act by the Trust Depositor; *provided* that the Trust Depositor shall execute and deliver such instruments of release and assignment or other documents, or otherwise confirm the foregoing release of such Excluded Amounts, as may be reasonably requested by the Seller in writing.

Section 2.08. Delivery of Documents in the Loan File.

(a) Subject to the delivery requirements set forth in Section 2.08(b), the Issuer hereby authorizes and directs the Seller and the Trust Depositor to deliver possession of all the Loan Files to the Custodian on the Trustee's behalf (with copies to be held by the Servicer), on behalf of and for the account of the Noteholders. The Seller and the Trust Depositor shall also identify on the List of Loans (including any deemed amendment thereof associated with any Substitute Loans), whether by attached schedule or marking or other effective identifying designation, all Loans that are evidenced by such instruments.

(b) With respect to each Loan in the Collateral, (i) at least two (2) Business Days before the Closing Date in the case of the Initial Loans and two (2) Business Days before the related Substitute Loan Cutoff Date in the case of any Substitute Loans (or, in each case, such lesser time as shall be acceptable to the Custodian), the Trust Depositor or the Seller will deliver or cause to be delivered to the Custodian on the Trustee's behalf, to the extent not previously delivered, each of the Required Loan Documents with respect to such Loan; and (ii) on or before the Closing Date in the case of the Initial Loans and on or before the related Substitute Loan Cutoff Date in the case of any Substitute Loans (or, in each case, such lesser time as shall be acceptable to the Custodian), the Trust Depositor or the Seller will deliver or cause to be delivered to the Custodian on the Trustee's behalf, to the extent not previously delivered, each of the documents in the Loan File that is not part of the Required Loan Documents with respect to such Loan.

Section 2.09. Limitations on Optional Sale and Substitution.

In no event may (a) the aggregate Outstanding Loan Balance of Delinquent Loans and Restructured Loans optionally sold or substituted by the Issuer hereunder for any reason exceed 7.5% of the Aggregate Outstanding Pool Balance as of the Cutoff Date (the "Cutoff Date Pool Balance"), subject to the limitation in clause (c) below on aggregate optional sales and substitutions with respect to all of the Loans, (b) the aggregate Outstanding Loan Balance of Defaulted Loans sold or substituted by the Issuer exceed 7.5% of the Cutoff Date Pool Balance, subject to the limitation in clause (c) below on aggregate optional sales and substitutions with respect to all of the Loans, or (c) the aggregate Outstanding Loan Balance of all Loans (including any Delinquent Loans, Restructured Loans or Defaulted Loans optionally sold or substituted as described above) optionally sold or substituted by the Issuer for any reason exceed 15% of the Cutoff Date Pool Balance. For the purpose of calculating the percentage of the Cutoff Date Pool Balance comprising Loans that are optionally sold or substituted as described above, any Substitute Loans that have been placed into the Collateral in satisfaction of the Trust Depositor's obligations to repurchase or substitute Loans pursuant to Section 11.01 shall be disregarded.

Section 2.10. Certification by Custodian; Possession of Loan Files.

(a) Review; Certification. On or prior to the Closing Date (in the case of the Initial Loans) or the related Substitute Loan Cutoff Date (in the case of any Substitute Loans), the Custodian shall review the Required Loan Documents in the Loan File that are required to be delivered pursuant to Section 2.08(b) on the Closing Date (in the case of the Initial Loans) or the related Substitute Loan Cutoff Date (in the case of any Substitute Loans), and shall deliver to the Seller, the Trust Depositor, the Trustee, and the Servicer a certification with respect to the Required Loan Documents delivered to it at such time in the form attached hereto as Exhibit L-1 on or prior to the Closing Date (in the case of the Initial Loans) or the related Substitute Loan Cutoff Date (in the case of any Substitute Loans). Within two (2) Business Days after the Custodian receives the Required Loan Documents in the Loan File that are permitted, pursuant to Section 2.08(b), to be delivered after the related Substitute Loan Cutoff Date (in the case of any Substitute Loans), the Custodian shall deliver to the Seller, the Trust Depositor, the Initial Purchaser, the Trustee and the Servicer a certification with respect to the Required Loan Documents delivered to it at such time in the form attached hereto as Exhibit L-1, which updated certification shall supplement any previous certification given. Within 360 days after the Closing Date in the case of the Initial Loans and the related Substitute Loan Cutoff Date in the case of any Substitute Loans, the Custodian shall deliver to the Seller, the Servicer, the Trust Depositor, the Initial Purchaser, the Trustee and any Noteholder who requests a copy from the Trustee a final certification in the form attached hereto as Exhibit L-2. A copy of the final certification will be provided to any Noteholder upon request.

(b) Non-Conforming Loan Files. If the Custodian during the process of reviewing the Loan Files finds any document constituting a part of a Loan File that is not properly executed (if applicable), has not been received, is unrelated to a Loan identified in the List of Loans, or does not conform on its face in a material respect to the requirements of the definition of Loan File, or the description thereof as set forth in the List of Loans, the Custodian shall promptly so notify the Seller, the Trust Depositor and the Servicer in the form of an exception report attached to a certification required to be delivered pursuant to Section 2.10(a). In performing any such review, the Custodian may conclusively rely on the Seller as to the purported genuineness of any such document and any signature thereon. It is understood that the scope of the Custodian's review of the Loan Files is limited solely to confirming that the documents listed in the definition of Required Loan Documents have been executed and received and relate to the Loans identified in the List of Loans. The Seller agrees to use commercially reasonable efforts to remedy a defect in a document constituting part of a Loan File which it is so notified by the Custodian in an exception report and which the Seller, Trust Depositor or Servicer has determined to be material in nature. If, however, within 30 days after determination by the Seller or notice from the Trust Depositor or Servicer that an exception is material, the Seller has not remedied the defect and such defect materially and adversely affects the value of the related Loan, such Loan will be treated as an Ineligible Loan and the Seller will (i) substitute in lieu of such Loan a Substitute Loan in the manner and subject to the conditions set forth in Section 11.01 or (ii) repurchase such Loan at a purchase price equal to the Transfer Deposit Amount, which purchase price shall be deposited in the Collection Account within such 30 day period. For the avoidance of doubt, neither the Trustee nor the Custodian shall be responsible for determining whether an item listed on an exception report constitutes a material defect or whether such defect materially and adversely affects the value of the related Loan.

(c) Release of Entire Loan File upon Sale, Substitution or Repurchase. Subject to Section 5.08(a), upon receipt by the Custodian of a certification of a Servicing Officer of the Servicer of such substitution or of such purchase and the deposit of the amounts then required to be deposited as described in Section 2.05, Section 2.06, Section 2.10(b) or Section 11.01, as applicable, in the Collection Account (which certification shall be in the form of Exhibit M hereto), the Trustee (or the Custodian on its behalf) shall release and ship to the Servicer for release to the Seller the related Loan File and, upon request, the Trustee and the Issuer shall execute, without recourse, and deliver such instruments of transfer necessary to transfer all right, title and interest in such Loan to the Seller free and clear of any Liens created by the Transaction Documents. All costs of any such transfer shall be borne by the Seller.

(d) Partial Release of Loan File and/or Related Property. Subject to Section 5.08(b), if in connection with taking any action in connection with a Loan (including, without limitation, the amendment to documents in the Loan File and/or a revision to Related Property) the Servicer requires any item constituting part of the Loan File, or the release from the Lien of the related Loan of all or part of any Related Property, the Servicer shall deliver to the Custodian a certificate to such effect in the form attached as Exhibit M hereto. Subject to Section 5.08(d), upon receipt of such certification, the Custodian shall ship for delivery to the Servicer within two (2) Business Days of such request (if such request was received by 2:00 p.m., central time), the requested documentation, and upon request, the Trustee shall execute, without recourse, and deliver such instruments of transfer necessary to release all or the requested part of the Related Property from the Lien of the related Loan and/or the Lien under the Transaction Documents.

(e) Annual Certification. Within ninety (90) days of the beginning of each calendar year, commencing in 2014, the Custodian shall deliver to the Seller, the Trust Depositor and the Servicer a certification in the form of Exhibit K.

Notwithstanding any language to the contrary herein, neither the Trustee nor the Custodian makes any representations as to, and shall not be responsible to verify, (i) the validity, legality, enforceability, due authorization, recordability, sufficiency for any purpose, or genuineness of any of the documents contained in each Loan File or (ii) the collectability, insurability, effectiveness or suitability of any such Loan Asset. In its review of documents and instruments pursuant to this Agreement, the Custodian and Trustee shall be under no duty or obligation to inspect, review or examine the Loan Files to determine that the contents thereof are genuine, enforceable or appropriate for the represented purpose or that they are other than what they purport to be on their face.

ARTICLE 3.

REPRESENTATIONS AND WARRANTIES

The Trust Depositor makes, and upon each conveyance of Substitute Loans, is deemed to make, the representations and warranties in Section 3.01 through Section 3.04, on which the Issuer will rely in purchasing the Initial Loan Assets on the Closing Date (and, any Substitute Loan Assets on the relevant Substitute Loan Cutoff Date), and on which the Securityholders will rely.

Such representations and warranties are given as of the execution and delivery of this Agreement and as of the Closing Date (or Substitute Loan Cutoff Date, as applicable), but shall survive the sale, transfer and assignment of the Loan Assets to the Issuer. The repurchase obligation or substitution obligation of the Trust Depositor set forth in Section 11.01 constitutes the sole remedy available for a breach of a representation or warranty of the Trust Depositor set forth in Section 3.01 through Section 3.04 of this Agreement.

Section 3.01. Representations and Warranties Regarding the Trust Depositor.

The Trust Depositor represents and warrants to the Issuer and the Trustee that:

(a) Organization and Good Standing. The Trust Depositor is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware and has the power to own its assets and to transact the business in which it is currently engaged. The Trust Depositor is duly qualified to do business and is in good standing in each jurisdiction in which the character of the business transacted by it or properties owned or leased by it requires such qualification and in which the failure so to qualify would reasonably be expected to have a material adverse effect on the business, properties, assets, or condition (financial or otherwise) of the Trust Depositor or the Issuer.

(b) Authorization; Valid Sale; Binding Obligations. The Trust Depositor has the power and authority to make, execute, deliver and perform this Agreement and the other Transaction Documents to which it is a party and all of the transactions contemplated under this Agreement and the other Transaction Documents to which it is a party, and to create the Issuer and cause it to make, execute, deliver and perform its obligations under this Agreement and the other Transaction Documents to which the Issuer is a party, and the Trust Depositor has taken all necessary limited liability company action to authorize the execution, delivery and performance of this Agreement and the other Transaction Documents to which it is a party. This Agreement shall effect a valid sale, transfer and assignment of or grant a security interest in the Loan Assets from the Trust Depositor to the Issuer. This Agreement and the other Transaction Documents to which the Trust Depositor is a party constitute the legal, valid and binding obligation of the Trust Depositor enforceable in accordance with their respective terms, except as enforcement of such terms may be limited by applicable Insolvency Laws and general principles of equity, whether considered in a suit at law or in equity.

(c) No Consent Required. The Trust Depositor is not required to obtain the consent of any other party (other than those that it has already obtained) or any consent, license, approval or authorization from, or registration or declaration with, any Governmental Authority (other than (i) the filing of UCC financing statements and (ii) those that it has already obtained) in connection with the execution, delivery, performance, validity or enforceability of this Agreement or the other Transaction Documents to which it is a party.

(d) No Violations. The execution, delivery and performance of this Agreement and the other Transaction Documents to which it is a party by the Trust Depositor, and the consummation of the transactions contemplated hereby and thereby, will not violate in any material respect any Applicable Law applicable to the Trust Depositor, or conflict with, result in a default under or constitute a breach of the Trust Depositor's organizational documents or material Contractual Obligations to which the Trust Depositor is a party or by which the Trust Depositor or any of the Trust Depositor's properties may be bound, or result in the creation or imposition of any Lien of any kind upon any of its properties pursuant to the terms of any such material Contractual Obligations, other than as contemplated by the Transaction Documents.

(e) Litigation. No litigation or administrative proceeding of or before any court, tribunal or governmental body is currently pending, or to the knowledge of the Trust Depositor threatened, against the Trust Depositor or any of its properties or with respect to this Agreement, the other Transaction Documents to which it is a party or the Securities (i) that, if adversely determined, would in the reasonable judgment of the Trust Depositor be expected to have a material adverse effect on the business, properties, assets or condition (financial or otherwise) of the Trust Depositor or the Issuer or the transactions contemplated by this Agreement or the other Transaction Documents to which the Trust Depositor is a party or (ii) seeking to adversely affect the federal income tax or other federal, state or local tax attributes of the Certificate or Notes.

(f) Solvency. The Trust Depositor, at the time of and after giving effect to each conveyance of Loan Assets hereunder, is Solvent on and as of the date thereof.

(g) Taxes. The Trust Depositor has filed or caused to be filed all tax returns which, to its knowledge, are required to be filed and has paid all taxes shown to be due and payable on such returns or on any assessments made against it or any of its property and all other taxes, fees or other charges imposed on it or any of its property by any Governmental Authority (other than any amount of tax due, the validity of which is currently being contested in good faith by appropriate proceedings and with respect to which reserves in accordance with generally accepted accounting principles have been provided on the books of the Trust Depositor); no tax Lien has been filed and, to the Trust Depositor's knowledge, no claim is being asserted, with respect to any such tax, fee or other charge.

(h) Place of Business; No Changes. The Trust Depositor's location (within the meaning of Article 9 of the UCC) is the State of Delaware. The Trust Depositor has not changed its name, whether by amendment of its certificate of formation, by reorganization or otherwise, and has not changed its location within the 4-months preceding the Closing Date.

(i) Not an Investment Company. The Trust Depositor is not and, after giving effect to the transactions contemplated by the Transaction Documents, will not be required to be registered as an "investment company" under the 1940 Act.

(j) Sale Treatment. Other than for accounting and tax purposes, the Trust Depositor has treated the transfer of Loan Assets to the Issuer for all purposes as a sale and purchase on all of its relevant books and records and other applicable documents.

(k) Security Interest.

(i) This Agreement creates a valid and continuing security interest (as defined in the applicable UCC) in favor of the Issuer in all right, title and interest of Trust Depositor in the Loan Assets, which security interest is prior to all other Liens (except for Permitted Liens), and is enforceable as such against creditors of and purchasers from the Trust Depositor;

(ii) the Loans, along with the related Loan Files, constitute "general intangibles," "instruments," "accounts," "investment property," or "chattel paper," within the meaning of the applicable UCC;

(iii) the Trust Depositor owns and has, and upon the sale and transfer thereof by the Trust Depositor to the Issuer, the Issuer will have, good and marketable title to the Loan Assets free and clear of any Lien (other than Permitted Liens), claim or encumbrance of any Person;

(iv) the Trust Depositor has received all consents and approvals required by the terms of the Loan Assets to the sale of the Loan Assets hereunder to the Issuer;

(v) the Trust Depositor has caused the filing of all appropriate financing statements in the proper filing office in the appropriate jurisdictions under Applicable Law in order to perfect the security interest in the Loan Assets granted to the Issuer under this Agreement to the extent perfection can be achieved by filing a financing statement;

(vi) other than the security interest granted to the Issuer pursuant to this Agreement, the Trust Depositor has not pledged, assigned, sold, granted a security interest in or otherwise conveyed any of the Loan Assets. The Trust Depositor has not authorized the filing of and is not aware of any financing statements naming the Trust Depositor as debtor that include a description of collateral covering the Loan Assets other than any financing statement (A) relating to the security interest granted by the Trust Depositor under this Agreement, or (B) that has been terminated or for which a release or partial release has been filed. The Trust Depositor is not aware of the filing of any judgment or tax Lien filings against the Trust Depositor;

(vii) all original executed copies of each Underlying Note (if any) that constitute or evidence the Loan Assets have been delivered to the Trustee;

(viii) the Trust Depositor has received a written acknowledgment from the Trustee that the Trustee or its bailee is holding any Underlying Notes that constitute or evidence any Loan Assets solely on behalf of and for the benefit of the Securityholders; and

(ix) none of the Underlying Notes that constitute or evidence any Loan Assets has any marks or notations indicating that they have been pledged, assigned or otherwise conveyed to any Person other than the Issuer and the Trustee.

(l) Value Given. The cash payments and the Certificate received by the Trust Depositor in respect of the purchase price of the Loan Assets sold hereunder constitute reasonably equivalent value in consideration for the transfer to the Issuer of such Loan Assets under this Agreement, such transfer was not made for or on account of an antecedent debt owed by the Seller to the Trust Depositor, and such transfer was not and is not voidable or subject to avoidance under any Insolvency Law.

(m) Investment Company. The Issuer is not and, after giving effect to the transactions contemplated by the Transaction Documents, will not be required to be registered as an "investment company" within the meaning of the 1940 Act.

(n) No Defaults. The Trust Depositor is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or governmental agency, which default would reasonably be expected to have consequences that would materially and adversely affect the condition (financial or otherwise) or operations of the Trust Depositor or its respective properties or might have consequences that would materially and adversely affect its performance hereunder.

(o) Bulk Transfer Laws. The transfer, assignment and conveyance of the Loans by the Trust Depositor pursuant to this Agreement are not subject to the bulk transfer laws or any similar statutory provisions in effect in any applicable jurisdiction.

(p) Origination and Collection Practices. The origination and collection practices used by any Affiliate of the Trust Depositor with respect to each Loan have been consistent with the Servicing Standard and have complied with the Credit and Collection Policy in all material respects.

(q) [Reserved].

(r) Lack of Intent to Hinder, Delay or Defraud. Neither the Trust Depositor nor any of its Affiliates sold, or will sell, any interest in any Loan Asset with any intent to hinder, delay or defraud any of their respective creditors.

(s) Nonconsolidation. The Trust Depositor conducts its affairs such that the Issuer would not be substantively consolidated in the estate of the Trust Depositor and their respective separate existences would not be disregarded in the event of the Trust Depositor's bankruptcy.

(t) Accuracy of Information. All written factual information heretofore furnished by the Trust Depositor for purposes of or in connection with this Agreement or the other Transaction Documents to which Trust Depositor is a party, or any transaction contemplated hereby or thereby is, and all such written factual information hereafter furnished by the Trust Depositor to any party to the Transaction Documents will be, true and accurate in all material respects, on the date such information is stated or certified; *provided* that the Trust Depositor shall not be responsible for any factual information furnished to it by any third party not affiliated with it, or the Seller or the Servicer, except to the extent that a Responsible Officer of the Trust Depositor has actual knowledge that such factual information is inaccurate in any material respect.

The representations and warranties set forth in Section 3.01(k) may not be waived by any Person and shall survive the termination of this Agreement. The Trust Depositor and Issuer shall provide the Rating Agency with prompt written notice upon obtaining knowledge of any breach of the representations and warranties set out in Section 3.01(k).

Section 3.02. Representations and Warranties Regarding Each Loan and as to Certain Loans in the Aggregate.

The Trust Depositor represents and warrants as to each Initial Loan as of the Closing Date, and as of each Substitute Loan Cutoff Date with respect to each Substitute Loan, that:

(a) List of Loans. The information set forth in the List of Loans attached hereto as Exhibit G (as the same may be amended or deemed amended in respect of a conveyance of Substitute Loans on a Substitute Loan Cutoff Date) is true, complete and correct as of the Closing Date and each Substitute Loan Cutoff Date, as applicable.

(b) Eligible Loan. Such Loan satisfies the criteria for the definition of Eligible Loan set forth in this Agreement as of the date of its conveyance hereunder.

Section 3.03. [Reserved].

Section 3.04. Representations and Warranties Regarding the Required Loan Documents.

The Trust Depositor represents and warrants on the Closing Date with respect to the Initial Loans (or as of the related Substitute Loan Cutoff Date, with respect to Substitute Loans), that except as otherwise provided in Section 2.08, the Required Loan Documents and each other item included in the Loan File for each Loan are in the possession of the Trustee (or the Custodian, on behalf of the Trustee).

Section 3.05. [Reserved].

Section 3.06. Representations and Warranties Regarding the Servicer.

The initial Servicer represents and warrants to the Owner Trustee and the Trustee that:

(a) Organization and Good Standing. The Servicer is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of formation and has the power to own its assets and to transact the business in which it is currently engaged. The Servicer is duly qualified to do business and is in good standing in each jurisdiction in which the character of the business transacted by it or properties owned or leased by it requires such qualification and in which the failure so to qualify would have a material adverse effect on the business, properties, assets, or condition (financial or otherwise) of the Servicer or the Issuer. The Servicer is properly licensed in each jurisdiction to the extent required by the laws of such jurisdiction to service the Loans in accordance with the terms hereof and in which the failure to so qualify would reasonably be expected to have a material adverse effect on the business, properties, assets, or condition (financial or otherwise) of the Servicer or Issuer.

(b) Authorization; Binding Obligations. The Servicer has the power and authority to make, execute, deliver and perform this Agreement and the other Transaction Documents to which the Servicer is a party and all of the transactions contemplated under this Agreement and the other Transaction Documents to which the Servicer is a party, and has taken all necessary corporate action to authorize the execution, delivery and performance of this Agreement and the other Transaction Documents to which the Servicer is a party. This Agreement and the other Transaction Documents to which the Servicer is a party constitute the legal, valid and binding obligations of the Servicer enforceable in accordance with their respective terms, except as enforcement of such terms may be limited by applicable Insolvency Laws and general principles of equity, whether considered in a suit at law or in equity.

(c) No Consent Required. The Servicer is not required to obtain the consent of any other party (other than those that it has already obtained) or any consent, license, approval or authorization from, or registration or declaration with, any Governmental Authority (other than those that it has already obtained) in connection with the execution, delivery, performance, validity or enforceability of this Agreement or the other Transaction Documents to which the Servicer is a party.

(d) No Violations. The execution, delivery and performance by the Servicer of this Agreement and the other Transaction Documents to which the Servicer is a party will not violate any Applicable Law applicable to the Servicer, or conflict with, result in a default under or constitute a breach of the Servicer's organizational documents or any material Contractual Obligations to which the Servicer is a party or by which the Servicer or any of the Servicer's properties may be bound, or result in the creation of or imposition of any Lien of any kind upon any of its properties pursuant to the terms of any such material Contractual Obligations, other than as contemplated by the Transaction Documents.

(e) Litigation. No litigation or administrative proceeding of or before any court, tribunal or governmental body is currently pending, or to the knowledge of the Servicer threatened, against the Servicer or any of its properties or with respect to this Agreement, or any other Transaction Document to which the Servicer is a party that, if adversely determined, would in the reasonable judgment of the Servicer be expected to have a material adverse effect on the business, properties, assets or condition (financial or otherwise) of the Servicer or the Issuer or the transactions contemplated by this Agreement or any other Transaction Document to which the Servicer is a party.

(f) Reports. All reports, certificates and other written information furnished by the Servicer with respect to the Loans are correct in all material respects on the date such information is furnished or certified; *provided* that the Servicer shall not be responsible for any information furnished to it by any third party not affiliated with the Servicer contained in any such reports, certificates or other written information, except to the extent that a Responsible Officer of the Servicer has actual knowledge that such factual information is inaccurate in any material respect.

Section 3.07. Representations of the Backup Servicer. The Backup Servicer represents and warrants to the Owner Trustee and the Trustee that:

(a) Organization and Good Standing. The Backup Servicer has been duly organized and is validly existing and in good standing under the laws of its jurisdiction of organization, with power, authority and legal right to own its properties and to conduct its business as such properties are currently owned and such business is currently conducted, and had at all relevant times, and now has, power, authority and legal right to enter into and perform its obligations under this Agreement;

(b) Due Qualification. The Backup Servicer is duly qualified to do business, is in good standing and has obtained all necessary licenses and approvals, in all jurisdictions in which the ownership or lease of property or the conduct of its business (including the servicing of the Loans as required by this Agreement) requires or shall require such qualification;

(c) Power and Authority. The Backup Servicer has the power and authority to execute and deliver this Agreement and the other Transaction Documents to which the Backup Servicer is a party and to carry out its terms and their terms, respectively, and the execution, delivery and performance of this Agreement and the other Transaction Documents to which the Backup Servicer is a party have been duly authorized by the Backup Servicer by all necessary corporate action;

(d) Binding Obligation. This Agreement and the other Transaction Documents to which the Backup Servicer is a party shall constitute the legal, valid and binding obligations of the Backup Servicer enforceable in accordance with their respective terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, or other similar laws affecting the enforcement of creditors' rights generally and by equitable limitations on the availability of specific remedies, regardless of whether such enforceability is considered in a proceeding in equity or at law;

(e) No Violation. The consummation of the transactions contemplated by this Agreement and the other Transaction Documents to which the Backup Servicer is a party, and the fulfillment of the terms of this Agreement and the other Transaction Documents to which the Backup Servicer is a party, shall not conflict with, result in any breach of any of the terms and provisions of, or constitute (with or without notice or lapse of time) a default under, the articles of incorporation or bylaws of the Backup Servicer, or any indenture, agreement, mortgage, deed of trust or other instrument to which the Backup Servicer is a party or by which it is bound, or result in the creation or imposition of any Lien upon any of its properties pursuant to the terms of any such indenture, agreement, mortgage, deed of trust or other instrument, other than this Agreement, or violate any law, order, rule or regulation applicable to the Backup Servicer of any court or of any federal or state regulatory body, administrative agency or other governmental instrumentality having jurisdiction over the Backup Servicer or any of its properties;

(f) No Proceedings. There are no proceedings or investigations pending or, to the Backup Servicer's knowledge, threatened against the Backup Servicer, before any court, regulatory body, administrative agency or other tribunal or governmental instrumentality having jurisdiction over the Backup Servicer or its properties (A) asserting the invalidity of this Agreement or any of the Transaction Documents to which the Backup Servicer is a party, (B) seeking to prevent the issuance of the Notes or the consummation of any of the transactions contemplated by this Agreement or any of the Transaction Documents to which the Backup Servicer is a party, (C) seeking any determination or ruling that would reasonably be expected to materially and adversely affect the performance by the Backup Servicer of its obligations under, or the validity or enforceability of, this Agreement or any of the Transaction Documents to which the Backup Servicer is a party or (D) seeking to adversely affect the federal income tax or other federal, state or local tax attributes of the Notes;

(g) No Consents. The Backup Servicer is not required to obtain the consent of any other party or any consent, license, approval or authorization, or registration or declaration with, any governmental authority, bureau or agency in connection with the execution, delivery, performance, validity or enforceability of this Agreement which has not already been obtained.

ARTICLE 4.

PERFECTION OF TRANSFER AND
PROTECTION OF SECURITY INTERESTS

Section 4.01. Custody of Loans.

The contents of each Loan File shall be held in the custody of the Custodian (on behalf of the Trustee) under the Indenture for the benefit of, and as agent for, the Securityholders.

Section 4.02. Filing.

On the Closing Date, the Seller, Trust Depositor and Servicer shall cause the UCC financing statement(s) referred to in Section 2.02(h) hereof to be filed, and from time to time the Servicer, on behalf of the Issuer, shall take and cause to be taken such actions and execute such documents as are necessary or desirable or as the Issuer or Trustee (acting at the direction of the Majority Noteholders) may reasonably request to perfect and protect the Trustee's first priority perfected security interest in the Loan Assets against all other Persons, including, without limitation, the filing of financing statements, amendments thereto and continuation statements, the execution of transfer instruments and the making of notations on or taking possession of all records or documents of title. Notwithstanding the obligations of the Seller, Trust Depositor and Servicer set forth in the preceding sentence, the Issuer hereby authorizes the Servicer to prepare and file, at the expense of the initial Servicer, such UCC financing statements (including but not limited to renewal, continuation or in lieu statements) and amendments or supplements thereto or other instruments as the Servicer may from time to time deem necessary or appropriate in order to perfect and maintain the security interest granted hereunder in accordance with the UCC.

Section 4.03. Changes in Name, Organizational Structure or Location.

(a) During the term of this Agreement, none of the Seller, the Servicer, the Trust Depositor or the Issuer shall change its name, form of organization, existence, state of formation or location without first giving at least 30 days' prior written notice to the other parties hereto and the Owner Trustee.

(b) If any change in either the Servicer's, the Seller's or the Trust Depositor's name, form of organization, existence, state of formation, location or other action would make any financing or continuation statement or notice of ownership interest or Lien relating to any Loan Asset seriously misleading within the meaning of applicable provisions of the UCC or any title statute, the Servicer, no later than ten (10) Business Days after the effective date of such change, shall file such amendments as may be required (including, but not limited to, any filings and other acts necessary or advisable under the UCC of each relevant jurisdiction) to preserve and protect the Trustee's security interest in the Loan Assets and the proceeds thereof.

Section 4.04. Costs and Expenses.

The initial Servicer agrees to pay all reasonable costs and disbursements in connection with the perfection and the maintenance of perfection, as against all third parties, of the Trustees' and Issuer's right, title and interest in and to the Loan Assets (including, without limitation, the security interest in the Related Property related thereto and the security interests provided for in the Indenture); *provided* that to the extent permitted by the Required Loan Documents, the Servicer may seek reimbursement for such costs and disbursements from the related Obligors.

Section 4.05. Sale Treatment.

Other than for accounting and tax purposes, the Trust Depositor shall treat the transfer of Loan Assets made hereunder for all purposes as a sale and purchase on all of its relevant books and records.

Section 4.06. Separateness from Trust Depositor.

The Seller agrees to take or refrain from taking or engaging in with respect to the Trust Depositor each of the actions or activities specified in the "substantive consolidation" opinion of Dechert LLP (including any certificates of the Seller delivered in connection therewith) delivered on the Closing Date, upon which the conclusions therein are based.

ARTICLE 5.

SERVICING OF LOANS

Section 5.01. Appointment and Acceptance.

(a) Horizon is hereby appointed as Servicer pursuant to this Agreement and pursuant to the other Transaction Documents under which the Servicer has any rights, duties or obligations. Horizon accepts such appointment and agrees to act as the Servicer pursuant to this Agreement and pursuant to the other Transaction Documents under which Horizon, as Servicer, has any rights, duties or obligations.

(b) U.S. Bank National Association is hereby appointed as Backup Servicer pursuant to this Agreement and pursuant to the other Transaction Documents under which the Backup Servicer has any rights, duties or obligations. U.S. Bank National Association hereby accepts such appointment and agrees to act as the Backup Servicer pursuant to this Agreement and pursuant to the other Transaction Documents under which U.S. Bank National Association, as Backup Servicer, has any rights, duties or obligations.

Section 5.02. Duties of the Servicer and the Backup Servicer.

(a) The Servicer, as an independent contract servicer, shall service and administer the Loans (including, with respect to Co-Lender Loans, the Issuer's interest as a lender thereunder) and shall have full power and authority, acting alone, to do any and all things in connection with such servicing and administration which the Servicer may deem necessary or desirable and consistent with the terms of this Agreement, the Credit and Collection Policy and the Servicing Standard and the Issuer's rights under the applicable Underlying Loan Agreements. The parties hereto each acknowledge, and the Noteholders and the Certificateholder are hereby deemed to acknowledge, that the Servicer, as Servicer under this Agreement, possesses only such rights with respect to the enforcement of rights and remedies with respect to the Loans and the Related Property and under the Required Loan Documents as those which have been transferred to the Issuer with respect to the related Loan. Therefore, the provisions of this Article V shall only apply to Co-Lender Loans with respect to which the Servicer is the lead agent and to the extent not inconsistent with the related Required Loan Documents.

(b) The Servicer may perform its duties directly or, consistent with the Servicing Standard, through agents, accountants, experts, attorneys, brokers, consultants or nominees selected with reasonable care by the Servicer. The Servicer will remain fully responsible and fully liable for its duties and obligations hereunder and under any other Transaction Document notwithstanding any such delegation to a third party. Performance by any such third party of any of the duties of the Servicer hereunder or under any other Transaction Document shall be deemed to be performance thereof by the Servicer. In addition, the Servicer may enter into Subservicing Agreements for any servicing and administration of Loans with any entity; *provided* that for any Subservicing Agreement that delegates all or substantially all of the Servicer's duties hereunder, the Holders of 100% of the Notes shall have consented in writing to such Subservicing Agreement and the Servicer shall have provided the Rating Agency with written notice of such Subservicing Agreement; *provided*, *further*, that the Backup Servicer shall not be required to obtain such consent if, after such time as the Backup Servicer shall have become the Servicer hereunder, it shall enter into a Subservicing Agreement that delegates all or substantially all of the Servicer's duties hereunder. The Servicer shall be entitled to terminate any Subservicing Agreement in accordance with the terms and conditions of such Subservicing Agreement and to either itself directly service the related Loans or enter into a Subservicing Agreement with a successor Subservicer as permitted in this clause (b); *provided* that the Servicer shall promptly notify the Rating Agencies of the termination of any Subservicing Agreement that had delegated all or substantially all of the Servicer's duties hereunder. Notwithstanding any Subservicing Agreement, any of the provisions of this Agreement relating to agreements or arrangements between the Servicer and a Subservicer or referencing actions taken through a Subservicer or otherwise, so long as this Agreement shall remain effective, the Servicer shall remain obligated and primarily liable to the Trustee, for itself and on behalf of the Issuer, for the servicing and administering of the Loans in accordance with the provisions of this Agreement, the Credit and Collection Policy and the Servicing Standard, without diminution of such obligation or liability by virtue of such Subservicing Agreements or other arrangements with third parties pursuant to this clause (b) or by virtue of indemnification from the Subservicer and to the same extent and under the same terms and conditions as if the Servicer alone were servicing and administering the Loans. For purposes of this Agreement, the Servicer shall be deemed to have received payments on Loans when any Subservicer has received such payments. The Servicer shall be entitled to enter into any agreement with a Subservicer for indemnification of the Servicer by such Subservicer, and nothing contained in this Agreement shall be deemed to limit or modify such indemnification.

(c) Any Subservicing Agreement that may be entered into and any transactions or services relating to the Loans involving a Subservicer in its capacity as such and not as an originator shall be deemed to be between the Subservicer and the Servicer alone, and the Trustee and the Securityholders shall not be deemed parties thereto and shall have no claims, rights, obligations, duties or liabilities with respect to the Subservicer except as set forth in Section 5.02(d). Notwithstanding the foregoing, the Servicer shall (i) at its expense and without reimbursement, deliver to the Trustee a copy of each Subservicing Agreement and (ii) provide notice of the termination of any Subservicer within a reasonable time after such Subservicer's termination to the Trustee.

(d) In the event the initial Servicer shall for any reason no longer be the Servicer, the initial Servicer at its expense and without right of reimbursement therefor, shall, upon request of the Trustee, deliver to the Backup Servicer all documents and records (including computer tapes and diskettes) in its possession relating to each Subservicing Agreement and the Loans then being serviced hereunder and an accounting of amounts collected and held by it hereunder and otherwise use its best efforts to effect the orderly and efficient transfer of the Subservicing Agreements and of any other arrangements with third parties pursuant to clause (a) of this Section 5.02 to the Backup Servicer to the extent permitted thereby.

(e) Modifications and Waivers Relating to Loans.

(i) So long as it is consistent with the Credit and Collection Policy and the Servicing Standard, the Servicer may agree to waive, modify or vary any term of any Loan, if in the Servicer's determination such waiver, modification or variance will not be materially adverse to the interests of the Noteholders; *provided* that the Servicer may not:

(1) agree to amend, waive, modify or vary any Loan in any manner that would extend the stated maturity date of such Loan beyond the Legal Final Payment Date; or

(2) enter into any amendment, waiver, modification or variance with respect to any Loan for the purpose or with the intention of causing a Substitution Event to occur with respect to such Loan solely in order to render such Loan eligible for repurchase or substitution hereunder.

(ii) Except as expressly set forth in Section 5.02(e)(i), the Servicer may execute any amendments, waivers, modifications or variances related to such Loan and any documents related thereto on behalf of the Issuer.

(iii) [Reserved].

(iv) Although costs incurred by the Servicer or any Subservicer in respect of Servicing Advances, including any interest owed with respect thereto, may be added to the amount owing by the Obligor under the related Loan, such amounts shall not be so added for the purposes of calculating distributions to Noteholders. Any fees and costs imposed in connection therewith on the Obligor of the related Loan, and any reimbursement of Servicing Advances by any Obligor or out of Sale Proceeds, Liquidation Proceeds or Insurance Proceeds, in each case, received with respect to the related Loan or its Related Property shall be withdrawn and payable to the Servicer from the Collection Account pursuant to Section 7.03(h) as additional servicing compensation or reimbursement, as applicable. Without limiting the generality of the foregoing, so long as it is consistent with the Credit and Collection Policy and the Servicing Standard, the Servicer shall continue, and is hereby authorized and empowered to execute and deliver on behalf of the Issuer, the Trustee and each Securityholder, all instruments of amendment, waiver, satisfaction or cancellation, or of partial or full release, discharge and all other comparable instruments, with respect to the Loans and with respect to any Related Property. Such authority shall include, but not be limited to, the authority to substitute or release items of Related Property consistent with the Credit and Collection Policy and the Servicing Agreement and sell Loans previously transferred to the Issuer. The Issuer and the Trustee have granted a power of attorney to the Servicer with respect thereto, pursuant to Section 5.02(t). In connection with any such sale, the Servicer shall deposit in the Collection Account, pursuant to Section 7.03(b), all proceeds received upon such sale (other than Excluded Amounts). If reasonably required by the Servicer, the Issuer and the Trustee shall furnish the Servicer, within five (5) Business Days of receipt of the Servicer's request, with any powers of attorney and other documents necessary or appropriate to enable the Servicer to carry out its servicing and administrative duties under this Agreement or under any of the other Transaction Documents. Any such request by the Servicer to the Issuer or the Trustee shall be accompanied by a certification in the form of Exhibit F attached hereto signed by a Servicing Officer. In connection with any substitution of Related Property, the Servicer shall deliver to the Trustee the items required by, and within the time frame set forth in, Section 2.08, assuming that the date of substitution is the relevant Substitute Loan Cutoff Date.

(v) The Servicer will not be in breach of its obligations under this Agreement by reason of any waiver, modification or variance taken by the administrative agent, syndicate agent or other Person acting in a similar capacity in respect of a Co-Lender Loan at the direction of the requisite percentage of the lenders in violation of this Agreement if the Servicer, acting on behalf of the Issuer, did not consent to such waiver, modification or variance on behalf of the Issuer.

(f) The Servicer shall service and administer the Loans (including collection, foreclosure, foreclosed property and repossessed collateral management procedures other than for Co-Lender Loans, and with respect to Co-Lender Loans, the Issuer's interest as a lender or purchaser thereunder) in accordance with the Required Loan Documents, the Credit and Collection Policy and the Servicing Standard.

(g) In accordance with the power set forth in Section 2.01(a), the initial Servicer shall perform the duties of the Issuer under the Transaction Documents. In furtherance of the foregoing, the initial Servicer shall consult with the Owner Trustee as the Servicer deems appropriate regarding the duties of the Issuer under the Transaction Documents. The initial Servicer shall monitor the performance of the Issuer and the Owner Trustee of their respective duties under the Transaction Documents and shall advise the Owner Trustee when action is necessary to comply with the Issuer's or the Owner Trustee's duties under the Transaction Documents. The initial Servicer shall prepare for execution by the Owner Trustee or the Issuer or shall cause the preparation by other appropriate Persons of all such documents, reports, filings, instruments, certificates and opinions as it shall be the duty of the Issuer or the Owner Trustee to prepare, file or deliver pursuant to the Transaction Documents.

(h) In addition to the duties of the Servicer set forth in this Agreement or any of the Transaction Documents, the initial Servicer shall perform or shall cause to be performed such calculations and shall prepare for execution by the Issuer or the Owner Trustee or shall cause the preparation by other appropriate Persons of all such documents, reports, filings, instruments, certificates and opinions as it shall be the duty of the Issuer to prepare, file or deliver pursuant to state and federal tax and securities laws. In accordance with the directions of the Issuer or the Owner Trustee, as applicable, the initial Servicer shall administer, perform or supervise the performance of such other activities in connection with the Issuer as are not covered by any of the foregoing provisions and as are expressly requested by the Issuer or the Owner Trustee and are reasonably within the capability of the Servicer. The Servicer is hereby authorized to execute documents, instruments and certificates on behalf of the Issuer.

(i) Notwithstanding anything in this Agreement or any of the Transaction Documents to the contrary, the Servicer shall be responsible for promptly (upon a Responsible Officer of the Servicer having actual knowledge thereof) notifying the Owner Trustee and the Trustee in the event that any withholding tax is imposed on the Issuer's payments (or allocations of income) to a Securityholder. Any such notice shall be in writing and specify the amount of any withholding tax required to be withheld by the Owner Trustee or the Trustee pursuant to such provision.

(j) All tax returns required to be signed by the Issuer, if any, will be signed by the Servicer (so long as the Servicer is the Seller) on behalf of the Issuer if permitted under applicable law and otherwise by the Owner Trustee on behalf of the Issuer.

(k) The Servicer shall maintain appropriate books of account and records relating to services performed under this Agreement, which books of account and records shall be reasonably accessible for inspection by the Owner Trustee and Trustee at any time during the Servicer's normal business hours upon not less than three (3) Business Days' prior written notice.

(l) The Servicer shall provide written notice of any material change to the Servicing Standard and the Credit and Collection Policy to the Rating Agency, the Backup Servicer and the Trustee.

(m) For so long as any of the Notes are outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) of the Securities Act, (i) the initial Servicer will provide or cause to be provided to any holder of such Notes and any prospective purchaser thereof designated by such holder, upon the request of such a holder or prospective purchaser, the information required to be provided to such holder or prospective purchaser by Rule 144A(d)(4) under the Securities Act; and (ii) the initial Servicer shall update such information from time to time in order to prevent such information from becoming false and misleading and will take such other actions as are necessary to ensure that the safe harbor exemption from the registration requirements of the Securities Act under Rule 144A is and will be available for resales of such Notes conducted in accordance with Rule 144A.

(n) The initial Servicer will keep in full force and effect its existence, rights and franchise as a Delaware corporation, and the Servicer shall obtain and preserve its qualification to do business in each jurisdiction in which such qualification is or shall be necessary to protect the validity and enforceability of this Agreement and of any of the Loans and to perform its duties under this Agreement.

(o) The Servicer shall be entitled to reimbursement for any Servicing Advances or Scheduled Payment Advances from Collections. Notwithstanding anything contained herein to the contrary, in no event shall the application of Scheduled Payment Advances prevent a Loan from being or becoming a Defaulted Loan.

(p) The Servicer shall not be responsible for any taxes payable by the Issuer or any Servicing Fees payable to any Successor Servicer.

(q) All payments received on Loans by the Servicer will be applied by the Servicer to amounts due by each Obligor in accordance with the provisions of the related Required Loan Documents or, if to be applied at the discretion of the Servicer, then consistent with the Credit and Collection Policy and the Servicing Standard.

(r) To the extent permitted by applicable law, the initial Servicer shall be responsible for any tax reporting, disclosure, record keeping or list maintenance requirements of the Issuer under Code Sections 6011(a), 6111(d) or 6112, including, but not limited to, the preparation of IRS Form 8886 pursuant to Federal Income Tax Regulations Section 1.6011-4(d) or any successor provision and any required list maintenance under Federal Income Tax Regulations Section 301.6112-1 or any successor provision.

(s) The Servicer will maintain the Servicing Files at the principal place of business of the Servicer at the address set forth in Section 13.04 hereof in accordance with the Servicing Standard.

(t) The Trust Depositor, the Issuer and the Trustee each hereby irrevocably (except as provided below) appoint the Servicer its respective true and lawful agent and attorney-in-fact (with full power of substitution) in its name, place and stead and at the Issuer's expense, in connection with the performance of the Servicer's duties provided for in this Agreement and in the other Transaction Documents, including the following powers: (a) to give any necessary receipts or acquittance for amounts collected or received on or with respect to the Loans and the Related Property, (b) to make all necessary transfers of the Loans, and/or of the Related Property, as applicable, in accordance herewith and therewith, (c) to execute (under hand under seal or as a deed) and deliver all necessary or appropriate bills of sale, assignments, agreements and other instruments and endorsements in connection with any such transfer, and (d) to execute (under hand, under seal or as a deed) any votes, consents, directions, releases, amendments, waivers, satisfactions and cancellations, agreements, instruments, orders or other documents or certificates in connection with or pursuant to this Agreement or the other Transaction Documents relating thereto or to the duties of the Servicer hereunder or thereunder, the Trust Depositor, the Issuer and the Trustee hereby ratifying and confirming all that such attorney-in-fact (or any substitute) shall lawfully do under this power of attorney and in accordance with this Agreement and the other Transaction Documents as applicable thereto. Nevertheless, if so requested by the Servicer, the Trust Depositor, the Issuer and the Trustee or any thereof, as requested, shall ratify and confirm any such act by executing and delivering to the Servicer or as directed by the Servicer all proper bills of sale, assignments, releases, endorsements and other certificates, instruments and documents of whatever nature as may reasonably be designated in any such request. This power of attorney shall, however, expire, and the Servicer and any substitute agent or attorney-in-fact appointed by the Servicer pursuant hereto shall cease to have any power to act as the agent or attorney-in-fact of the Trust Depositor, the Issuer or of the Trustee upon termination of this Agreement or upon a Servicer Transfer from and after which the Successor Servicer shall be deemed to have the rights of the Servicer pursuant to this clause (t).

(u) The Servicer shall execute and file such financing statements and cause to be executed and filed such continuation statements, all in such manner and in such places as may be required by law fully to preserve, maintain and protect the interest of the Issuer, the Securityholders, the Trustee and the Owner Trustee in the Loans and in the proceeds thereof. The Servicer shall deliver (or cause to be delivered) to the Owner Trustee and the Trustee file-stamped copies of, or filing receipts for, any document filed as provided above, as soon as available following such filing.

(v) The Servicer shall provide the Backup Servicer with a list of attorneys used in servicing or collecting on the Loans and shall provide an updated list to the Backup Servicer on an annual basis.

(w) Notwithstanding any other provision of this Agreement, if any material conflict or material inconsistency exists among the Required Loan Documents, the Credit and Collection Policy and the Servicing Standard, the provisions of the Required Loan Documents shall control.

(x) As set forth in Article VIII, in the event the Servicer fails to perform its obligations hereunder, the Backup Servicer, should it assume the role of Successor Servicer, shall be responsible for the Servicer's duties in this Agreement as if it were the Servicer, provided that the Backup Servicer shall not be liable for the Servicer's breach of its obligations.

(y) The Backup Servicer shall receive a one-time fee of $125,000 ("the "Successor Servicer Engagement Fee") if it assumes the obligations of the Servicer hereunder.

(z) The Backup Servicer shall have the following duties: (i) the Backup Servicer shall conduct periodic on-site visits not more than once every 12 months to meet with appropriate operations personnel to discuss any changes in processes and procedures that have occurred since the last visit, (ii) within 90 days of the Closing Date, the Backup Servicer shall have completed all data-mapping, and (iii) not more than once per year, the Backup Servicer shall update or amend the data-mapping by effecting a data-map refresh upon receipt of written notice from the Servicer specifying updated or amended fields, if any, in (a) fields in the Tape or (b) fields confirmed in the original data-mapping referred to in clause (ii) above. Each on-site visit shall be at the cost of Horizon.

Section 5.03. Liquidation of Loans.

(a) In the event that any payment due under any Loan and not postponed pursuant to Section 5.02 is not paid when the same becomes due and payable, or in the event the Obligor fails to perform any other covenant or obligation under the Loan which results in an event of default thereunder, the Servicer in accordance with the Required Loan Documents, the Credit and Collection Policy and the Servicing Standard shall take such commercially reasonable action as shall maximize the amount of recovery thereon and as the Servicer shall deem to be in the best interests of the Issuer; *provided* that if such Loan is a Co-Lender Loan, the Servicer's obligations shall be limited to exercising the Issuer's rights thereunder; *provided*, *further*, that in lieu of taking such action, the Servicer, consistent with its Credit and Collection Policy and the Servicing Standard, may amend or modify such Loan.

(b) The Servicer will not be in breach of its obligations under this Section 5.03 by reason of any action taken by the administrative agent, syndicate agent or other Person acting in a similar capacity in respect of a Co-Lender Loan at the direction of the requisite percentage of the lenders in violation of this Agreement if the Servicer, acting on behalf of the Issuer, did not consent to such action on behalf of the Issuer. The Servicer, consistent with its Credit and Collection Policy and the Servicing Standard, may accelerate all payments due under any Loan to the extent permitted by the Required Loan Documents and foreclose upon at a public or private sale or otherwise comparably effect the ownership of Related Property relating to Defaulted Loans for which the related Loan is still outstanding and as to which no satisfactory arrangements can be made for collection of delinquent payments in accordance with the provisions of Section 5.10 nor satisfactory amendment or modification is made in accordance with Section 5.03(a). Subject to applicable law, the Servicer shall act, or shall engage an experienced Person qualified to act, as sales and processing agent for the Related Property that is foreclosed upon. In connection with such foreclosure or other conversion and any other liquidation action or enforcement of remedies, the Servicer shall exercise collection and foreclosure procedures in accordance with the Credit and Collection Policy and the Servicing Standard. Any sale of the Related Property is to be evidenced by a certificate of a Responsible Officer of the Servicer delivered to the Trustee setting forth the Loan, the Related Property, the sale price of the Related Property and certifying that such sale price is the fair market value of such Related Property. In any case in which any such Related Property has suffered damage, the Servicer will not expend funds in connection with any repair or toward the repossession of such Related Property unless it reasonably determines that such repair and/or repossession will increase the Liquidation Proceeds by an amount greater than the amount of such expenses.

(c) No later than two (2) Business Days following its receipt thereof, the Servicer will remit to the Lockbox Account, for subsequent deposit in the Collection Account, the Liquidation Proceeds and any Insurance Proceeds received in connection with the sale or disposition of Related Property relating to a Defaulted Loan.

(d) After a Loan has been liquidated, the Servicer shall promptly prepare and forward to the Trustee and upon request, any Securityholder, a report (the "Liquidation Report"), in the form attached hereto as Exhibit D, detailing the Liquidation Proceeds received from such Loan, the Liquidation Expenses incurred and reimbursed to the Servicer with respect thereto, any Scheduled Payment Advances and Servicing Advances, together with interest due thereon, reimbursed to the Servicer therefrom, any loss incurred in connection therewith, and any Nonrecoverable Advances to be reimbursed to the Servicer with respect thereto in accordance with the Priority of Payments in Section 7.05.

Section 5.04. [Reserved.]

Section 5.05. Maintenance of Insurance.

In connection with its activities as Servicer of the Loans, the Servicer agrees to present claims to the insurer under any applicable Insurance Policy and, with respect to any Foreclosed Property, any applicable general liability policy, and to settle, adjust and compromise such claims, in each case, consistent with the terms of the Required Loan Documents, the Credit and Collection Policy and the Servicing Standard. Any amounts collected by the Servicer under any such Insurance Policies in respect of the related Loan (other than amounts to be applied to the restoration or repair of the Related Property or amounts to be released to the Obligor or other creditors or Persons in accordance with Applicable Law, the Required Loan Documents, the Credit and Collection Policy and the Servicing Standard) shall be deposited in the Collection Account, subject to withdrawal pursuant to Section 7.03(h).

Section 5.06. Collection of Certain Loan Payments.

(a) The Servicer shall make reasonable efforts, consistent with the Credit and Collection Policy and the Servicing Standard, to collect all payments required under the terms and provisions of the Loans as and when the same become due. Consistent with the foregoing and the Credit and Collection Policy and the Servicing Standard, the Servicer may in its discretion waive or permit to be waived any fee or charge which the Servicer would be entitled to retain hereunder as servicing compensation and extend the due date for payments due on a Loan as provided in Section 5.02(e).

(b) Except as otherwise permitted under this Agreement, the Servicer agrees not to make, or consent to, any change, in the direction of, or instructions with respect to, any payments to be made by an Obligor in any manner that would diminish, impair, delay or otherwise adversely affect the timing or receipt of such payments without the prior written consent of the Trustee and with the consent of the Majority Noteholders.

Section 5.07. Access to Certain Documentation and Information Regarding the Loans.

The Servicer shall provide to the Issuer, the Trustee, any Noteholder, any bank, thrift or insurance company regulatory authority and the supervisory agents and examiners of any regulated Noteholder, access to the documentation regarding the Loans required by applicable local, state and federal regulations, such access being afforded without charge but only upon not less than three Business Days prior written request by the Issuer, the Trustee or any such regulated Noteholder and during normal business hours at the offices of the Servicer designated by it and in a manner that does not unreasonably interfere with the Servicer's normal operations or customer or employee relations. The Trustee, the Issuer, such Noteholder and the representative of any such regulatory authority designated by the related Noteholder to view such information shall and shall cause their representatives to hold in confidence all such information except to the extent disclosure may be required by law (and all reasonable applications for confidential treatment are unavailing) and except to the extent that the Trustee and the Issuer may reasonably determine that such disclosure is consistent with their obligations hereunder. The Servicer may request that any such Person not a party hereto enter into a confidentiality agreement reasonably acceptable to the Servicer prior to permitting such Person to view such information.

Section 5.08. Satisfaction of Collateral and Release of Loan Files.

(a) Upon the payment in full of any Loan, the receipt by the Servicer of a notification that payment in full will be escrowed in a manner customary for such purposes or the deposit into the Collection Account of the purchase price of any Loan acquired by the Trust Depositor, the Servicer or another Person pursuant to this Agreement, or any other Transaction Document, the Servicer will immediately notify the Trustee by a certification in the form of Exhibit M attached hereto (which certification shall include a statement to the effect that all amounts received or to be received in connection with such payment which are required to be deposited in the Collection Account pursuant to Section 7.03(b) have been or will be so deposited) of a Servicing Officer and shall request delivery to it of the Loan File. Upon receipt of such certification and request, the Trustee in accordance with Section 2.10(c), shall release, within two (2) Business Days (if such request was received by 2:00 p.m. Eastern time), the related Loan File to the Servicer. Expenses incurred in connection with any instrument of satisfaction or deed of reconveyance shall be payable by the Servicer and shall not be chargeable to the Collection Account or the Distribution Account; *provided* that the Servicer may collect and retain such expenses from the underlying Obligor.

(b) From time to time and as appropriate for the servicing or foreclosure of any Loan, the Trustee shall, upon request of the Servicer and delivery to the Trustee of a certification in the form of Exhibit M attached hereto signed by a Servicing Officer, release the related Loan File to the Servicer within two (2) Business Days (if such request was received by 2:00 p.m. Eastern time). The Servicer shall return the Loan File to the Trustee when the need therefor by the Servicer no longer exists, unless the Loan has been liquidated and the Liquidation Proceeds relating to the Loan have been deposited in the Lockbox Account, for further credit to the Collection Account, and remitted to the Trustee for deposit in the Distribution Account or the Loan File or such document has been delivered to an attorney, or to a public trustee or other public official as required by law, for purposes of initiating or pursuing legal action or other proceedings for the foreclosure or repossession of Related Property either judicially or non-judicially, and the Servicer has delivered to the Trustee a certificate of a Servicing Officer certifying as to the name and address of the Person to whom such Loan File or such document was delivered and the purpose or purposes of such delivery. Upon receipt of a certificate of a Servicing Officer stating that such Loan was liquidated, the servicing receipt relating to such Loan shall be released by the Trustee to the Servicer.

(c) The Trustee shall execute and deliver to the Servicer any court pleadings, requests for trustee's sale or other documents provided to it necessary to the servicing or foreclosure or trustee's sale in respect of Related Property or to any legal action brought to obtain judgment against any Obligor on the related loan agreement (including any Underlying Note or other agreement securing Related Property) or to obtain a deficiency judgment, or to enforce any other remedies or rights provided by the related loan agreement (including any Underlying Note or other agreement securing Related Property) or otherwise available at law or in equity. Together with such documents or pleadings, the Servicer shall deliver to the Trustee a certificate of a Servicing Officer requesting that such pleadings or documents be executed by the Trustee and certifying as to the reason such documents or pleadings are required and that the execution and delivery thereof by the Trustee will not invalidate or otherwise adversely affect the Lien of the agreement securing Related Property, except for the termination of such a Lien upon completion of the foreclosure or trustee's sale. The Trustee shall, upon receipt of a written request from a Servicing Officer, execute any document provided to the Trustee by the Servicer or take any other action requested in such request, that is, in the opinion of the Servicer as evidenced by such request, required by any state or other jurisdiction or appropriate to discharge the Lien securing Related Property upon the satisfaction thereof and the Trustee will sign and post, but will not guarantee receipt of, any such documents to the Servicer, or such other party as the Servicer may direct, within five (5) Business Days of the Trustee's receipt of such certificate or documents. Such certificate or documents shall state that the related Loan has been paid in full by or on behalf of the Obligor (or subject to a deficiency claim against such Obligor) and that such payment has been deposited in the Collection Account.

(d) Notwithstanding anything contained in this Section 5.08 to the contrary, in no event may the Servicer possess in excess of ten (10) Loan Files (excluding Loan Files for Loans which have been paid in full, sold or repurchased) at any given time.

Section 5.09. Scheduled Payment Advances; Servicing Advances and Nonrecoverable Advances.

(a) With respect to each Collection Period, the Servicer will determine: (i) on or before the related Record Date, the amount of Available Funds described in clauses (a) and (b) of the definition thereof for the following Payment Date, and (ii) the amount required to be paid on the related Payment Date pursuant to clauses 1 through 4 of Section 7.05(a) (the amounts described in this clause (ii), the "Scheduled Amount"). If the Servicer determines that any Scheduled Payments (or portion thereof) that were due and payable pursuant to one or more Loans in the Collateral during the related Collection Period were not received prior to the end of such Collection Period and determines that, as a result of this, the Scheduled Amount for the related Payment Date exceeds the amount of Available Funds described in clauses (a) and (b) of the definition thereof for such Payment Date, then, subject to Section 5.09(b), the Servicer has the right to elect, at its option, but is not obligated, to make a Scheduled Payment Advance in an amount up to lesser of (1) the amount of such excess and (2) the amount of such delinquent Scheduled Payments (or portion thereof). The Servicer will deposit any Scheduled Payment Advances into the Collection Account on or prior to 11:00 a.m. (New York City time) on the related Reference Date, in immediately available funds. The Servicer will be entitled to be reimbursed for Scheduled Payment Advances, together with accrued and unpaid interest thereon at the rate published in The Wall Street Journal from time to time as the prime rate in the United States pursuant to Section 5.09(c), Section 7.03 or the Priority of Payments, as applicable. In addition, the Servicer may, at its option, make Servicing Advances in the performance of its servicing duties, unless it believes in good faith that the advance plus interest expected to accrue thereon will be a Nonrecoverable Advance. The Servicer will be entitled to reimbursement for Servicing Advances, with interest thereon to accrue at the rate published in The Wall Street Journal from time to time as the prime rate in the United States, from the Collections received from the Loan to which the Servicing Advance relates as well as pursuant to Section 5.09(c), Section 7.03 or the Priority of Payments, as applicable.

(b) The Servicer will not make a Scheduled Payment Advance or a Servicing Advance if the Servicer has determined in its sole discretion, exercised in good faith and consistent with the Servicing Standard, that the amount of such Scheduled Payment Advance or Servicing Advance proposed to be advanced plus interest expected to accrue thereon will be a Nonrecoverable Advance. Absent bad faith, the Servicer's determination as to whether any Scheduled Payment Advance or Servicing Advance is expected to be a Nonrecoverable Advance or whether, once advanced, it is a Nonrecoverable Advance shall be conclusive and binding on the Issuer and on the Noteholders. Any such determination shall be made by the Servicer and shall be evidenced by an Officer's Certificate delivered promptly to the Trustee, setting forth the basis for such determination. For the avoidance of doubt, the Servicer has the right to elect, at its sole option, but is not obligated, to make a Scheduled Payment Advance.

(c) The Servicer will be entitled to recover any Scheduled Payment Advance made by it, together with accrued interest due thereon, from Collections; *provided* that if at any time any Scheduled Payment Advance, together with accrued interest thereon, made by the Servicer is subsequently determined to be a Nonrecoverable Advance, the Servicer will be entitled to recover the amount of such Nonrecoverable Advance on a Payment Date to the extent then permitted in accordance with the Priority of Payments. The Servicer will be entitled to recover the amount of any Servicing Advance, together with accrued interest thereon in accordance with the Priority of Payments.

(d) The Servicer shall be entitled to an annual rate of interest payable at the rate specified in Section 5.09(a) with respect to each Scheduled Payment Advance and each Servicing Advance from and including the date such advance is made by the Servicer to but not including the date of reimbursement of such advance to the Servicer.

Section 5.10. Title, Management and Disposition of Foreclosed Property.

(a) Except for Co-Lender Loans (in which case, the provisions of the Underlying Loan Agreement relating to taking title to collateral shall apply) in the event that title to Related Property is acquired by the Servicer hereunder in foreclosure or by deed in lieu of foreclosure or by other legal process, the deed, certificate of sale, or Repossessed Property may be taken in the name of the Issuer or in the name of a subsidiary of the Issuer, the equity securities of which will be pledged as Collateral by the Issuer to the Trustee pursuant to the Indenture. Any such Issuer subsidiary shall be serviced by the Servicer, which may perform such services through a nominee or agent as set forth in Section 5.02(b).

(b) [Reserved].

(c) The Servicer, subject to the provisions of this Article V, shall manage, conserve, protect and operate each such Foreclosed Property or other Repossessed Property for the Issuer or such Issuer subsidiary, as applicable, solely for the purpose of its prudent and prompt disposition and sale. The Servicer shall, either itself or through an agent selected by the Servicer, manage, conserve, protect and operate the Foreclosed Property or other Repossessed Property in a manner consistent with the Credit and Collection Policy and the Servicing Standard. The Servicer shall attempt to sell the same (and may temporarily rent the same) on such terms and conditions as the Servicer deems to be in the best interest of the Issuer.

(d) Subject to Section 5.10(e), the Servicer shall cause to be deposited in the Lockbox Account, no later than two (2) Business Days after the receipt thereof, all revenues received by the Issuer with respect to the conservation and disposition of the related Foreclosed Property or other Repossessed Property net of Liquidation Expenses or received by the Issuer as distributions from any Issuer subsidiary. Any Issuer subsidiary formed pursuant to Section 5.10(b) may utilize and set aside revenues received in respect of such real estate Related Property to pay for the normal operations of the business of such Issuer subsidiary and of such real estate Related Property, and for such other fees, costs and expenses relating thereto as are deemed appropriate to maximize value or reduce or prevent loss with respect thereto by the Servicer, consistent with the Credit and Collection Policy and the Servicing Standard, and establish and maintain such cash reserves as the Servicer (or its agent) deem reasonably necessary with respect thereto; *provided* that no other funds of the Issuer shall be expended in connection with such Issuer subsidiary.

(e) Pursuant to the Priority of Payments, the Servicer shall receive reimbursement for any related unreimbursed Scheduled Payment Advances and Servicing Advances, together with accrued and unpaid interest due thereon relating to the related Loan or such Foreclosed Property or Repossessed Property, and the Servicer shall deposit in the Lockbox Account the net cash proceeds of the sale of any Foreclosed Property or other Repossessed Property to be distributed in accordance with Section 7.05 hereof.

(f) Notwithstanding any provision to the contrary contained in this Agreement, the Servicer shall not cause any Issuer subsidiary to obtain title to any Related Property pursuant to Section 5.10(b) or otherwise take any other action with respect to any such Related Property if, as a result of any such action, such Issuer subsidiary would be considered to hold title to, to be a "mortgagee-in-possession" of, or to be an "owner" or "operator" of, such Related Property within the meaning of the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended from time to time, or any comparable state or local environmental law, unless the Servicer has previously determined in accordance with the Servicing Standard and the Credit and Collection Policy that:

(i) such Related Property is in compliance in all material respects with applicable environmental laws or, if not, after consultation with an environmental consultant, that it would be in the best economic interest of the Issuer and such Issuer subsidiary to take such actions as are necessary to bring such Related Property in compliance therewith, and

(ii) there are no circumstances present at such Related Property relating to the use, management or disposal of any hazardous materials for which investigation, testing, monitoring, containment, clean-up or remediation would reasonably be expected to be required by the owner, occupier or operator of the Related Property under applicable federal, state or local law or regulation, or that, if any such hazardous materials are present for which such action would reasonably be expected to be required, after consultation with an environmental consultant, it would be in the best economic interest of the Issuer and the Issuer subsidiary to take such actions with respect to the affected Related Property.

Section 5.11. Servicing Compensation.

(a) As compensation for its servicing activities hereunder and reimbursement for its expenses, the Servicer shall be entitled to receive a servicing fee (the "Servicing Fee") calculated and payable monthly in arrears on each Payment Date prior to the termination of the Issuer. The Servicing Fee shall be equal to the sum of the product of: (i) one-twelfth of 2.00% (or, with respect to the first Collection Period, a fraction equal to the number of days from and including the Cutoff Date through and including August 15, 2013 over 360) and (ii) the Aggregate Outstanding Pool Balance as of the beginning of the related Collection Period. If the Backup Servicer becomes the Servicer, the Servicing Fee payable to the Backup Servicer for each Collection Period thereafter shall be calculated using the formula described in the immediately preceding sentence, but shall be subject to a monthly minimum fee of $8,500. In addition to the Servicing Fee, the Backup Servicer, upon becoming the Servicer, shall be entitled to be reimbursed for all related expenses and out of pocket costs, including fees and expenses of attorneys and agents. If any entity other than Horizon or the Backup Servicer becomes the Servicer, the Servicing Fee may be adjusted as agreed upon by the Majority Noteholders and such Successor Servicer pursuant to Section 8.03(b). The Servicing Fee is payable out of Collections pursuant to the Priority of Payments.

(b) In addition to the Servicing Fee, the Servicer shall be entitled to retain for itself as additional servicing compensation: (i) reimbursement for Scheduled Payment Advances on the Loans, together with accrued interest thereon, (ii) reimbursement for Servicing Advances on the Loans, together with accrued interest thereon, and (iii) any mistaken deposits or other related amounts due on Loans that the Servicer is entitled to retain, including without limitation any amounts payable as additional servicing compensation pursuant to Section 5.02(e)(iv).

Section 5.12. Assignment; Resignation.

The Servicer shall not assign its rights and duties under this Agreement (other than in connection with a subservicing arrangement or other arrangement permitted under this Agreement) or resign from the obligations and duties imposed on it pursuant to this Agreement, in each case except (a) upon a determination by the Servicer that its performance of its duties as Servicer is no longer permissible under Applicable Law or administrative determination and such incapacity cannot be cured by commercially reasonable efforts of the Servicer, (b) an assignment or resignation by mutual consent of the Servicer, the Issuer and the Majority Noteholders, (c) an assignment in connection with a merger, conversion, consolidation or sale of substantially all of the Servicer's business or substantially all of the Servicer's lending business permitted pursuant to Section 5.13 (in which case the Person resulting from the merger, conversion or consolidation shall be the successor of the Servicer), or (d) so long as the Seller is the Servicer, at the option of the Seller, an assignment to a third party servicer in connection with a merger, conversion, consolidation or sale of substantially all of the Seller's business or substantially all of the Seller's lending business permitted pursuant of Section 5.08 of the Sale and Contribution Agreement. Any such determination pursuant to clause (a) permitting the resignation of the Servicer shall be evidenced by a written Opinion of Counsel (who may be counsel for the Servicer) to such effect delivered to the Trustee, which Opinion of Counsel shall be in form and substance reasonably acceptable to the Trustee. No such resignation shall become effective until a successor has been appointed pursuant to Section 8.02(b) and has assumed the Servicer's responsibilities and obligations in accordance with Section 8.03.

Section 5.13. Merger or Consolidation of Servicer.

Any Person into which the Servicer may be merged or consolidated, or any Person resulting from such merger, conversion or consolidation to which the Servicer is a party, or any Person succeeding to substantially all of the business or substantially all of the investment management business of the Servicer, which Person assumes the obligations of the Servicer, shall be the successor to the Servicer hereunder, notwithstanding any provision in Section 8.02 or Section 8.03 and without execution or filing of any paper or any further act on the part of any of the parties hereto, notwithstanding anything herein to the contrary; *provided* that no such entity resulting from the merger, conversion or consolidation of the Servicer or the sale of all or substantially all of the Servicer's assets or business or substantially all of the Servicer's lending business shall be the successor Servicer hereunder unless either (i) such Person has assets of at least $50,000,000 and such Person's regular business includes the servicing of assets similar to the Loan Assets or (ii) the Majority Noteholders shall have consented thereto in writing. Such Successor Servicer shall be a permitted assignee of the Servicer. The provisions of Section 8.03 (b), (c) and (e) shall apply to any such servicing transfer.

Section 5.14. Limitation on Liability of the Servicer and Others.

The Servicer and any stockholder, partner, member, manager, director, officer, employee or agent of the Servicer may rely on any document of any kind which it in good faith reasonably believes to be genuine and to have been adopted or signed by the proper authorities or persons respecting any matters arising hereunder. Except as otherwise provided in Section 5.02(b), the Servicer shall not be liable for any errors, inaccuracies or omissions of any Person not affiliated with the Servicer contained in any information, report, certificate, data or other document delivered to the Servicer or on which the Servicer reasonably relies in order to perform its obligations hereunder and under the other Transaction Documents except to the extent that a Responsible Officer of the Servicer has actual knowledge of any such material error, inaccuracy or omission. The Servicer shall not be in default hereunder or incur any liability, except as provided in the proviso in the last sentence of this Section 5.14, for any failure, error or delay in carrying out its duties hereunder or under any other Transaction Document if such failure, error or delay results from the Servicer acting in accordance with information prepared or supplied by a Person other than the Servicer or any of its Affiliates or the failure or delay of any such Person to prepare or provide such information. The Servicer shall not be in default and shall incur no liability for any act or failure to act by any servicer primarily responsible for servicing Co-Lender Loans. Subject to the terms of Section 12.01 herein, the Servicer shall have no obligation to appear with respect to, prosecute or defend any legal action which is not incidental to the Servicer's duty to service the Loans in accordance with this Agreement, and that, in its opinion, may cause the Servicer to incur any expense or liability. The Servicer shall not be responsible for the payment of any taxes imposed on or with respect to the Issuer or for the fees of any Successor Servicer. Except as provided herein, neither the Servicer nor any of its directors, officers, employees or agents shall be under any liability to any other party to this Agreement, any Noteholder, any Certificateholder or any other Person for any action taken or for refraining from taking any action pursuant to this Agreement, whether arising from express or implied duties under this Agreement or any other Transaction Document, or for errors in judgment; *provided* that, notwithstanding anything to the contrary contained herein, neither the Servicer nor any of its directors, officers, employees or agents shall be protected against any liability that would otherwise be imposed by reason of willful misconduct, bad faith or gross negligence in the performance of the Servicer's duties or by reason of its reckless disregard of its obligations and duties hereunder; *provided*, *however*, that the Servicer will not indemnify any party for any costs, expenses, losses, claims, damages or liabilities arising from its breach of any covenant for which the purchase of the affected Loans is specified as the sole remedy hereunder. The Servicer is not required to indemnify any Person for any costs, expenses, losses, claims, damages or liabilities arising from its breach of any covenant for which the purchase of the affected Loans is specified as the sole remedy hereunder.

Section 5.15. Determination of Reserve Account Required Balance. The Servicer shall deposit funds into and withdraw funds from the Reserve Account in accordance with Sections 7.02 and 7.05. The Servicer shall maintain a complete and accurate record of the amount of funds on deposit in the Reserve Account. Prior to each Payment Date, the Servicer shall determine the Reserve Account Required Balance applicable to such Payment Date.

Section 5.16. Rights of and Limitation of Liability of Backup Servicer. The Backup Servicer and any stockholder, partner, member, manager, director, officer, employee or agent of the Backup Servicer may rely on any document of any kind which it in good faith reasonably believes to be genuine and to have been adopted or signed by the proper authorities or persons respecting any matters arising hereunder. In the performance of its duties hereunder, the Backup Servicer is entitled to rely conclusively, and shall be fully protected in so relying, on the contents of each Tape, including, but not limited to, the completeness and accuracy thereof, provided by the Servicer. The Backup Servicer shall have no liability for any errors in the content of such Tape, and, except as specifically provided herein, shall not be required to verify, recompute, reconcile or recalculate any such information or data. Without limiting the generality of any terms of the foregoing, the Backup Servicer shall have no liability for any failure, inability or unwillingness on the part of the Servicer to provide accurate and complete information on a timely basis to the Backup Servicer, or otherwise on the part of any such party to comply with the terms of this Agreement, or other Transaction Document, and shall have no liability for any inaccuracy or error in the performance or observance on the Backup Servicer's part of any of its duties hereunder that is caused by or results from any such inaccurate, incomplete or untimely information received by it, or other failure on the part of any such other party to comply with the terms hereof. The Backup Servicer undertakes to perform only such duties and obligations as are specifically set forth in this Agreement, it being expressly understood by all parties hereto that there are no implied duties or obligations of the Backup Servicer hereunder. Without limiting the generality of the foregoing, the Backup Servicer, except as expressly set forth herein, shall have no obligation to supervise, verify, monitor or administer the performance of the Servicer, the Trust Depositor or Seller and shall have no liability for any action taken or omitted by the Servicer (including any successor to the Servicer other than U.S. Bank) or the Trust Depositor or Seller. The Backup Servicer may act through its agents, attorneys and custodians in performing any of its duties and obligations under this Agreement. Neither the Backup Servicer nor any of its officers, directors, employees or agents shall be liable, directly or indirectly, for any damages or expenses arising out of the services performed under this Agreement other than damages or expenses that result from the gross negligence or willful misconduct of it or them or the failure to perform materially in accordance with this Agreement. If any party is prevented from fulfilling its obligations hereunder as a result of government actions, regulations, fires, strikes, accidents, acts of God or other causes beyond the control of either party, all parties' obligations shall be suspended for a reasonable time during which such conditions exist. In no event will the Backup Servicer (in its capacity as such or as Successor Servicer) be liable for indirect, special, consequential or incidental damages.

ARTICLE 6.

COVENANTS OF THE TRUST DEPOSITOR

Section 6.01. Legal Existence.

During the term of this Agreement, the Trust Depositor will keep in full force and effect its existence, rights and franchises as a limited liability company under the laws of the jurisdiction of its organization and will obtain and preserve its qualification to do business in each jurisdiction in which such qualification is or shall be necessary to protect the validity and enforceability of this Agreement, the other Transaction Documents and each other instrument or agreement necessary or appropriate for the proper administration of this Agreement and the transactions contemplated hereby. In addition, all transactions and dealings between the Trust Depositor and its Affiliates will be conducted on an arm's-length basis.

Section 6.02. [Reserved].

Section 6.03. Security Interests.

The Trust Depositor will not sell, pledge, assign or transfer to any Person other than the Issuer, or grant, create, incur, assume or suffer to exist any Lien on any Loan in the Collateral or its interest in any Related Property, other than the Lien granted to the Issuer, whether now existing or hereafter transferred to the Issuer, or as otherwise expressly contemplated by this Agreement. The Trust Depositor will promptly notify the Owner Trustee and the Trustee upon obtaining knowledge of the existence of any Lien on any Loan in the Collateral or its interest in any Related Property; and the Trust Depositor shall defend the right, title and interest of the Issuer in, to and under the Loans in the Collateral and the Issuer's interest in any Related Property, against all claims of third parties; *provided* that nothing in this Section 6.03 shall prevent or be deemed to prohibit the Trust Depositor from suffering to exist Permitted Liens upon any of the Loans in the Collateral or its interest in any Related Property.

Section 6.04. Delivery of Collections.

The Trust Depositor agrees to pay to the Servicer promptly (but in no event later than two Business Days after receipt) all Collections received by the Trust Depositor in respect of the Loans and Related Property, for application in accordance with this Agreement.

Section 6.05. Regulatory Filings.

The Trust Depositor shall make any filings, reports, notices, applications and registrations with, and seek any consents or authorizations from, the Commission and any state securities authority on behalf of the Issuer as may be necessary or that the Trust Depositor deems advisable to comply with any federal or state securities or reporting requirements laws.

Section 6.06. Compliance with Law.

The Trust Depositor hereby agrees to comply in all material respects with all Applicable Law applicable to the Trust Depositor except where the failure to do so would not reasonably be expected to have a material adverse effect on the Issuer.

Section 6.07. Activities; Transfers of Notes or Certificates by Trust Depositor.

Except as contemplated by the Trust Depositor LLC Agreement, this Agreement or the other Transaction Documents, the Trust Depositor shall not engage in any business or activity of any kind, or enter into any transaction or indenture, mortgage, instrument, agreement, contract, lease or other undertaking, which is not directly related to the transactions contemplated and authorized by this Agreement or the other Transaction Documents. Notwithstanding anything to the contrary contained herein, the Trust Depositor may assign, transfer, convey or finance all or any portion of any Notes or Certificates owned by it.

Section 6.08. Indebtedness.

The Trust Depositor shall not create, incur, assume or suffer to exist any Indebtedness or other liability whatsoever, except (a) obligations incurred under this Agreement or the other Transaction Documents or to the Seller and (b) liabilities incident to the maintenance of its limited liability company existence in good standing.

Section 6.09. Guarantees.

The Trust Depositor shall not become or remain liable, directly or contingently, in connection with any Indebtedness or other liability of any other Person, whether by guarantee, endorsement (other than endorsements of negotiable instruments for deposit or collection in the ordinary course of business), agreement to purchase or repurchase, agreement to supply or advance funds, or otherwise.

Section 6.10. Investments.

Except as contemplated by the Trust Depositor LLC Agreement, the Trust Depositor shall not make or suffer to exist any loans or advances to, or extend any credit to, or make any investments (by way of transfer of property, contributions to capital, purchase of stock or securities or evidences of indebtedness, acquisition of the business or assets, or otherwise) in, any Person except for transfers of Loan Assets to the Issuer as contemplated by the Transaction Documents. Without limiting the generality of the foregoing or restricting the ability of the Trust Depositor to make capital contributions to the Issuer, the Trust Depositor shall not (i) provide credit to any other Securityholder for the purpose of enabling such Securityholder to purchase any Securities or (ii) lend any money to the Issuer.

Section 6.11. Merger; Sales.

The Trust Depositor shall not enter into any transaction of merger or consolidation, or liquidate or dissolve itself (or suffer any liquidation or dissolution) or acquire or be acquired by any Person, or (other in connection with the transfer of assets to a special purpose subsidiary in connection with a financing transaction) convey, sell, lease or otherwise dispose of all or substantially all of its property or business, except that the Trust Depositor shall sell Loan Assets to the Issuer as contemplated by this Agreement.

Section 6.12. Distributions.

The Trust Depositor shall not declare or pay, directly or indirectly, any dividend or make any other distribution (whether in cash or other property) with respect to the profits, assets or capital of the Trust Depositor or any Person's interest therein, or purchase, redeem or otherwise acquire for value any of its members' interests now or hereafter outstanding, except that, so long as no Event of Default has occurred and is continuing and no Event of Default would occur as a result thereof or after giving effect thereto and the Trust Depositor would continue to be Solvent as a result thereof and after giving effect thereto, the Trust Depositor may declare and pay distributions to its members.

Section 6.13. Other Agreements.

Except as provided in the Trust Depositor LLC Agreement, this Agreement or the other Transaction Documents, the Trust Depositor shall not become a party to, or permit any of its properties to be bound by, any indenture, mortgage, instrument, contract, agreement, lease or other undertaking, except this Agreement and the other Transaction Documents to which it is a party; nor shall it amend or modify the provisions of its organizational documents which relate to its bankruptcy remote nature or separateness covenants as required in connection with the true sale and substantive nonconsolidation opinions delivered on the Closing Date, or issue any power of attorney except to the Owner Trustee, the Trustee or the Servicer in accordance with the Transaction Documents.

Section 6.14. Separate Legal Existence.

The Trust Depositor shall (a) maintain compliance with the covenants set forth in Section 9(j) of the Trust Depositor LLC Agreement, and (b) to the extent in addition to the covenants referred to in clause (a) of this Section 6.14, take or refrain from taking, as applicable, each of the activities specified in the "substantive consolidation" opinion of Dechert LLP, on the Closing Date, upon which the conclusions expressed therein are based.

Section 6.15. Location; Records.

The Trust Depositor shall (a) not move its location outside the Commonwealth of Virginia or its jurisdiction of formation outside of the State of Delaware without 30 days' prior written notice to the Owner Trustee and the Trustee and (b) will promptly take all actions (if any) required (including, but not limited to, all filings and other acts necessary or advisable under the UCC of each relevant jurisdiction) in order to continue the first priority perfected security interest of the Trustee in all Collateral.

Section 6.16. Liability of Trust Depositor.

The Trust Depositor shall be liable in accordance herewith only to the extent of the obligations specifically undertaken by the Trust Depositor under this Agreement.

Section 6.17. Bankruptcy Limitations.

The Trust Depositor shall not, without the prior unanimous written consent of its member and all of the Independent managers of the Trust Depositor (a) dissolve or liquidate, in whole or in part, or institute proceedings to be adjudicated bankrupt or insolvent, (b) consent to the institution of bankruptcy or insolvency proceedings against it, (c) file a petition seeking or consent to reorganization or relief under any applicable federal or state law relating to bankruptcy, (d) consent to the appointment of a receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of the limited liability company or a substantial part of its property, (e) make a general assignment for the benefit of creditors, (f) admit in writing its inability to pay its debts generally as they become due, or (g) take any limited liability company action in furtherance of the actions set forth in clauses (a) through (f) above; *provided* that no Independent manager may be required by any member of the Trust Depositor to consent to the institution of bankruptcy or insolvency proceedings against the Trust Depositor so long as it is Solvent.

Section 6.18. Limitation on Liability of Trust Depositor and Others.

The Trust Depositor and any director, officer, employee or agent of the Trust Depositor may rely in good faith on any document of any kind, prima facie properly executed and submitted by the appropriate Person respecting any matters arising hereunder. The Trust Depositor and any director, officer, employee or agent of the Trust Depositor shall be reimbursed by the Trustee for any liability or expense incurred by reason of the Trustee's willful misfeasance, bad faith or gross negligence (except errors in judgment) in the performance of its duties hereunder, or by reason of the Trustee's material breach of the obligations and duties under this Agreement or the Transaction Documents. The Trust Depositor shall not be under any obligation to appear in, prosecute or defend any legal action that shall not be incidental to its obligations under this Agreement, and that in its opinion may involve it in any expense or liability.

Section 6.19. Payments from Obligors.

The Trust Depositor agrees not to make, or consent to, any change in the direction of, or instructions with respect to, any payments to be made by an Obligor in any manner that would diminish, impair, delay or otherwise adversely affect the timing or receipt of such payments into the Lockbox Account or otherwise without (a) the prior written consent of the Trustee and the consent of the Majority Noteholders and (b) delivery of prior written notice of such change to the Rating Agency.

ARTICLE 7.

ESTABLISHMENT OF ACCOUNTS;
DISTRIBUTIONS;

Section 7.01. Distribution Account; Lockbox Account and Other Accounts.

(a) Distribution Account and Lockbox Account. On or before the Closing Date, the Securities Intermediary shall establish and maintain the Distribution Account as a non-interest bearing trust account in the name of the Securities Intermediary, for the benefit of the Securityholders. On or before the Closing Date, the Issuer shall establish the Lockbox Account as a non-interest bearing, segregated account with U.S. Bank National Association (the "Lockbox Bank") and in the name of the Securities Intermediary for the benefit of the Securityholders. The Servicer is, and so long as such accounts are maintained with the Securities Intermediary and the Lockbox Bank, the Securities Intermediary and the Lockbox Bank are, hereby required to ensure that each of the Distribution Account and the Lockbox Account is established and maintained as an Eligible Deposit Account with a Qualified Institution. The Servicer will monitor the Lockbox Account on a daily basis and review the previous day's Lockbox Account activity. If any institution with which any of the accounts established pursuant to this Section 7.01(a) and pursuant to Section 7.03 ceases to be a Qualified Institution, the Servicer, or if the Servicer fails to do so, the Securities Intermediary or the Lockbox Bank (as the case may be) shall within ten (10) Business Days of actual knowledge of such failure by a Responsible Officer establish a replacement account at a Qualified Institution after notice of such event. In no event shall the Securities Intermediary or the Lockbox Bank, as appropriate, be responsible for monitoring whether such institution shall remain a Qualified Institution. Each Qualified Institution maintaining an Eligible Deposit Account shall agree in writing to comply with all instructions originated by the Securities Intermediary or Lockbox Bank, as applicable.

(b) [Reserved].

(c) [Reserved].

(d) [Reserved].

(e) Other Accounts. Amounts representing payments sent by Obligors with respect to Loans pledged to the Trustee as well as with respect to Loans not pledged to the Trustee may be deposited into accounts other than the Lockbox Account. Within two (2) Business Days of receipt by the Seller or the Issuer of any amounts representing payments sent by Obligors with respect to Loans pledged to the Trustee, the Servicer, as agent for the Issuer, and the Seller will cause the amounts so received belonging to the Issuer to be deposited into the Lockbox Account, and thereupon credited to the Collection Account. The Servicer may direct the Lockbox Bank to return to the payee (or as otherwise direted in writing by the Servicer) any amounts incorrectly deposited into the Lockbox Account.

Section 7.02. Reserve Account.

(a) The Securities Intermediary shall establish and maintain the Reserve Account in the name of the Securities Intermediary for the benefit of the Securityholders. The Reserve Account shall be held in one Eligible Deposit Account with a Qualified Institution in the form of an interest-bearing trust account wherein the moneys therein are invested in Permitted Investments at the written direction of the Servicer. Funds upon deposit in the Reserve Account shall remain uninvested if no such direction is received. The Servicer will monitor the Reserve Account in accordance with its customary policies and procedures.

(b) Deposits to the Reserve Account shall be made in accordance with Section 7.05(b).

(c) Subject to Sections 7.02(d) and (e) below, if on any Payment Date, Interest Collections, Principal Collections and any other amounts on deposit in the Collection Account (without giving effect to any deposit from the Reserve Account) would be insufficient to pay any portion of the Required Payments on such Payment Date, the Servicer shall direct the Securities Intermediary to withdraw from the Reserve Account an amount equal to the lesser of such insufficiency and the amount on deposit in the Reserve Account and deposit such amount in the Distribution Account on the Business Day immediately preceding such Payment Date.

(d) Upon the occurrence of an Event of Default, the Servicer shall direct the Securities Intermediary to withdraw all amounts on deposit in the Reserve Account and deposit such amounts to the Distribution Account for distribution in accordance with Section 7.05(c).

(e) On the earlier to occur of the Legal Final Payment Date and the Payment Date on which the Outstanding Principal Balance of the Notes is reduced to zero, the Servicer shall direct the Securities Intermediary to withdraw all amounts on deposit in the Reserve Account and deposit such amounts to the Distribution Account.

(f) Unless an Event of Default shall have occurred and is continuing, on any Payment Date, if amounts on deposit in the Reserve Account are greater than the Reserve Account Required Balance (after giving effect to all other distributions and disbursements on such Payment Date), the Servicer shall direct the Securities Intermediary to withdraw funds in excess of the Reserve Account Required Balance from the Reserve Account and disburse such amounts to the Certificateholder.

Section 7.03. Collection Account.

(a) The Securities Intermediary shall establish and maintain the Collection Account in the name of the Securities Intermediary for the benefit of the Securityholders. The Collection Account shall be held in one or more Eligible Deposit Accounts with a Qualified Institution in the form of interest-bearing trust accounts wherein the moneys therein are invested in Permitted Investments at the written direction of the Servicer. The Servicer will monitor the Collection Account in accordance with its customary policies and procedures.

(b) The Servicer shall deposit or cause to be deposited into the Collection Account within two (2) Business Days of the deposit thereof into the Lockbox Account all Collections so deposited into the Lockbox Account. The Servicer will retain in the Collection Account, subject to withdrawal as permitted by this Section 7.03, the following amounts received by the Servicer, without duplication:

(i) all Collections accruing and received on or after the Cutoff Date or Substitute Loan Cutoff Date, as applicable;

(ii) any other proceeds from any other Related Property securing the Loans (other than amounts released to the Obligor, other creditors or any other Person in accordance with Applicable Law, the Required Loan Documents, the Credit and Collection Policy and the Servicing Standard) and any disbursements, payments or proceeds from any other Collateral;

(iii) any amounts paid in connection with the purchase or repurchase of any Loan;

(iv) any amount required to be deposited in the Collection Account pursuant to Section 5.10 or this Section 7.03; and

(v) the amount of any gains and interest earned in connection with investments in Permitted Investments.

(c) The Servicer shall have no obligation to deposit into the Collection Account any Excluded Amounts.

(d) Not later than the close of business on each Reference Date immediately preceding a Payment Date, the Servicer will remit to the Collection Account any Scheduled Payment Advance that the Servicer determines to make at its option. The application of Scheduled Payment Advances will not prevent a Loan from being or becoming a Defaulted Loan.

(e) Notwithstanding Section 7.03(b), if (i) the Servicer makes a deposit into the Lockbox Account in respect of a Collection of a Loan in the Collateral and such Collection was received by the Servicer in the form of a check that is not honored for any reason or (ii) the Servicer makes a mistake with respect to the amount of any Collection and deposits an amount that is less than or more than the actual amount of such Collection, the Servicer shall appropriately adjust the amount subsequently deposited into the Lockbox Account to reflect such dishonored check or mistake. Any Scheduled Payment in respect of which a dishonored check is received shall be deemed not to have been paid.

(f) The foregoing requirements for deposit in the Collection Account and the Lockbox Accounts shall be exclusive, it being understood and agreed that, without limiting the generality of the foregoing, payments with respect to Liquidation Expenses and Excluded Amounts may not be deposited by the Servicer in the Collection Account.

(g) Prior to the occurrence of a Servicer Default or an Event of Default and acceleration of the Notes, to the extent there are uninvested available amounts deposited in the Collection Account, all such amounts shall be invested by the Securities Intermediary in Permitted Investments selected by the Servicer in written instructions (which may be in the form of standing instructions) delivered to the Qualified Institution holding such Transaction Account, that mature no later than the Business Day immediately preceding the next Payment Date. If the Servicer does not provide the Securities Intermediary with such written instructions, such amounts shall remain uninvested. From and after the occurrence of a Servicer Default or an Event of Default and acceleration of the Notes, to the extent there are uninvested amounts in the Collection Account (net of losses and investment expenses), all amounts may be invested in Permitted Investments described in clause (ii) of the definition thereof which shall be the U.S. Bank Money Market Deposit Account (internal CUSIP 99AMMF05B2). Funds in the Distribution Account must be insured to the extent and the amount permitted by law by the FDIC. Subject to the restrictions herein, the Servicer or Trustee may purchase a Permitted Investment from itself or an Affiliate with respect to investment of funds in the Transaction Accounts. Any investment earnings (net of losses and investment expenses) on funds held in the Collection Account shall be treated as Interest Collections and shall be deposited therein pursuant to this Section 7.03 and distributed on the next Payment Date pursuant to Section 7.05. All investment earnings (net of losses and investment expenses) on investments of funds in the Transaction Accounts shall be deposited in the Collection Account pursuant to Section 7.03 and distributed on the next Payment Date pursuant to Section 7.05. The Trust Depositor and the Issuer agree and acknowledge that the Servicer and Trustee are to have "control" (within the meaning of the UCC) of collateral composed of "Investment Property" (within the meaning of the UCC) for all purposes of this Agreement.

(h) The Servicer may (and, for the purposes of clause (i) below, shall), at any time upon one (1) Business Day's notice to the Trustee or, if different, the depository institution then holding the Collection Account, make withdrawals from the Collection Account for the following purposes:

(i) to remit to the Trustee on the Business Day immediately preceding any Payment Date, for deposit in the Distribution Account, Collections received during the immediately preceding Collection Period (other than any Transfer Deposit Amounts still available to invest in Substitute Loans pursuant to Section 11.01) and all amounts deposited into the Collection Account from the Reserve Account pursuant to Section 7.02;

(ii) [Reserved];

(iii) to withdraw any amount received from an Obligor that is recoverable and sought to be recovered as a voidable preference by a trustee in bankruptcy pursuant to the Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction;

(iv) [Reserved];

(v) to make investments in Permitted Investments;

(vi) to withdraw any funds deposited in the Collection Account that were not required or permitted to be deposited therein or were deposited therein in error;

(vii) [Reserved];

(viii) to acquire Substitute Loans as contemplated by Section 2.04(a) to the extent funds have been deposited by the Seller for such purpose pursuant to Section 11.01);

(ix) to clear and terminate the Collection Account upon the termination of this Agreement.

(i) To the extent the same constitute Permitted Investments, the Trustee is authorized to deposit uninvested funds in non-interest bearing, unsecured demand deposit accounts at affiliated banks, purchase and sell investment securities through or from affiliated banks and broker-dealers, and invest funds in registered investment companies that receive investment management and custodial services from the Trustee or its affiliates.

Section 7.04. Securityholder Distributions.

(a) Each Securityholder as of the related Record Date shall be paid on the next succeeding Payment Date by check mailed to such Securityholder at the address for such Securityholder appearing on the Note Register or Certificate Register or by wire transfer to the account directed by such Securityholder if such Securityholder provides written instructions to the Trustee or Owner Trustee, respectively, at least ten (10) days prior to such Payment Date, which instructions may be in the form of a standing order.

(b) The Trustee shall serve as the paying agent hereunder and shall make the payments to the Securityholders required hereunder. The Trustee hereby agrees that all amounts held by it for payment hereunder will be held in trust for the benefit of the Securityholders.

Section 7.05. Allocations and Distributions.

(a) Allocations of Interest Collections. On the Business Day immediately preceding each Payment Date, the Trustee, upon written instructions from the Servicer, will transfer all Interest Collections on deposit in the Collection Account to the Distribution Account. Such amounts will remain uninvested while deposited in the Distribution Account. On each Payment Date (other than a Payment Date following an Event of Default and acceleration of the Notes), the Trustee, based solely on the Monthly Report, will distribute Interest Collections on deposit in the Distribution Account to the following parties in the order of priority set forth below. With respect to the Notes then Outstanding, payments shall be made *pro rata* to the Holders of Notes based on their respective Percentage Interests.

1. *pro rata*, based on the amounts owed to the Trustee, the Owner Trustee, the Custodian, the Backup Servicer, and the Lockbox Bank under this clause 1, to the payment of (i) Administrative Expenses, subject to the limitations set forth in the definition thereof and (ii) indemnities then due to any such Persons; *provided* that the cumulative amount of Administrative Expenses and indemnities paid under this clause 1 in any rolling twelve month period shall not exceed $500,000 as of the first day of the related Collection Period;

2. *pro rata*, based on the amounts owed to such Persons under this clause 2, (i) to the Servicer or any Successor Servicer, to the extent not previously reimbursed, the sum of (w) Scheduled Payment Advances on such Loans, together with accrued interest thereon, (x) Servicing Advances on such Loans, together with accrued interest thereon, (y) accrued and unpaid Servicing Fees and (z) any mistaken deposits or other related amounts due on Loans that the Servicer is entitled to retain; (ii) to the Seller, any amounts that were transferred from the Lockbox Account to the Collection Account (and the Distribution Account) that are not related to interest, principal or extension fees due on the Loans; (iii) to the Backup Servicer, the Successor Servicer Engagement Fee; and (iv) to the Trustee, the Backup Servicer or any Successor Servicer, Servicing Transfer Costs;

3. to the Noteholders, the Interest Amount for the related Interest Period, if any;

4. to the payment of the amounts referred to in clauses 2 and 3 of Section 7.05(b) (in the priority stated therein), but only to the extent not paid in full thereunder and subject to the limitations set forth therein;

5. *pro rata*, based on the amounts owed to such Persons under this clause 5, to the payment of (i) Administrative Expenses and indemnities, to the extent not previously paid or in excess of the related cap or annual limitation, (ii) amounts owed to the Trustee, the Custodian, the Backup Servicer and the Owner Trustee for fees, expenses, indemnities and other amounts, and (iii) to the Trustee and a Successor Servicer, any Servicing Transfer Costs; and

6. any remaining amounts to the Certificateholder.

To the extent that any fees of the Owner Trustee or the Trustee (in all capacities hereunder) are not paid on a Payment Date due to insufficiency of funds, such unpaid fees shall be paid on the next Payment Date on which funds are available to pay such fees in accordance with the priority of payments set forth above in this Section 7.05(a).

(b) Allocations of Principal Collections and Reserve Available Funds. On the Business Day immediately preceding each Payment Date, the Trustee, upon written instructions from the Servicer, will transfer all (i) Principal Collections on deposit in the Collection Account and (ii) all amounts, if any, required to be transferred pursuant to Section 7.02 to the Distribution Account. Such amounts will remain uninvested while deposited in the Distribution Account. On each Payment Date (other than a Payment Date following an Event of Default and acceleration of the Notes), the Trustee, based solely on the Monthly Report, will distribute the Principal Collections and any Reserve Available Funds on deposit in the Distribution Account to the following parties in the order of priority set forth below. With respect to the Notes then Outstanding, payments shall be made *pro rata* to the Holders of Notes based on their respective Percentage Interests.

1. to the payment of the amounts referred to in clauses 1 through 3 of Section 7.05(a) (in the priority stated therein), but only to the extent not paid in full thereunder and subject to the limitations set forth therein;

2. to the Noteholders, (A) for so long as no Rapid Amortization Event has occurred, an amount equal to the excess, if any, of the Outstanding Principal Balance of the Notes over the Borrowing Base in payment of principal on the Notes and (B) following the occurrence of a Rapid Amortization Event, all remaining amounts in payment of principal on the Notes until the Outstanding Principal Balance of the Notes is reduced to zero;

3. to the Noteholders, all remaining amounts in payment of the Outstanding Principal Balance of the Notes on the Legal Final Payment Date;

4 . if the amount on deposit in the Reserve Account is less than the Reserve Account Required Balance, to the Reserve Account, fifty percent (50%) of any remaining amounts until amounts on deposit in the Reserve Account shall equal the Reserve Account Required Balance;

5 . to the payment of the amounts referred to in clause 5 of Section 7.05(a), but only to the extent not paid in full thereunder and subject to the limitations set forth therein; and

6. any remaining amounts to the Certificateholder.

To the extent that any fees of the Owner Trustee or the Trustee are not paid on a Payment Date due to insufficiency of funds, such unpaid fees shall be paid on the next Payment Date on which funds are available to pay such fees in accordance with the priority of payments set forth above in this Section 7.05(b).

(c) Default Allocations. On each Payment Date (or such other date as selected by the Trustee pursuant to the Indenture) (i) following the occurrence of an Event of Default (other than an Event of Default described in Section 5.01(iii) or (iv) of the Indenture), (ii) following an acceleration of the Notes pursuant to Section 5.02 of the Indenture that has not been rescinded and annulled in accordance with the terms of the Indenture, or (iii) following the institution of Proceedings for the foreclosure of the Indenture and the liquidation of the Collateral pursuant to Section 5.04(a)(ii) of the Indenture, the Trustee will transfer all Collections on deposit in the Collection Account, including Proceeds from the liquidation of the Collateral, to the Distribution Account. On each Payment Date (or such other date as selected by the Trustee pursuant to the Indenture), the Trustee will distribute such amounts together with Available Funds and all other funds available for distributions on the Notes, to the extent there are sufficient funds, to the following parties in the order of priority set forth below. With respect to the Notes then Outstanding, payments shall be made *pro rata* to the Holders of Notes based on their respective Percentage Interests.

1 . *pro rata*, to the Trustee, the Owner Trustee, the Servicer, the Backup Servicer, any Successor Servicer, the Custodian and the Lockbox Bank, certain amounts due and owing to such entities, pursuant to the priorities in clauses 1 and 2 of Section 7.05(a), and without regard to the cap set forth in clauses 1 and 2 of Section 7.05(a);

2. to the Noteholders, any unpaid Interest Amounts;

3. to the Noteholders, in payment of principal on the Notes until the Outstanding Principal Balance of the Notes is reduced to zero; and

4. any remaining amounts to the Certificateholder.

ARTICLE 8.

SERVICER DEFAULT; SERVICER TRANSFER

Section 8.01. Servicer Default.

"Servicer Default" means the occurrence of any of the following:

(a) any failure by the Servicer to remit or cause to be remitted when due any payment, transfer or deposit required to be remitted by the Servicer to the Trustee under the terms of this Agreement or the other Transaction Documents and such failure continues unremedied for a period of two (2) Business Days, it being understood that the Servicer shall not be responsible for the failure of either the Issuer or the Trustee to remit funds that were received by the Issuer or the Trustee from or on behalf of the Servicer in accordance with this Agreement or the other Transaction Documents; or

(b) failure by the Servicer duly to observe or perform any other covenants or agreements of the Servicer set forth in this Agreement or the other Transaction Documents, which failure materially and adversely affects the rights of the Issuer or the Noteholders and continues unremedied for a period of 60 days (if such failure or breach can be cured) after the first to occur of (i) the date on which written notice of such failure requiring the same to be remedied shall have been given to a Responsible Officer of the Servicer by the Trustee or to a Responsible Officer of the Servicer and the Trustee by any Noteholder or the Certificateholder or (ii) the date the Servicer shall assign any of its duties hereunder other than as expressly permitted hereby; or

(c) any representation or warranty of the Servicer in this Agreement or any other Transaction Document or in any certificate delivered under this Agreement or any other Transaction Document (other than any representation or warranty relating to a Loan that has been purchased by the Servicer) shall prove to have been incorrect when made, which has a material adverse effect on the Noteholders and which continues unremedied for 30 days after discovery thereof by a Responsible Officer of the Servicer or after the date on which written notice of such failure, requiring the same to be remedied, shall have been delivered to the Servicer by the Trustee; or

(d) a decree or order of a court or agency or supervisory authority having jurisdiction for the appointment of a conservator or receiver or liquidator in any Insolvency Proceedings, or for the winding-up or liquidation of its affairs, shall have been entered against the Servicer and such decree or order shall have remained in force, undischarged or unstayed for a period of 60 consecutive days; or

(e) the Servicer shall consent to the appointment of a conservator or receiver or liquidator in any Insolvency Proceedings of or relating to the Servicer or of or relating to all or substantially all of the Servicer's property; or

(f) the Servicer shall cease to be eligible to continue as Servicer under this Agreement pursuant to Section 5.12(a); or

(g) the Servicer shall file a petition to take advantage of any applicable Insolvency Laws, make an assignment for the benefit of its creditors or generally fail to pay its debts as they become due.

Notwithstanding the foregoing, a delay in or failure of performance referred to under Section 8.01(a) above for a period of five Business Days or referred to under Section 8.01(b) above for a period of 60 days (in addition to the 60-day period provided therein) shall not constitute a Servicer Default until the expiration of such additional five (5) Business Days or 60 days, respectively, if such delay or failure could not be prevented by the exercise of reasonable diligence by the Servicer and such delay or failure was caused by an act of God or other events beyond the Servicer's control.

Section 8.02. Servicer Transfer.

(a) If a Servicer Default has occurred and is continuing, the Trustee or the Issuer may terminate all of the rights and obligations of the Servicer hereunder by notice to the Servicer (a "Termination Notice"), whereupon the Backup Servicer will succeed to all of the Servicer's management, administrative, servicing, custodial and collection functions as Servicer hereunder within thirty (30) days of receiving a Termination Notice.

(b) If the Backup Servicer is unable to assume the role of the Servicer after a Termination Notice is delivered pursuant to Section 8.02(a), the Trustee (i) will provide the Trust Depositor with written notice of such circumstances (and the Trust Depositor shall promptly forward a copy of such notice to the Rating Agency) and (ii) may appoint a Successor Servicer with assets of at least $50,000,000 and whose regular business includes the servicing of assets similar to the Loan Assets. Such proposed Successor Servicer shall become the Successor Servicer once it assumes the Servicer's responsibilities and obligations in accordance with Section 8.03. If such proposed Successor Servicer is unable to assume the responsibilities and obligations of the Servicer, the Trustee shall propose an alternative established servicing institution to serve as the Successor Servicer. Such other proposed Successor Servicer shall become the Successor Servicer once it assumes the Servicer's responsibilities and obligations in accordance with this Agreement. If no Successor Servicer has been appointed and approved following the above procedures within 120 days of the delivery of a Termination Notice or notice of resignation by the Servicer, then any of the Issuer, Trustee, removed or resigning Servicer or any Securityholder may petition any court of competent jurisdiction for the appointment of a Successor Servicer, which appointment will not require the consent of, nor be subject to the approval of the Issuer, the Trustee or any Securityholder.

(c) On the date that a Successor Servicer (including for the avoidance of doubt the Backup Servicer acting as such) shall have been appointed and accepted such appointment pursuant to Section 8.03 (such appointment being herein called a "Servicer Transfer"), all rights, benefits, fees, indemnities, authority and power of the Servicer under this Agreement, whether with respect to the Loans, the Loan Files or otherwise, shall pass to and be vested in such Successor Servicer pursuant to and under this Section 8.02; and, without limitation, the Successor Servicer is authorized and empowered to execute and deliver on behalf of the Servicer, as attorney-in-fact or otherwise, any and all documents and other instruments, and to do any and all acts or things necessary or appropriate to effect the purposes of such notice of termination. The Servicer agrees to cooperate with the Successor Servicer in effecting the termination of the responsibilities and rights of the Servicer hereunder, including, without limitation, the transfer to the Successor Servicer for administration by it of all cash amounts which shall at the time be held by the Servicer for deposit, or have been deposited by the Servicer, in the Collection Account and the Reserve Account, or thereafter received with respect to the Loans and Related Property. The Servicer shall transfer to the Successor Servicer (i) all records held by the Servicer relating to the Loans and Related Property in such electronic form as the Successor Servicer may reasonably request and (ii) any Loan Files in the Servicer's possession. In addition, the Servicer shall permit access to its premises (including all computer records and programs) to the Successor Servicer or its designee, and shall pay the reasonable transition expenses of the Successor Servicer. Upon a Servicer Transfer, the Successor Servicer shall also be entitled to receive the Servicing Fee thereafter payable for performing the obligations of the Servicer and any additional amounts payable to the Servicer hereunder. Any indemnities provided in this Agreement or the other Transaction Documents in favor of the Servicer, any Servicing Fee (together with accrued interest thereon), any other fees, costs and expenses and any Scheduled Payment Advances, Servicing Advances and Nonrecoverable Advances (in each case together with accrued interest due the Servicer thereon), in any case, that have accrued and/or are due and unpaid or unreimbursed to the Servicer shall survive the termination of the Servicer and its replacement with a Successor Servicer and the Servicer being replaced shall remain entitled thereto until paid hereunder out of the Collection Account or the Distribution Account in accordance with the Priority of Payments.

Section 8.03. Acceptance by Successor Servicer; Reconveyance; Successor Servicer to Act.

(a) Subject to Section 8.04, no appointment of any Person (other than the Backup Servicer) as successor to the Servicer hereunder (the "Successor Servicer") shall be effective until the Successor Servicer shall have executed and delivered to the Issuer and the Trustee a written acceptance of such appointment and of the duties of Servicer hereunder, subject to Section 8.03(d). The Servicer shall continue to perform all servicing functions under this Agreement until the date the Successor Servicer shall have so executed and delivered such written acceptance.

(b) As compensation, a Successor Servicer (including for the avoidance of doubt, the Backup Servicer acting as such) so appointed shall be entitled to receive the Servicing Fee, together with any other servicing compensation in the form of assumption fees, late payment charges or otherwise as provided in the Transaction Documents that thereafter are payable under this Agreement, including, without limitation, all reasonable costs (including reasonable attorneys' fees) incurred in connection with transferring the servicing obligations under this Agreement and amending this Agreement (if necessary) to reflect such transfer. If the Backup Servicer shall assume the role of Successor Servicer, it shall receive a Servicing Fee equal to the Servicing Fee effective immediately preceding the delivery of the related Termination Notice. In the event that the Backup Servicer is unable or unwilling to assume the role of Successor Servicer and no prospective Successor Servicer is willing to undertake the Servicer's responsibilities under this Agreement for a Servicing Fee less than or equal to the Servicing Fee effective immediately preceding the delivery of the related Termination Notice, the Trustee may, acting at the direction of the Majority Noteholders, solely for purposes of establishing the fee to be paid to a Successor Servicer after a Termination Notice, solicit written bids (such bids to include a proposed servicer fee and servicing transfer costs) from not less than three entities experienced in the servicing of asset-backed securities secured by commercial loans similar to the Loans that are not Affiliates of the Servicer, the Borrower or the Backup Servicer and are reasonably acceptable to the Majority Noteholders. Any such written solicitation shall prominently indicate that bids should specify any applicable subservicing fees required to be paid from the Servicing Fee. The Successor Servicer shall act as Servicer hereunder and shall, subject to the availability of sufficient funds in the Distribution Account pursuant to Section 7.05 (up to the Servicing Fee), receive as compensation therefor a fee equal to the fee proposed in the bid so solicited which provides for the lowest combinations of servicing fee and transition costs, as reasonably determined by the Trustee, acting at the direction of the Majority Noteholders, and may revise the Servicing Fee Rate used to calculate the Servicing Fee.

(c) None of the Trustee, the Backup Servicer, nor any Successor Servicer shall be held liable by reason of any failure to make, or any delay in making, any distribution hereunder or any portion thereof caused by (i) the failure of the Servicer to deliver, or any delay in delivering, cash, documents or records to it, or (ii) restrictions imposed by any regulatory authority having jurisdiction over the Servicer. To the extent that the Trustee or the Backup Servicer incurs any extraordinary expenses in connection with a servicing transfer, it shall be entitled to reimbursement therefor as an Administrative Expense pursuant to the Priority of Payments.

(d) On or after a Servicer Transfer, the Successor Servicer shall be the successor in all respects to the Servicer in its capacity as servicer under this Agreement and the transactions set forth or provided for herein with respect to servicing of the Collateral and shall be subject to all the responsibilities, duties and liabilities relating thereto placed on the Servicer by the terms and provisions hereof, and the terminated Servicer shall be relieved of such responsibilities, duties and liabilities arising after such Servicer Transfer; *provided* that (i) the Successor Servicer will not assume any obligations of the Servicer described in Section 8.02(c), (ii) the Successor Servicer shall not be liable for any acts or omissions of the Servicer occurring prior to such Servicer Transfer or for any breach by the Servicer of any of its representations and warranties contained herein or in any other Transaction Document, (iii) the Successor Servicer shall have no obligation to pay any taxes required to be paid by the Servicer (provided, that the Successor Servicer shall pay any income taxes for which it is liable), (iv) the Successor Servicer shall have no obligation to pay any of the fees and expenses of any other party to the transactions contemplated hereby, (v) the Successor Servicer shall have no liability or obligation with respect to any Servicer indemnification obligations of any prior Servicer, including the initial Servicer, and (vi) the Successor Servicer shall have no obligation to perform any repurchase or advancing obligations of the Servicer. Notwithstanding anything else herein to the contrary, in no event shall the Trustee be liable for any Servicing Fee or for any differential in the amount of the servicing fee paid hereunder and the amount necessary to induce any Successor Servicer to act as Successor Servicer under this Agreement and the transactions set forth or provided for herein, including any Servicing Transfer Costs. The Trustee and such successor shall take such action, consistent with this Agreement, as shall be necessary to effectuate any such succession. The terminated Servicer shall remain entitled to payment and reimbursement of the amounts set forth in the last sentence of Section 8.02(b) notwithstanding its termination hereunder, to the same extent as if it had continued to service the Loans hereunder. Backup Servicer, as Backup Servicer or Successor Servicer, is not required to expend or risk its own funds.

(e) Notwithstanding anything contained in this Agreement or the Indenture to the contrary, in the event that U.S. Bank becomes Successor Servicer pursuant to this Agreement, U.S. Bank shall not responsible for the accounting, records (including computer records) and work of Horizon Technology Finance Corporation or any other predecessor Servicer relating to the Loans (collectively, the "Predecessor Servicer Work Product"). If any error, inaccuracy, omission or incorrect or non-standard practice or procedure (collectively, "Errors") exists in any Predecessor Servicer Work Product and such Errors make it materially more difficult to service or should cause or materially contribute to U.S. Bank making or continuing any Errors (collectively, "Continued Errors"), U.S. Bank shall have no liability for such Continued Errors; provided, however, that U.S. Bank agrees to use commercially reasonable efforts to prevent Continued Errors. In the event that U.S. Bank becomes aware of Errors or Continued Errors, U.S. Bank shall, with the prior consent of the Trustee, use commercially reasonable efforts to reconstruct and reconcile such data to correct such Errors and Continued Errors and to prevent future Continued Errors. U.S. Bank shall be entitled to recover its costs thereby expended in accordance with the Priority of Payments.

(f) The Successor Servicer is authorized to accept and rely on all accounting records (including computer records) and work product of the prior Servicer hereunder relating to the Collateral without any audit or other examination.

Section 8.04. Notification to Securityholders.

(a) Promptly following the occurrence of any Servicer Default, the Servicer shall give written notice thereof to the Trustee, the Backup Servicer, the Owner Trustee, the Trust Depositor and the Rating Agency at the addresses described in Section 13.04 hereof and the Trustee shall promptly forward such notice to the Noteholders and Certificateholder at their respective addresses appearing on the Note Register and the Certificate Register, respectively.

(b) Within ten (10) days following receipt of a Termination Notice or notice of appointment of a Successor Servicer pursuant to this Article VIII, the Trustee shall give written notice thereof to the Trust Depositor (and the Trust Depositor shall promptly forward a copy of such notice to the Rating Agency) at the addresses described in Section 13.04 hereof and to the Noteholders and Certificateholder at their respective addresses appearing on the Note Register and the Certificate Register, respectively.

Section 8.05. Effect of Transfer.

(a) After a Servicer Transfer, the terminated Servicer shall have no further obligations with respect to the management, administration, servicing, custody or collection of the Loans as Servicer hereunder and, subject to Section 8.03(d), the Successor Servicer appointed pursuant to Section 8.03 shall have all of such obligations, except that the terminated Servicer will transmit or cause to be transmitted directly to the Successor Servicer promptly on receipt and in the same form in which received, any amounts (properly endorsed where required for the Successor Servicer to collect them) received as Collections upon or otherwise in connection with the Collateral.

(b) A Servicer Transfer shall not affect the rights and duties of the parties hereunder (including but not limited to the obligations and indemnities of the Servicer) other than those relating to the management, administration, servicing, custody or collection of the Loans.

Section 8.06. Database File.

Upon reasonable request by the Trustee, the Servicer will provide the Successor Servicer with a magnetic tape or Microsoft Excel or similar spreadsheet file containing the database file for each Loan on and as of the Business Day before the actual commencement of servicing functions by the Successor Servicer following the occurrence of a Servicer Default.

Section 8.07. Waiver of Defaults.

The Majority Noteholders may, on behalf of all the Securityholders, waive any default by the Servicer of its obligations hereunder and all consequences of such default, except a default in making any required deposits to the Collection Account or the Distribution Account. No such waiver or cure shall extend to any subsequent or other default or impair any right consequent thereto except to the extent expressly so waived.

ARTICLE 9.

REPORTS

Section 9.01. Monthly Reports.

(a) With respect to each Payment Date and the related Collection Period, the Servicer shall prepare a statement (a "Monthly Report") containing the information set forth in Exhibit H-2 hereto with respect to the preceding Collection Period and will deliver a copy of such Monthly Report to the Trustee and Backup Servicer no later than the related Reference Date.

(b) [Reserved].

(c) On or before each Payment Date, the Trustee will provide or make available at its website at www.usbank.com/abs the Monthly Report received by it on the related Reference Date to the Issuer, the Servicer, the Backup Servicer, the Initial Purchaser, the Rating Agency and the Noteholders in accordance with Section 3.29 of the Indenture.

Section 9.02. Quarterly Reports.

(a) The Servicer shall prepare a quarterly statement (a "Quarterly Report") containing the information set forth in Exhibit H-1 hereto with respect to the three (3) most recently preceding Collection Periods.

(b) [Reserved].

(c) On each Reference Date occurring in March, June, September and December, beginning on the Reference Date occurring in September 2013, the Servicer will provide to the Trustee and Backup Servicer a Quarterly Report relating to the calendar quarter immediately preceding the calendar quarter in which such Reference Date occurs. Not later than the Payment Date relating to such Reference Date, the Trustee will provide or make available at its website at www.usbank.com/abs such Quarterly Report to the Issuer, the Servicer, the Backup Servicer, the Initial Purchaser, the Rating Agency and the Noteholders in accordance with Section 3.29 of the Indenture.

Section 9.03. Preparation of Reports; Officer's Certificate.

(a) The Servicer shall cooperate with the Trustee in connection with the delivery of the Monthly Reports and Quarterly Reports. Without limiting the generality of the foregoing and the obligation of the Servicer to deliver Monthly Reports and Quarterly Reports to the Trustee, the Servicer shall supply in a timely fashion any information as to any determinations required to be made by the Servicer hereunder or under the Indenture and such other information as is maintained by the Servicer that the Trustee may from time to time request with respect to the Collateral. Nothing herein shall obligate the Trustee to determine independently any characteristic of a Loan, including without limitation whether any item of Collateral is a Co-Lender Loan, any such determination being based exclusively upon notification the Trustee receives from the Servicer, and except as otherwise specifically set forth in any of the Transaction Documents, nothing in this Article IX shall obligate the Trustee to review or examine any underlying instrument or contract evidencing, governing or guaranteeing or securing any Loan in order to verify, confirm, audit or otherwise determine any characteristic thereof.

(b) In performing its duties hereunder to provide the Monthly Reports and Quarterly Reports, the Trustee shall in no event have any liability for the actions or omissions of the Servicer or any other Person, and shall have no liability for any inaccuracy or error in any Monthly Report or Quarterly Report it distributes pursuant to Sections 9.01 and 9.02, except to the extent that such inaccuracies or errors are caused by the Trustee's own fraud, bad faith, willful misfeasance, gross negligence or reckless disregard of its duties hereunder. The Trustee shall not be liable for failing to perform or delay in performance of its specified duties hereunder that results from or is caused by a failure or delay on the part of the Servicer or another Person in furnishing necessary, timely and accurate information to the Trustee or the Servicer or a review by the Independent Accountants of a Monthly Report or a Quarterly Report.

Section 9.04. Other Data; Obligor Financial Information.

(a) Not later than 4:00 p.m. (Eastern Time) on the Reference Date, the Servicer shall provide to the Trustee (in a format agreed to by the Trustee and the Servicer) and the Backup Servicer such information (the "Tape") the Servicer relied upon to prepare the Monthly Report and Quarterly Report, as applicable, for such month. Each Tape shall include, but not be limited to, the information set forth in Exhibit H-2 (in the case of Monthly Reports) and Exhibit H-1 (in the case of Quarterly Reports). The Backup Servicer shall use such tape or diskette (or other electronic transmission acceptable to the Trustee and the Backup Servicer) to (i) confirm that such tape, diskette or other electronic transmission is in readable form, and (ii) calculate and confirm (A) the aggregate amount distributable as principal on the related Payment Date to the Notes, (B) the aggregate amount distributable as interest on the related Payment Date to the Notes, (C) the outstanding principal amount of the Notes after giving effect to all distributions made pursuant to clause (A), above, and (D) the aggregate amount of principal and interest to be carried over on such Payment Date after giving effect to all distributions made pursuant to clauses (A) and (B), above, respectively. The Backup Servicer shall certify to the Trustee that it has verified the Monthly Report or the Quarterly Report in accordance with this Section and shall notify the Servicer and the Trustee of any discrepancies, in each case, on or before the fifth Business Day following the related Payment Date. In the event that the Backup Servicer reports any discrepancies, the Servicer and the Backup Servicer shall attempt to reconcile such discrepancies prior to the next succeeding Payment Date, but in the absence of reconciliation, the Monthly Report or the Quarterly Report shall control for the purpose of calculations and distributions with respect to the next succeeding Payment Date. In the event that the Backup Servicer and the Servicer are unable to reconcile discrepancies with respect to a Monthly Report or Quarterly Report by the next succeeding Payment Date, the Servicer shall cause the Independent Accountants, at the Servicer's expense, to perform agreed-upon procedures to the information within the Tape in connection with such Monthly Report or the Quarterly Report and, prior to the last day of the month after the month in which such Monthly Report or Quarterly Report was delivered, reconcile the discrepancies. The effect, if any, of such reconciliation shall be reflected in the Monthly Report for such next succeeding Payment Date following the last date of the Collection Period. In addition, upon the occurrence of a Servicer Default the Servicer shall deliver to the Backup Servicer or any successor Servicer its files within 15 days after demand therefor and a computer tape containing as of the close of business on the date of demand all of the data maintained by the Servicer in computer format in connection with servicing the Loans. Other than the duties specifically set forth in this Agreement, the Backup Servicer shall have no obligations hereunder, including, without limitation, to supervise, verify, monitor or administer the performance of the Servicer. The Backup Servicer shall have no liability for any actions taken or omitted by the Servicer.

(b) In addition, the Servicer shall, upon the request of the Trustee or any Rating Agency, furnish the Trustee, the Backup Servicer, the Issuer or Rating Agency, as the case may be, such underlying data in the possession of the Servicer used to generate a Monthly Report or Quarterly Report as may be reasonably requested. The initial Servicer will also forward to the Trustee and the Rating Agency (i) within 60 days after each calendar quarter (except the fourth calendar quarter), commencing with the quarter ending September 30, 2013, the unaudited quarterly financial statements of the Servicer and (ii) within 120 days after each fiscal year of the initial Servicer, commencing with the fiscal year ending December 31, 2013, the audited annual financial statements of the Servicer; *provided* that so long as the Servicer is required under the Securities Act to file its financial statements with the Securities and Exchange Commission, the foregoing requirement to provide such financial statements to the Trustee, the Issuer, the Backup Servicer, the Rating Agency and the Initial Purchaser shall not apply.

(c) [Reserved].

(d) [Reserved].

(e) The Servicer will forward to the Rating Agency promptly upon request any additional financial information in the Servicer's possession or reasonably obtainable by the Servicer as the Rating Agency shall reasonably request with respect to an Obligor as to which any Scheduled Payment is past due for at least ten (10) days.

Section 9.05. Annual Report of Accountants.

The initial Servicer shall cause a firm of nationally recognized independent certified public accountants (the "Independent Accountants"), who may also render other services to the Servicer or its Affiliates, to deliver to the Servicer and the Trustee, upon signature of an acknowledgment letter, on or before March 31st of each year, beginning on March 31, 2014, a report addressed to the Servicer and the Trustee indicating that the Independent Accountants have performed certain procedures as agreed by the Servicer and the Trustee. As a part of such review, the Independent Accountants will obtain the Monthly Report with respect to two (2) Collection Periods during the 12 months ended the immediately preceding December 31 and, for each such Monthly Report, the Independent Accountants will reconcile certain amounts in the Monthly Report to the Servicer's computer, accounting and other reports. The Independent Accountants will include in such report any unreconciled amounts in such records that are not in agreement with the amounts in the Quarterly Reports. In the event the Independent Accountants require the Trustee to agree to the procedures performed by the Independent Accountants, the Servicer shall direct the Trustee in writing to so agree; it being understood and agreed that the Trustee will deliver such letter of agreement in conclusive reliance upon the direction of the Servicer, and the Trustee will not make any independent inquiry or investigation as to, and shall have no obligation or liability in respect of, the sufficiency, validity or correctness of such procedures. On or about April 30th of each year, beginning on April 30, 2014, the Servicer will deliver to the Rating Agency an attestation that the foregoing review by the Independent Accountants has been completed without exceptions or, if exceptions have been identified in such review, the Servicer shall include a statement setting forth its proposed actions to correct such exceptions in a timely manner. Without limiting the generality of the foregoing, the Trustee shall have no responsibility to make any inquiry or investigation as to, and shall have no obligation in respect of, the terms of any engagement of the Independent Accountants by the Servicer or the terms of any agreed upon procedures in respect of such engagement; *provided*, *however* that the Trustee shall be authorized, at direction of the Servicer, to execute any acknowledgement or other agreement with the Independent Accountants required for the Trustee to receive any of the reports or instructions provided for herein, which acknowledgement or agreement may include, among other things, (i) acknowledgement that the Servicer has agreed that the procedures to be performed by the Independent Accountants are sufficient for the purposes of this Section 9.05, (ii) releases by the Trustee (on behalf of itself and the Holders) of claims against the Independent Accountants and acknowledgement of other limitations of liability in favor of the Independent Accountants, and (iii) restrictions or prohibitions on the disclosure of information or documents provided to it by such firm of Independent Accountants (including to the Holders). Notwithstanding the foregoing, in no event shall the Trustee be required to execute any agreement in respect of the Independent Accountants that the Trustee reasonably determines adversely affects it. The Independent Accountants' report shall also indicate that the firm is independent of the Servicer within the meaning of the Code of Professional Ethics of the American Institute of Certified Public Accountants. If the Backup Servicer becomes the Successor Servicer it shall be entitled to reimbursement (as Administrative Expenses) for its expenses incurred in connection with this Section 9.05.

Section 9.06. Statements of Compliance from Servicer. The Servicer will deliver to the Trustee, the Backup Servicer and the Owner Trustee within 90 days of the end of each fiscal year commencing with the year ending December 31, 2013, an Officer's Certificate stating that (a) the Servicer has fully complied in all material respects with certain provisions of the Agreement relating to servicing of the Loans and payments on the Notes, (b) a review of the activities of the Servicer during the prior calendar year and of its performance under this Agreement was made under the supervision of the officer signing such certificate and (c) to the best of such officer's knowledge, based on such review, the Servicer has fully performed or caused to be performed in all material respects all its obligations under this Agreement for such year, or, if there has been a Servicer Default or default in any of its obligations which, with notice or passage of time, could become a Servicer Default, specifying each such default known to such officer and the nature and status thereof including the steps being taken by the Servicer to remedy such event.

Section 9.07. [Reserved].

Section 9.08. Notices of Event of Default, Servicer Default or Rapid Amortization Event.

Promptly upon a Responsible Officer of the Servicer becoming aware thereof, the Servicer shall furnish to the Trustee, the Backup Servicer and the Rating Agencies notice of the occurrence of any Event of Default or Servicer Default or of any situation which the Servicer reasonably expects to develop into an Event of Default or Servicer Default. Promptly upon a Responsible Officer of the Servicer becoming aware thereof, the Servicer shall furnish to the Trustee, the Backup Servicer and the Rating Agencies notice of the occurrence of any Rapid Amortization Event.

Section 9.09. Trustee's Right to Examine Servicer Records, Audit Operations and Deliver Information to Noteholders.

The Trustee shall have the right upon reasonable prior notice, during normal business hours, in a manner that does not unreasonably interfere with the Servicer's normal operations or customer or employee relations, no more often than once a year unless an Event of Default or Servicer Default shall have occurred and be continuing in which case as often as reasonably required, to examine and audit any and all of the books, records or other information of the Servicer, whether held by the Servicer or by another on behalf of the Servicer, which may be relevant to the performance or observance by the Servicer of the terms, covenants or conditions of this Agreement. No amounts payable in respect of the foregoing shall be paid from the Loan Assets except that after an Event of Default, fees and expenses of the Trustee not paid by the Servicer shall be reimbursed to the Trustee as an Administrative Expense.

The Trustee shall have the right, in accordance with the Indenture, to deliver information provided by the Servicer to any Noteholder requesting the same; *provided* that the Servicer may request that any such Noteholder not a party hereto enter into a confidentiality agreement reasonably acceptable to the Servicer prior to permitting such Noteholder to view such information.

ARTICLE 10.

TERMINATION

Section 10.01. Optional Redemption of Notes; Rights of Certificateholders Following Satisfaction and Discharge of Indenture.

(a) Optional Redemption.

(i) If, as of the last day of any Collection Period, the Aggregate Outstanding Principal Balance shall be less than or equal to 10% of the Aggregate Outstanding Principal Balance as of the Closing Date, the Notes may be redeemed in whole, but not in part, at the direction of the Trust Depositor on any succeeding Payment Date. To exercise such option, the Trust Depositor shall furnish notice of such election to the Rating Agency and the Noteholders. If the Notes are to be so redeemed, the Trust Depositor shall also furnish notice of such election to the Trustee at least 15 Business Days prior to the proposed Redemption Date. To effect an Optional Redemption, the Trust Depositor shall deposit in the Distribution Account an amount equal to the Redemption Price and shall comply with the Optional Redemption provisions set forth in Section 10.01 and Section 10.04 of the Indenture.

(ii) Notice of an Optional Redemption shall be provided by the Trust Depositor to the Trustee, the Owner Trustee and the Rating Agencies in accordance with the Indenture.

(b) [Reserved].

(c) Following the satisfaction and discharge of the Indenture, the payment in full of the principal of and interest on the Notes, and payment of fees and expenses and other amounts owing to Trustee, the Certificateholders will succeed to the rights of the Noteholders hereunder.

Section 10.02. Termination.

(a) This Agreement shall terminate upon notice to the Trustee of the earlier of the following events: (i) the final payment on or the disposition or other liquidation by the Issuer of the last Loan (including, without limitation, in connection with a redemption by the Issuer of all outstanding Notes pursuant to Section 10.01) or the disposition of all other Collateral, including property acquired upon foreclosure or deed in lieu of foreclosure of any Loan and the remittance of all funds due thereunder with respect thereto, (ii) mutual written consent of the Servicer, the Backup Servicer, the Trust Depositor, the Issuer, the Trustee, the Seller and all Outstanding Securityholders or (iii) the payment in full of all amounts owing in respect of the Notes.

(b) Notice of any termination, specifying the Payment Date upon which the Issuer will terminate and that the Noteholders shall surrender their Notes to the Trustee for payment of the final distribution and cancellation shall be given promptly by the Servicer to the Trustee and by the Trustee to all Noteholders and the Rating Agencies during the month of such final distribution before the Reference Date in such month, specifying (i) the Payment Date upon which final payment of the Notes (or Redemption Price) will be made upon presentation and surrender of Notes at the office of the Trustee therein designated, (ii) the amount of any such final payment and (iii) that the Record Date otherwise applicable to such Payment Date is not applicable, payments being made only upon presentation and surrender of the Notes at the office of the Trustee therein specified.

ARTICLE 11.

REMEDIES UPON MISREPRESENTATION;
REPURCHASE OPTION

Section 11.01. Repurchases of, or Substitution for, Loans for Breach of Representations and Warranties.

Upon a discovery by a Responsible Officer of the Trust Depositor, a Responsible Officer of the Servicer or any subservicer, a Responsible Officer of the Backup Servicer or a Responsible Officer of the Trustee of a breach of a representation or warranty as set forth in Section 3.01, Section 3.02, or Section 3.04 or as made or deemed made in any notice relating to Substitute Loans, as applicable, that materially and adversely affects the interests of the Securityholders (each such Loan with respect to which such breach exists, an "Ineligible Loan"), the party discovering such breach or failure shall give prompt written notice to the other parties to this Agreement; provided that neither the Trustee nor the Backup Servicer shall have a duty or obligation (i) to discover or make an attempt to discover, inquire about or investigate the breach of any of such representations or warranties or (ii) to determine if such breach materially and adversely affects the interests of the Securityholders. Within 30 days of the earlier of (x) its discovery or (y) its receipt of notice of any breach of a representation or warranty, the Trust Depositor shall, or shall require the Seller pursuant to the Sale and Contribution Agreement to, and the Seller shall, (a) promptly cure such breach in all material respects, (b) repurchase each such Ineligible Loan by depositing in the Lockbox Account, for further credit to the Collection Account, within such 30 day period, an amount equal to the Transfer Deposit Amount for such Ineligible Loan, or (c) remove such Loan from the Collateral, deposit the Transfer Deposit Amount with respect to such Loan into the Lockbox Account, for further credit to the Collection Account, and, not later than the date a repurchase of such affected Loan would be required hereunder, effect a substitution for such affected Loan with a Substitute Loan in accordance with the substitution requirements set forth in Sections 2.04 and 2.06.

Section 11.02. Reassignment of Repurchased or Substituted Loans.

Upon receipt by the Trustee for deposit in the Collection Account of the amounts described in Section 11.01 (or upon the Substitute Loan Cutoff Date related to a Substitute Loan described in Section 11.01), and upon receipt of an Officer's Certificate of the Servicer in the form attached hereto as Exhibit F, the Trustee and the Issuer shall assign to the Trust Depositor and the Trust Depositor shall assign to the Seller all of the Trustee's and the Issuer's (or Trust Depositor's, as applicable) right, title and interest in the Loans being repurchased or substituted for the related Loan Assets without recourse, representation or warranty. Such reassigned Loan shall no longer thereafter be included in any calculations of Outstanding Loan Balances required to be made hereunder or otherwise be deemed a part of the Collateral.

ARTICLE 12.

INDEMNITIES

Section 12.01. Indemnification by Servicer.

The initial Servicer agrees to indemnify, defend and hold harmless the Trustee (as such and in its individual capacity), the Custodian (as such and in its individual capacity), the Owner Trustee (as such and in its individual capacity), the Backup Servicer (as such, in its individual capacity and in its capacity as Successor Servicer) and any Successor Servicer (as such and in its individual capacity) and each of their officers, directors, employees and agents for and from and against any and all claims, losses, penalties, fines, forfeitures, judgments (provided that any indemnification for damages is limited to actual damages, not consequential, special or punitive damages), reasonable legal fees and related costs and any other reasonable costs, fees and expenses that such Person may sustain as a result of the Servicer's fraud or the failure of the Servicer to perform its duties and service the Loans in compliance in all material respects with the terms of this Agreement, except to the extent arising from gross negligence, willful misconduct or fraud by the Person claiming indemnification. Any Person seeking indemnification hereunder shall promptly notify the Servicer if such Person receives a complaint, claim, compulsory process or other notice of any loss, claim, damage or liability giving rise to a claim of indemnification hereunder but failure to provide such notice shall not relieve the Servicer of its indemnification obligations hereunder unless the Servicer is deprived of material substantive or procedural rights or defenses as a result thereof. The Servicer shall assume (with the consent of the indemnified party, such consent not to be unreasonably withheld) the defense and any settlement of any such claim and pay all expenses in connection therewith, including reasonable counsel fees, and promptly pay, discharge and satisfy any judgment or decree which may be entered against the indemnified party in respect of such claim. If the consent of the indemnified party required in the immediately preceding sentence is unreasonably withheld, the Servicer shall be relieved of its indemnification obligations hereunder with respect to such Person. The parties agree that the provisions of this Section 12.01 shall not be interpreted to provide recourse to the Servicer against loss by reason of the bankruptcy, insolvency or lack of creditworthiness of an Obligor with respect to a Loan. The Servicer shall have no liability for making indemnification hereunder to the extent any such indemnification constitutes recourse for uncollectible or uncollected Loans.

Section 12.02. Indemnification by Trust Depositor.

The Trust Depositor agrees to indemnify, defend, and hold the Trustee (as such and in its individual capacity), the Custodian (as such and in its individual capacity), the Owner Trustee (as such and in its individual capacity), the Backup Servicer (as such, in its individual capacity and in its capacity as Successor Servicer), any Successor Servicer (as such and in its individual capacity) and each of their officers, directors, employees and agents and each Securityholder harmless from and against any and all claims, losses, penalties, fines, forfeitures, reasonable legal fees and related costs, judgments (*provided* that any indemnification for damages is limited to actual damages, not consequential, special or punitive damages), and any other reasonable costs, fees and expenses that such Person may sustain as a result of the Trust Depositor's fraud or the failure of the Trust Depositor to perform its duties in compliance in all material respects with the terms of this Agreement and in the best interests of the Issuer, except to the extent arising from the gross negligence, willful misconduct or fraud by the Person claiming indemnification. Any Person seeking indemnification hereunder shall promptly notify the Trust Depositor if such Person receives a complaint, claim, compulsory process or other notice of any loss, claim, damage or liability giving rise to a claim of indemnification hereunder but failure to provide such notice shall not relieve the Trust Depositor of its indemnification obligations hereunder unless the Trust Depositor is deprived of material substantive or procedural rights or defenses as a result thereof. The Trust Depositor shall assume (with the consent of the indemnified party, such consent not to be unreasonably withheld) the defense and any settlement of any such claim and pay all expenses in connection therewith, including reasonable counsel fees, and promptly pay, discharge and satisfy any judgment or decree which may be entered against the indemnified party in respect of such claim. If the consent of the indemnified party required in the immediately preceding sentence is unreasonably withheld, the Trust Depositor is relieved of its indemnification obligations hereunder with respect to such Person.

Section 12.03. Survival.

The indemnities provided in this Article 12 shall survive the discharge and termination of this Agreement or earlier resignation or removal of the indemnitee.

ARTICLE 13.

MISCELLANEOUS

Section 13.01. Amendment.

(a) This Agreement may be amended from time to time by the Issuer, the Trust Depositor, the Seller, the Servicer, and the Trustee by written agreement, with notice to the Owner Trustee but without the consent of any Securityholder, to (i) cure any ambiguity or to correct or supplement any provisions herein that may be inconsistent with any other provisions in this Agreement or in the Offering Memorandum, (ii) comply with any changes in the Code, USA PATRIOT Act, or U.S. securities laws (including the regulations implementing such laws), (iii) evidence the succession of another Person to the Issuer, a Successor Servicer or a successor Trustee, and the assumption by any such successor of the applicable covenants therein, (iv) add to the covenants of any party hereto for the benefit of the Securityholders, (v) amend any provision to this Agreement to reflect any written change to the guidelines, methodology or standards established by any Rating Agency that are applicable to this Agreement, (vi) modify Exhibit G, or (vii) add any new provisions with respect to matters or questions arising under this Agreement which shall not be inconsistent with the provisions of this Agreement; *provided* that no such amendment shall materially and adversely affect the interests of any Noteholder. Notice of any proposed amendment must be sent to all Securityholders at least ten (10) Business Days prior to the execution of such amendment. Any amendment shall not be deemed to materially and adversely affect the interests of any Noteholder if the Person requesting such amendment obtains an Opinion of Counsel addressed to the Owner Trustee and the Trustee to that effect.

(b) Except as provided in Section 13.01(a) hereof, this Agreement may be amended from time to time by the Issuer, the Trust Depositor, the Seller, the Servicer and the Trustee, with the consent of 66 2/3% of the Noteholders and with notice to the Owner Trustee, for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Agreement or of modifying in any manner the rights of the Securityholders; *provided* that (i) no such amendment shall, without the consent of each Noteholder that may be adversely affected, reduce the percentage of the principal balance of the Notes that is required to consent to any amendment to this Agreement and (ii) no such amendment shall increase or reduce in any manner the amount of, or accelerate or delay the timing of, or change the allocation or priority of, collections of payments on or in respect of the Loans or distributions that are required to be made for the benefit of the Noteholders or change the interest rate applicable to the Notes, without the consent of all adversely affected Noteholders.

(c) Promptly after the execution of any such amendment or consent, written notification of the substance of such amendment or consent shall be furnished by the Trustee to the Noteholders and by the Issuer to the Certificateholders. It shall not be necessary for the consent of any Securityholders required pursuant to Section 13.01(b) to approve the particular form of any proposed amendment or consent, but it shall be sufficient if such consent shall approve the substance thereof. The manner of obtaining such consents and of evidencing the authorization by the Securityholders of the execution thereof shall be subject to such reasonable requirements as the Trustee may prescribe for the Noteholders and as the Issuer may prescribe for the Certificateholders. Notwithstanding anything contained herein, any amendment which affects the Owner Trustee, the Custodian or the Backup Servicer shall require the Owner Trustee's, the Custodian's or the Backup Servicer's, as applicable, written consent. Any amendment shall be accompanied by an Officer's Certificate and an Opinion of Counsel addressed to the Owner Trustee and the Trustee to the effect that such amendment is permitted hereunder and under the other Transaction Documents, has been duly authorized by all necessary action, and all conditions precedent to such amendment have been satisfied.

Section 13.02. [Reserved].

Section 13.03. Governing Law.

(a) THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REFERENCE TO ITS CONFLICT OF LAW PROVISIONS (OTHER THAN SECTIONS 5-1401 AND 5-1402 OF THE NEW YORK GENERAL OBLIGATIONS LAW), AND THE OBLIGATIONS, RIGHTS, AND REMEDIES OF THE PARTIES UNDER THE AGREEMENT SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS.

(b) EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT. EACH PARTY HERETO (I) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (II) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 13.03(b).

Section 13.04. Notices.

All notices, demands, certificates, requests and communications hereunder ("notices") shall be in writing and shall be effective (a) upon receipt when sent through the U.S. mails, registered or certified mail, return receipt requested, postage prepaid, with such receipt to be effective the date of delivery indicated on the return receipt, or (b) one Business Day after delivery to an overnight courier, or (c) on the date personally delivered to a Responsible Officer of the party to which sent, or (d) on the date transmitted by legible telecopier with a confirmation of receipt, in all cases addressed to the recipient as follows:

(a) if to the Servicer or the Seller:

Horizon Technology Finance Corporation
312 Farmington Avenue,
Farmington, Connecticut 06032
Attention: Legal Department
Re: Horizon Funding Trust 2013-1
Telephone: (860) 676-8654
Facsimile No.: 860-676-8655
Email: jay@horizontechfinance.com

with a copy to:

(b) Horizon Technology Finance Corporation
312 Farmington Avenue,
Farmington, Connecticut 06032
Attention: Legal Department
Re: Horizon Funding Trust 2013-1
Telephone: (860) 676-8654
Facsimile No.: 860-676-8655
Email: jay@horizontechfinance.com

(c) if to the Trust Depositor:

Horizon Funding 2013-1 LLC
c/o Horizon Technology Finance Corporation
312 Farmington Avenue,
Farmington, Connecticut 06032
Attention: Legal Department
Re: Horizon Funding Trust 2013-1
Telephone: (860) 676-8654
Facsimile No.: 860-676-8655
Email: jay@horizontechfinance.com

with a copy to:

Horizon Funding 2013-1 LLC
c/o Horizon Technology Finance Corporation
312 Farmington Avenue,
Farmington, Connecticut 06032
Attention: Legal Department
Re: Horizon Funding Trust 2013-1
Telephone: (860) 676-8654
Facsimile No.: 860-676-8655
Email: jay@horizontechfinance.com

(d) if to the Trustee:

U.S. Bank National Association
190 S. LaSalle Street, 7th Floor
Chicago, IL 60603
Attention: Horizon Funding Trust 2013-1
Tel: 312-332-7496
Fax: 312-332-7996

(e) if to the Backup Servicer:

U.S. Bank National Association
60 Livingston Avenue
St. Paul, MN 55107
Attention: Deborah Jones Franco
Facsimile No.: (651) 466-7365
Telephone: (651) 466-5032

(f) if to the Custodian with respect to Loan Files

U.S. Bank National Association
1133 Ronkin Street, Suite 100
St. Paul, MN 55116
Attention: Delma Carlson
E-mail: delma.carlson@usbank.com
Telephone: 651-695-5902
Facsimile: 651-695-6102
Ref: Horizon Funding Trust 2013-1

(g) if to the Owner Trustee:

Wilmington Trust, National Association
1100 North Market Street
Wilmington, Delaware 19890
Attention: Corporate Trust Administration
Facsimile No.: (302) 636-4140

with a copy to:
the Seller and the Servicer as provided in clause (a) above

(h) if to the Issuer:

Horizon Funding Trust 2013-1
c/o Wilmington Trust, National Association
1100 North Market Street
Wilmington, Delaware 19890
Attention: Corporate Trust Administration
Facsimile No.: (302) 636-4140

with a copy to:
the Seller and the Servicer as provided in clause (a) above

(i) if to the Rating Agency:

Moody's Investors Service
7 World Trade Center
250 Greenwich Street
New York, New York 10007
Email: servicerreports@moodys.com

(j) if to the Initial Purchaser:

Guggenheim Securities, LLC
135 East 57th St, 7th Floor
New York, NY 10022
Attention: Chief Operating Officer / General Counsel
Re: Horizon Funding Trust 2013-1
Facsimile No.: (646) 786-4931

Each party hereto may, by notice given in accordance herewith to each of the other parties hereto, designate any further or different address to which subsequent notices shall be sent.

Section 13.05. Severability of Provisions.

If one or more of the covenants, agreements, provisions or terms of this Agreement shall be for any reason whatsoever prohibited or held invalid or unenforceable, then such covenants, agreements, provisions or terms shall be deemed severable from the remaining covenants, agreements, provisions or terms of this Agreement and shall in no way affect the validity or enforceability of the other provisions of this Agreement, the Notes or Certificates or the rights of the Securityholders, and any such prohibition, invalidity or unenforceability in any jurisdiction shall not invalidate or render unenforceable such covenants, agreements, provisions or terms in any other jurisdiction.

Section 13.06. Third Party Beneficiaries.

The Owner Trustee is an express third-party beneficiary of this Agreement and, as such, shall have full power and authority to enforce the provisions of this Agreement against the parties hereto. Except as otherwise specifically provided herein, the parties hereto hereby manifest their intent that no third party shall be deemed a third party beneficiary of this Agreement, and specifically that the Obligors are not third party beneficiaries of this Agreement.

Section 13.07. Counterparts.

This Agreement may be executed by facsimile signature and in several counterparts, each of which shall be an original and all of which shall together constitute but one and the same instrument.

Section 13.08. Headings.

The headings of the various Articles and Sections herein are for convenience of reference only and shall not define or limit any of the terms or provisions hereof.

Section 13.09. No Bankruptcy Petition; Disclaimer.

(a) Each of the Seller, the Trustee, the Servicer, the Issuer acting through the Owner Trustee and each Holder (by acceptance of the applicable Securities) covenants and agrees that, prior to the date that is one year and one day (or, if longer, the then applicable preference period and one day) after the payment in full of all amounts owing in respect of all outstanding Notes, it will not institute against the Trust Depositor or the Issuer, or join any other Person in instituting against the Trust Depositor or the Issuer, any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings or other similar proceedings under the laws of the United States or any state of the United States; *provided* that nothing herein shall prohibit the Trustee from filing proofs of claim or otherwise participating in any such proceedings instituted by any other Person.

(b) The Issuer acknowledges and agrees that the Certificates represent ownership of a beneficial interest in the Issuer and Loan Assets only and the Securities do not represent an interest in any assets (other than the Loan Assets) of the Trust Depositor (including by virtue of any deficiency claim in respect of obligations not paid or otherwise satisfied from the Loan Assets, other Collateral and proceeds thereof).

(c) The provisions of this Section 13.09 shall be for the third party benefit of those entitled to rely thereon, including the Securityholders, and shall survive the termination of this Agreement.

Section 13.10. Jurisdiction.

Any legal action or proceeding with respect to this Agreement may be brought in the courts of the United States for the Southern District of New York, and by execution and delivery of this Agreement, each party hereto consents, for itself and in respect of its property, to the non-exclusive jurisdiction of those courts. Each such party irrevocably waives any objection, including any objection to the laying of venue or based on the grounds of *forum non conveniens*, which it may now or hereafter have to the bringing of any action or proceeding in such jurisdiction in respect of this Agreement or any document related hereto.

Section 13.11. Tax Characterization.

Notwithstanding the provisions of Section 2.01 and Section 2.04 hereof, the Trust Depositor and the Issuer agree that, pursuant to Treasury Regulations Section 301.7701-3(b)(1) and for federal, state and local income tax purposes, in the event that the Certificates are owned by more than one Holder, the Issuer will be treated as a partnership the partners of which are the Certificateholders, and in the event that the Certificates are owned by a single Holder, the Issuer will be disregarded as an entity separate from such Holder.

Section 13.12. [Reserved].

Section 13.13. Limitation of Liability of Owner Trustee.

It is expressly understood and agreed by the parties hereto that (i) this Agreement is executed and delivered by Wilmington Trust, National Association, not individually or personally but solely as Owner Trustee on behalf of the Issuer under the Trust Agreement, in the exercise of the powers and authority conferred and vested in it, (ii) each of the representations, undertakings and agreements herein made on the part of the Issuer is made and intended not as personal representations, undertakings and agreements by Wilmington Trust, National Association but is made and intended for the purpose of binding only the Issuer, (iii) nothing herein contained shall be construed as creating any liability on Wilmington Trust, National Association individually or personally, to perform any covenant either expressed or implied contained herein, all such liability, if any, being expressly waived by the parties to this Agreement and by any person claiming by, through or under them and (iv) under no circumstances shall Wilmington Trust, National Association be personally liable for the payment of any indebtedness or expenses of the Issuer or be liable for the breach or failure of any obligation, representation, warranty or covenant made or undertaking by the Issuer under this Agreement or any related documents. For the purposes of this Agreement, in the performance of its duties or obligations hereunder, the Owner Trustee shall be subject to, and entitled to the benefits of, the terms and provisions of Articles VI, VII and VIII of the Trust Agreement.

Section 13.14. [Reserved].

Section 13.15. No Partnership.

Nothing herein contained shall be deemed or construed to create a co-partnership or joint venture between the parties hereto, and the services of the Servicer shall be rendered as an independent contractor and not as agent or as a fiduciary for any party hereto or for the Securityholders.

Section 13.16. Successors and Assigns.

This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and permitted assigns.

Section 13.17. Acts of Holders.

Except as otherwise specifically provided herein, whenever Holder action, consent or approval is required under this Agreement or any other Transaction Document, such action, consent or approval shall be deemed to have been taken or given on behalf of, and shall be binding upon, all Holders if the Majority Noteholders agree to take such action or give such consent or approval. In all cases except where otherwise required by law or regulation, any act by a Holder of a Note may be taken by the Beneficial Owner of such Note.

Section 13.18. Duration of Agreement.

This Agreement shall continue in existence and effect until terminated as herein provided.

Section 13.19. Limited Recourse.

Notwithstanding any other provisions of the Notes, this Agreement or any other Transaction Document, the obligations of the Issuer under the Notes, this Agreement and any other Transaction Document are limited recourse obligations of the Issuer payable solely from the Collateral in accordance with the Priority of Payments and, following realization of the Collateral and distribution in accordance with the Priority of Payments, any claims of the Noteholders and the other Secured Parties, and any other parties to any Transaction Document shall be extinguished. The obligations of the Trust Depositor, the Seller, the Issuer and the Servicer under this Agreement and the other Transaction Documents are solely the obligations of the Trust Depositor, the Seller, the Issuer and the Servicer, respectively. No recourse shall be had for the payment of any amount owing by the Trust Depositor, the Seller, the Issuer or the Servicer or otherwise under this Agreement or under the other Transaction Documents or for the payment by the Trust Depositor, the Seller, the Issuer or the Servicer of any fee in respect hereof or thereof or any other obligation or claim of or against the Trust Depositor, the Seller, the Issuer or the Servicer arising out of or based upon this Agreement or on any other Transaction Document, against any Affiliate, shareholder, partner, manager, member, director, officer, employee, representative or agent of the Trust Depositor, the Seller, the Issuer or the Servicer or of any Affiliate of such Person. The provisions of this Section 13.19 shall survive termination of this Agreement.

Section 13.20. Confidentiality.

Each of the Issuer, the Trust Depositor, the Servicer (if other than Horizon) and the Trustee shall maintain and shall cause each of its employees, officers, agents and Affiliates to maintain the confidentiality of material non-public information concerning Horizon and its Affiliates or about the Obligors obtained by it or them in connection with the structuring, negotiating, execution and performance of the transactions contemplated by the Transaction Documents, except that each such party and its employees, officers, agents and Affiliates may disclose such information to other parties to the Transaction Documents and to its external accountants, attorneys, any potential subservicers and the agents of such Persons provided such Persons expressly agree to maintain the confidentiality of such information, and as required by an applicable law or order of any judicial or administrative proceeding. This Section 13.20 shall constitute a confidentiality agreement for purposes of Regulation FD under the Exchange Act. Notwithstanding any other provision of this Agreement, the Servicer shall not be required to disclose any confidential information it is restricted from disclosing by law or contract; *provided* that the Servicer will use its commercially reasonable efforts to enter into, or cause the Issuer to enter into, a confidentiality agreement permitting such disclosure satisfactory to the Servicer with any Person to whom such information is required to be delivered.

Section 13.21. Non-Confidentiality of Tax Treatment.

All parties hereto agree that each of them and each of their managers, officers, employees, representatives, and other agents may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the transaction and all materials of any kind (including opinions or other tax analyses) that are provided to any of them relating to such tax treatment and tax structure. "Tax treatment" and "tax structure" shall have the same meaning as such terms have for purposes of Treasury Regulation Section 1.6011-4.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective officers as of the day and year first above written.

HORIZON FUNDING TRUST 2013-1, as the Issuer

By: WILMINGTON TRUST, NATIONAL ASSOCIATION, not in its individual capacity, but solely as Owner Trustee on behalf of the Issuer

By: /s/ Yvette L. Howell
Name: Yvette L. Howell
Title: Assistant Vice President

HORIZON FUNDING 2013-1 LLC, as the Trust Depositor

By: /s/ Robert D. Pomeroy, Jr.
Name: Robert D. Pomeroy, Jr.
Title: Chief Executive Officer

HORIZON TECHNOLOGY FINANCE CORPORATION, as the Seller and as the Servicer

By: /s/ Robert D. Pomeroy, Jr.
Name: Robert D. Pomeroy, Jr.
Title: Chief Executive Officer

[Signatures Continued on the Following Page]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective officers as of the day and year first above written.

U.S. BANK NATIONAL ASSOCIATION, not in its individual capacity but as the Trustee, Backup Servicer, Custodian and Securities Intermediary

By: /s/ Melissa A. Rosal
Name: Melissa A. Rosal
Title: Vice President

EXECUTION COPY

SALE AND CONTRIBUTION AGREEMENT

by and between

HORIZON TECHNOLOGY FINANCE CORPORATION,
as the Seller

and

HORIZON FUNDING 2013-1 LLC,
as the Trust Depositor

Dated as of June 28, 2013

Horizon Funding Trust 2013-1
Asset-Backed Notes

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SALE AND CONTRIBUTION AGREEMENT

THIS SALE AND CONTRIBUTION AGREEMENT, dated as of June 28, 2013 (as amended, modified, restated, waived, or supplemented from time to time, this "Agreement"), is between HORIZON TECHNOLOGY FINANCE CORPORATION, a Delaware corporation (together with its successors and assigns, "Horizon," and in its capacity as originator, together with its successors and assigns, the "Seller") and HORIZON FUNDING 2013-1 LLC, a Delaware limited liability company (together with its successors and assigns, the "Trust Depositor").

WHEREAS, in the regular course of its business, the Seller originates and/or otherwise acquires Loans;

WHEREAS, the Trust Depositor desires to acquire the 2013-1 Loans (as defined herein) from the Seller and may acquire from time to time thereafter certain Substitute Loans;

WHEREAS, it is a condition to the Trust Depositor's acquisition of the 2013-1 Loans and any Substitute Loans from the Seller that the Seller make certain representations, warranties and covenants regarding the 2013-1 Loan Assets for the benefit of the Trust Depositor as well as Horizon Funding Trust 2013-1, a Delaware statutory trust (the "Issuer");

WHEREAS, on the Closing Date, the Trust Depositor will purchase and accept assignment of the 2013-1 Loan Assets and certain other assets from the Seller as provided herein; and

WHEREAS, on the Closing Date, the Trust Depositor will sell, convey and assign all its right, title and interest in the 2013-1 Loan Assets, to the Issuer, pursuant to a Sale and Servicing Agreement, dated as of the date hereof (as amended, modified, restated, replaced, waived, substituted, supplemented or extended from time to time, the "Sale and Servicing Agreement"), among Horizon, as the seller and the servicer, the Trust Depositor, as the trust depositor, the Issuer, as the issuer, and U.S. Bank National Association, as the trustee.

NOW, THEREFORE, based upon the above recitals, the mutual promises and agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01 Definitions.

Capitalized terms used but not defined in this Agreement shall have the meanings attributed to such terms in the Sale and Servicing Agreement, unless the context otherwise requires. In addition, as used herein, the following defined terms, unless the context otherwise requires, shall have the following meanings:

"2013-1 Loan Assets" means any assets acquired by the Trust Depositor from the Seller on the Closing Date pursuant to Section 2.01, which assets shall include the Seller's right, title and interest in the following:

(a) the 2013-1 Loans, and all monies due, to become due or paid in respect thereof accruing on and after the Cutoff Date and all Insurance Proceeds, Liquidation Proceeds and other recoveries thereon, in each case as they arise after the Cutoff Date;

(b) all security interests and Liens and Related Property subject thereto from time to time purporting to secure payment by Obligors under such 2013-1 Loans;

(c) all guaranties, indemnities and warranties, and other agreements or arrangements of whatever character from time to time supporting or securing payment of such 2013-1 Loans;

(d) the Transaction Accounts, together with all cash and investments in each of the foregoing;

(e) all collections and records (including Computer Records) with respect to the foregoing;

(f) all documents relating to the applicable Loan Files and other Records relating to the Initial Loans and Related Property; and

(g) all income, payments, proceeds and other benefits of any and all of the foregoing, including but not limited to, all accounts, cash and currency, chattel paper, electronic chattel paper, tangible chattel paper, copyrights, copyright licenses, equipment, fixtures, general intangibles, instruments, commercial tort claims, deposit accounts, inventory, investment property, letter of credit rights, software, supporting obligations, accessions, and other property consisting of, arising out of, or related to the foregoing, but excluding any Excluded Amounts with respect thereto.

"2013-1 Loans" means those Loans listed on Schedule A hereto, which Loans shall be conveyed to the Trust Depositor on the Closing Date.

"Indemnified Party" shall have the meaning provided in Section 7.01.

"Ineligible Loan" shall have the meaning provided in Section 6.01.

"Loan" means an individual loan to an Obligor, or any portion thereof, made by the Seller.

"Loan Assets" means, collectively and as applicable, the 2013-1 Loan Assets and the Substitute Loan Assets, as applicable.

"Substitute Loan Assets" means any assets acquired by the Trust Depositor in connection with a substitution of one or more Substitute Loans pursuant to Section 2.04, which assets shall include the Seller's right, title and interest in the following:

(a) the Substitute Loans listed in the related Subsequent List of Loans and all monies due, to become due or paid in respect thereof accruing on and after the applicable Substitute Loan Cutoff Date and all Insurance Proceeds, Liquidation Proceeds and other recoveries thereon, in each case as they arise after the applicable Substitute Loan Cutoff Date;

(b) all security interests and Liens and Related Property subject thereto from time to time purporting to secure payment by Obligors under such Loans;

(c) all guaranties, indemnities and warranties, and other agreements or arrangements of whatever character from time to time supporting or securing payment of such Loans;

(d) all collections and records (including Computer Records) with respect to the foregoing;

(e) all documents relating to the applicable Loan Files and other Records relating to such Substitute Loans and Related Property; and

(f) all income, payments, proceeds and other benefits of any and all of the foregoing, including but not limited to, all accounts, cash and currency, chattel paper, electronic chattel paper, tangible chattel paper, copyrights, copyright licenses, equipment, fixtures, general intangibles, instruments, commercial tort claims, deposit accounts, inventory, investment property, letter of credit rights, software, supporting obligations, accessions, and other property consisting of, arising out of, or related to the foregoing, but excluding any Excluded Amounts with respect thereto.

Section 1.02 Other Terms

All accounting terms used but not specifically defined herein shall be construed in accordance with generally accepted accounting principles in the United States. The symbol "$" shall mean the lawful currency of the United States of America. All terms used in Article 9 of the UCC in the State of New York, and not specifically defined herein, are used herein as defined in such Article 9.

Section 1.03 Computation of Time Periods.

Unless otherwise stated in this Agreement, in the computation of a period of time from a specified date to a later specified date, the word "from" means "from and including," the words "to" and "until" each mean "to but excluding," and the word "within" means "from and excluding a specified date and to and including a later specified date."

Section 1.04 Interpretation.

In this Agreement, unless a contrary intention appears:

(a) the singular number includes the plural number and *vice versa*;

(b) reference to any Person includes such Person's successors and assigns but, if applicable, only if such successors and assigns are permitted by the Transaction Documents;

(c) reference to any gender includes each other gender;

(d) reference to day or days without further qualification means calendar days;

(e) unless otherwise stated, reference to any time means New York, New York time;

(f) references to "writing" include printing, typing, lithography, electronic or other means of reproducing words in a visible form;

(g) reference to any agreement (including any Transaction Document), document or instrument means such agreement, document or instrument as amended, modified, supplemented, replaced, restated, waived or extended and in effect from time to time in accordance with the terms thereof and, if applicable, the terms of the other Transaction Documents, and reference to any promissory note includes any promissory note that is an extension or renewal thereof or a substitute or replacement therefor; and

(h) reference to any Applicable Law means such Applicable Law as amended, modified, codified, replaced or reenacted, in whole or in part, and in effect from time to time, including rules and regulations promulgated thereunder and reference to any Section or other provision of any Applicable Law means that provision of such Applicable Law from time to time in effect and constituting the substantive amendment, modification, codification, replacement or reenactment of such Section or other provision.

Section 1.05 References.

All section references (including references to the Preamble), unless otherwise indicated, shall be to Sections (and the Preamble) in this Agreement.

Section 1.06 Calculations.

Except as otherwise provided herein, all interest rate and basis point calculations hereunder will be made on the basis of a 360 day year and the actual days elapsed in the relevant period and will be carried out to at least three decimal places.

ARTICLE II

TRANSFERS

Section 2.01 Transfer of Loan Assets.

(a) The Seller shall sell, assign and convey Loan Assets to the Trust Depositor pursuant to the terms and provisions hereof.

(b) Subject to and upon the terms and conditions set forth herein, the Seller hereby sells, transfers, assigns, sets over and otherwise conveys to the Trust Depositor all the right, title and interest of the Seller in and to the 2013-1 Loan Assets for a purchase price of $189,340,892, to be paid in a combination of cash and equity interest.

To the extent the purchase price paid to the Seller for any Loan Assets is less than the fair market value of such Loan Assets, the difference between such fair market value and such purchase price shall be deemed to be a capital contribution made by the Seller to the Trust Depositor on the Closing Date in the case of the 2013-1 Loans and as of the related Substitute Loan Cutoff Date in the case of any Substitute Loans. For all purposes of this Agreement, any contributed Loan Assets shall be treated the same as Loan Assets sold for cash, including without limitation for purposes of Section 6.01.

(c) The Seller and the Trust Depositor each acknowledge with respect to itself that the representations and warranties of the Seller in Sections 3.01, 3.02 and 3.04 hereof and of the Trust Depositor in the Sale and Servicing Agreement and in Section 3.06 hereof will run to and be for the benefit of the Issuer and the Trustees, and the Issuer and the Trustees may enforce directly (without joinder of the Trust Depositor when enforcing against the Seller) the repurchase obligations of the Seller or the Trust Depositor, as applicable, with respect to breaches of such representations and warranties that materially and adversely affect the interest of any Noteholder as set forth in the Sale and Servicing Agreement or in this Agreement.

(d) The sale, transfer, assignment, set-over and conveyance of the Loan Assets by the Seller to the Trust Depositor pursuant to this Agreement does not constitute and is not intended to result in a creation or an assumption by the Trust Depositor of any obligation of the Seller in connection with the Loan Assets, or any agreement or instrument relating thereto, including, without limitation, (i) any obligation to any Obligor relating to any unfunded commitment from the Seller, (ii) any taxes, fees, or other charges imposed by any Governmental Authority and (iii) any insurance premiums that remain owing with respect to any Loan Asset at the time such Loan Asset is sold hereunder. Without limiting the foregoing, (x) the Trust Depositor does not assume any obligation to purchase any additional notes or loans under agreements governing the Loan Assets and (y) the sale, transfer, assignment, set-over and conveyance of the Loan Assets by the Seller to the Trust Depositor pursuant to this Agreement does not constitute and is not intended to result in a creation or an assumption by the Trust Depositor or the Issuer of any obligation of the Seller as agent or collateral agent under any Co-Lender Loan.

(e) The Seller and the Trust Depositor intend and agree that (i) the transfer of the Loan Assets by the Seller to the Trust Depositor hereunder and the transfer of the Loan Assets by the Trust Depositor to the Issuer under the Sale and Servicing Agreement are each intended to be an absolute sale, conveyance and transfer of ownership of the applicable Loan Assets, as the case may be, rather than the mere granting of a security interest to secure a borrowing and (ii) such Loan Assets shall not be part of the Seller's or the Trust Depositor's estate in the event of a filing of a bankruptcy petition or other action by or against such Person under any Insolvency Law. In the event, however, that notwithstanding such intent and agreement, such transfers are deemed to be a mere granting of a security interest to secure indebtedness, the Seller shall be deemed to have granted (and as of the Closing Date hereby grants) to the Trust Depositor and the Trust Depositor shall be deemed to have granted and assigned (and as of the Closing Date hereby grants and assigns) to the Issuer, as the case may be, a security interest in all right, title and interest of the Seller or of the Trust Depositor, respectively, in such Loan Assets, and this Agreement shall constitute a security agreement under Applicable Law, securing the repayment of the purchase price paid hereunder, the obligations and/or interests represented by the Securities, in the order and priorities, and subject to the other terms and conditions of, this Agreement, the Sale and Servicing Agreement, the Indenture and the Trust Agreement, together with such other obligations or interests as may arise hereunder and thereunder in favor of the parties hereto and thereto.

(f) If any such transfer of the Loan Assets is deemed to be the mere granting of a security interest to secure a borrowing, the Trust Depositor may, to secure the Trust Depositor's own borrowing under the Sale and Servicing Agreement (to the extent that the transfer of the Loan Assets thereunder is deemed to be a mere granting of a security interest to secure a borrowing), repledge and reassign (i) all or a portion of the Loan Assets pledged to the Trust Depositor by the Seller and with respect to which the Trust Depositor has not released its security interest at the time of such pledge and assignment, and (ii) all proceeds thereof. Such repledge and reassignment may be made by the Trust Depositor with or without a repledge and reassignment by the Trust Depositor of its rights under any agreement with the Seller, and without further notice to or acknowledgment from the Seller. The Seller waives, to the extent permitted by Applicable Law, all claims, causes of action and remedies, whether legal or equitable (including any right of setoff), against the Trust Depositor or any assignee of the Trust Depositor relating to such action by the Trust Depositor in connection with the transactions contemplated by this Agreement and the other Transaction Documents.

(g) The Seller and the Trust Depositor acknowledge and agree that, solely for administrative convenience, any assignment agreement required to be executed and delivered in connection with the transfer of a 2013-1 Loan or Substitute Loan in accordance with the terms of related Underlying Loan Agreements may reflect that the Seller or any Affiliate thereof is assigning such 2013-1 Loan or Substitute Loan directly to the Issuer. Nothing in such assignment agreements shall be deemed to impair the transfers of the Loan Assets by the Seller to the Trust Depositor in accordance with the terms of this Agreement and the subsequent transfer of the Loan Assets by the Trust Depositor to the Issuer in accordance with the terms of the Sale and Servicing Agreement.

Section 2.02 Conditions to Transfer of Loan Assets to the Trust Depositor.

On or before the Closing Date, the Seller shall deliver or cause to be delivered to the Trust Depositor, the Owner Trustee and the Trustee each of the documents, certificates and other items as follows:

(a) a certificate of an officer of the Seller substantially in the form of Exhibit C to the Sale and Servicing Agreement;

(b) copies of resolutions of Horizon, as Seller and Servicer, approving the execution, delivery and performance of this Agreement, the Transaction Documents to which it is a party and the transactions contemplated hereunder and thereunder, certified in each case by the Secretary or an Assistant Secretary of Horizon;

(c) officially certified evidence dated within 30 days of the Closing Date of due formation and good standing of the Seller under the laws of the State of Delaware;

(d) the initial List of Loans, certified by an officer of the Seller, together with an Assignment with respect to the 2013-1 Loan Assets substantially in the form of Exhibit A, attached hereto (along with the delivery of any instruments and Loan Files as required under Section 2.07);

(e) a letter from McGladrey LLP, a Delaware limited liability partnership or another nationally recognized accounting firm, addressed to the Seller and the Trust Depositor (with a copy to the Trustee and the Rating Agency), stating that such firm has reviewed a sample of the 2013-1 Loans and performed specific procedures for such sample with respect to certain loan terms and that identifies those 2013-1 Loans that do not conform;

(f) a UCC-1 financing statement, naming the Seller as seller or debtor, naming the Trust Depositor as assignor, buyer or secured party, and naming the Issuer as assignee of assignor, buyer or secured party and describing the Loan Assets being sold by it to the Trust Depositor as collateral, which financing statement shall be filed on the Closing Date with the office of the Secretary of State of the State of Delaware and in such other locations as the Trust Depositor shall have required;

(g) an Officer's Certificate listing the Servicer's Servicing Officers;

(h) a fully executed copy of each of the Transaction Documents.

On or before the Closing Date, the Servicer shall have notified and directed the Obligor with respect to each such Loan to make all payments on the Loans, whether by check, wire transfer or otherwise, directly to the Lockbox Account.

Section 2.03 Acceptance by the Trust Depositor.

On the Closing Date, if the conditions set forth in Section 2.02 have been satisfied, the Seller shall deliver, on behalf of the Trust Depositor, to the Trustee the 2013-1 Loan Assets and such delivery to and acceptance by the Trustee shall be deemed to be delivery to and acceptance by the Trust Depositor.

Section 2.04 Conveyance of Substitute Loans.

(a) With respect to any Substitute Loans to be conveyed to the Issuer by the Trust Depositor pursuant to Section 2.04 and Section 2.06 of the Sale and Servicing Agreement, the Seller hereby sells, transfers, assigns, sets over and otherwise conveys to the Trust Depositor, without recourse other than as expressly provided herein (and the Trust Depositor shall purchase through cash payment and/or by exchange of one or more related Loans released by the Issuer to the Trust Depositor on the related Substitute Loan Cutoff Date), all the right, title and interest of the Seller in and to such Substitute Loans and Related Property.

The purchase price may equal, exceed or be less than the fair market value of such Substitute Loan as of the related Substitute Loan Cutoff Date, plus in each case accrued interest thereon. To the extent the purchase price of any Substitute Loan is less than the fair market value thereof, the Seller will be deemed to have made a capital contribution with respect to such excess to the Trust Depositor. In the event that the Trust Depositor is no longer the sole Certificateholder, the Trust Depositor will obtain the approval of an independent pricing advisor prior to receiving any Substitute Loan from the Seller.

(b) [Reserved].

(c) The Seller shall transfer to the Trust Depositor hereunder the applicable Substitute Loans and Related Property only upon the satisfaction of each of the following conditions on or prior to the related Substitute Loan Cutoff Date (in addition to the conditions set forth in Section 2.09 of the Sale and Servicing Agreement):

(i) the Seller shall have provided the Trust Depositor with timely notice of such substitution, which shall be delivered no later than 11:00 a.m. on the related Substitute Loan Cutoff Date;

(ii) there shall have occurred, with respect to each such Substitute Loan, a corresponding Substitution Event with respect to one or more Loans then in the Collateral;

(iii) the Seller and the Trust Depositor shall have delivered to the Issuer and the Trustee a Subsequent List of Loans listing the applicable Substitute Loans and an assignment agreement as required by the related Underlying Loan Agreement indicating that the Issuer is the holder of the related Substitute Loan;

(iv) the Seller shall have deposited or caused to be deposited in the Collection Account all Collections received by it with respect to the applicable Substitute Loans on and after the related Substitute Loan Cutoff Date;

(v) each of the representations and warranties made by the Seller pursuant to Sections 3.02 and 3.04 applicable to the Substitute Loans shall be true and correct as of the related Substitute Loan Cutoff Date; and

(vi) the Seller shall bear all incidental transaction costs incurred in connection with a substitution effected pursuant to this Agreement and shall, at its own expense, on or prior to the related Substitute Loan Cutoff Date, indicate in its Computer Records that ownership of each Substitute Loan identified on the Subsequent List of Loans has been sold by the Seller to the Trust Depositor and by the Trust Depositor to the Issuer pursuant to the Transfer and Servicing Agreements.

(d) The Servicer, the Issuer and the Trustee (at the request of the Servicer) shall execute and deliver such instruments, consents or other documents and perform all acts reasonably requested by the Servicer in order to effect the transfer and release of any of the Issuer's interests in the Loans that are being substituted.

(e) The Seller represents and warrants that each Substitute Loan is a Qualified Substitute Loan as of the date such Substitute Loan is transferred to the Trust Depositor hereunder.

Section 2.05 [Reserved].

Section 2.06 Release of Excluded Amounts.

The parties acknowledge and agree that the Trust Depositor has no interest in the Excluded Amounts. Immediately upon the release to the Trust Depositor by the Issuer of any Excluded Amounts, the Trust Depositor hereby irrevocably agrees to release to the Seller such Excluded Amounts, which release shall be automatic and shall require no further act by the Trust Depositor; *provided* that the Trust Depositor shall execute and deliver such instruments of release and assignment or other documents, or otherwise confirm the foregoing release of such Excluded Amounts, as may be reasonably requested by the Seller in writing.

Section 2.07 Delivery of Documents in the Loan File.

(a) Subject to the delivery requirements set forth in Section 2.07(b), the Seller shall deliver, on behalf of the Trust Depositor, possession of all the Loan Files to the Trustee (or the Custodian on its behalf) on behalf of and for the account of the Noteholders. The Seller shall also identify on the List of Loans (including any deemed amendment thereof associated with any Substitute Loans), whether by attached schedule or marking or other effective identifying designation, all Loans that are evidenced by such instruments.

(b) With respect to each Loan in the Collateral, (i) at least two (2) Business Days before the Closing Date in the case of the 2013-1 Loans and two (2) Business Days before the related Substitute Loan Cutoff Date in the case of any Substitute Loans (or, in each case, such lesser time as shall be acceptable to the Trustee), the Seller or the Trust Depositor will deliver or cause to be delivered to the Trustee (or to the Custodian on its behalf), to the extent not previously delivered, each of the documents in the Loan File with respect to such Loan; and (ii) on or before the Closing Date in the case of the 2013-1 Loans and on or before the related Substitute Loan Cutoff Date in the case of any Substitute Loans (or, in each case, such lesser time as shall be acceptable to the Trustee), the Seller or the Trust Depositor will deliver or cause to be delivered to the Trustee (or to the Custodian on its behalf), to the extent not previously delivered, each of the documents in the Loan File that is not part of the Required Loan Documents with respect to such Loan.

ARTICLE III

REPRESENTATIONS AND WARRANTIES

The Seller makes, and upon each conveyance of Substitute Loans, as applicable, is deemed to make, the representations and warranties in Section 3.01 through Section 3.04, on which the Trust Depositor will rely in conveying the 2013-1 Loan Assets on the Closing Date (and any Substitute Loan Assets on the relevant Substitute Loan Cutoff Date) to the Issuer, and on which the Issuer and the Securityholders will rely. The Seller acknowledges that such representations and warranties are being made by the Seller for the benefit of the Issuer and the Securityholders.

Such representations and warranties are given as of the execution and delivery of this Agreement and as of the Closing Date (or Substitute Loan Cutoff Date, as applicable), but shall survive the sale, transfer and assignment of the 2013-1 Loan Assets to the Trust Depositor and the sale, transfer and assignment of the 2013-1 Loan Assets by the Trust Depositor to the Issuer. The repurchase obligation or substitution obligation of the Seller set forth in Section 6.01 constitutes the sole remedy available for a breach of a representation or warranty of the Seller set forth in Section 3.01 through Section 3.04 of this Agreement.

Section 3.01 Representations and Warranties Regarding the Seller.

The Seller represents and warrants that:

(a) Organization and Good Standing. The Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has the power to own its assets and to transact the business in which it is currently engaged. The Seller is duly qualified to do business and is in good standing in each jurisdiction in which the character of the business transacted by it or properties owned or leased by it requires such qualification and in which the failure so to qualify would reasonably be expected to have a material adverse effect on the business, properties, assets, or condition (financial or otherwise) of the Seller.

(b) Authorization; Valid Sale; Binding Obligations. The Seller has the power and authority to make, execute, deliver and perform this Agreement and the other Transaction Documents to which it is a party and all of the transactions contemplated under this Agreement and the other Transaction Documents to which it is a party, and to create the Trust Depositor and cause the Trust Depositor to make, execute, deliver and perform its obligations under this Agreement and the other Transaction Documents to which the Trust Depositor is a party and has taken all necessary corporate action to authorize the execution, delivery and performance of this Agreement and the other Transaction Documents to which it is a party. This Agreement shall effect a valid sale, transfer and assignment of or grant of a security interest in the Loan Assets from the Seller to the Trust Depositor, enforceable against the Seller and creditors of and purchasers from the Seller. This Agreement and the other Transaction Documents to which the Seller is a party constitute the legal, valid and binding obligation of the Seller enforceable in accordance with their respective terms, except as enforcement of such terms may be limited by applicable Insolvency Laws and general principles of equity, whether considered in a suit at law or in equity.

(c) No Consent Required. The Seller is not required to obtain the consent of any other party (other than (i) the filing of UCC financing statements and (ii) those that it has already obtained) or any consent, license, approval or authorization from, or registration or declaration with, any Governmental Authority (other than those that it has already obtained) in connection with the execution, delivery, performance, validity or enforceability of this Agreement or the other Transaction Documents to which it is a party.

(d) No Violations. The execution, delivery and performance by the Seller of this Agreement and the other Transaction Documents to which it is a party, and the consummation of the transactions contemplated hereby and thereby, will not violate in any material respect any Applicable Law applicable to the Seller, or conflict with, result in a default under or constitute a breach of the Seller's organizational documents or the material Contractual Obligations to which the Seller is a party or by which the Seller or any of the Seller's properties may be bound, or result in the creation or imposition of any Lien of any kind upon any of its properties pursuant to the terms of any such material Contractual Obligations, other than as contemplated by the Transaction Documents.

(e) Litigation. No litigation or administrative proceeding of or before any court, tribunal or governmental body is currently pending, or to the knowledge of the Seller threatened, against the Seller or any of its properties or with respect to this Agreement or the other Transaction Documents to which it is a party or the Securities (1) that, if adversely determined, would in the reasonable judgment of the Seller be expected to have a material adverse effect on the business, properties, assets or condition (financial or otherwise) of the Seller or the transactions contemplated by this Agreement or the other Transaction Documents to which the Seller is a party or (2) seeking to adversely affect the federal income tax or other federal, state or local tax attributes of the Certificate or Notes.

(f) Solvency. The Seller, at the time of and after giving effect to each conveyance of Loan Assets hereunder, is Solvent on and as of the date thereof.

(g) Taxes. The Seller has filed or caused to be filed all tax returns which, to its knowledge, are required to be filed and has paid all taxes shown to be due and payable on such returns or on any assessments made against it or any of its property and all other taxes, fees or other charges imposed on it or any of its property by any Governmental Authority (other than any amount of tax due, the validity of which is currently being contested in good faith by appropriate proceedings and with respect to which reserves in accordance with generally accepted accounting principles have been provided on the books of the Seller); no tax Lien has been filed and, to the Seller's knowledge, no claim is being asserted, with respect to any such tax, fee or other charge.

(h) Place of Business; No Changes. The Seller's location (within the meaning of Article 9 of the UCC) is the State of Delaware. The Seller has not changed its name, whether by amendment of its Certificate of Incorporation, by reorganization or otherwise, within the four months preceding the Closing Date. The Seller has not changed its location within the four months preceding the Closing Date.

(i) Not an Investment Company. The Seller is not and, after giving effect to the transactions contemplated by the Transaction Documents, will not be required to be registered as an "investment company" under the 1940 Act.

(j) Sale Treatment. Other than for accounting and tax purposes, the Seller has treated the transfer of the 2013-1 Loan Assets to the Trust Depositor for all purposes as a sale and purchase on all of its relevant books and records and other applicable documents.

(k) Security Interest.

(i) This Agreement creates a valid and continuing security interest (as defined in the applicable UCC) in favor of the Trust Depositor in all right, title and interest of the Seller in the 2013-1 Loan Assets, which security interest is prior to all other Liens (except for Permitted Liens), and is enforceable as such against creditors of and purchasers from the Seller;

(ii) the 2013-1 Loan Assets, along with the related Loan Files, constitute "general intangibles," "instruments," "accounts," "investment property," or "chattel paper," within the meaning of the applicable UCC;

(iii) the Seller owns and has, and upon the sale and transfer thereof by the Seller to the Trust Depositor, the Trust Depositor will have good and marketable title to the 2013-1 Loan Assets free and clear of any Lien (other than Permitted Liens), claim or encumbrance of any Person;

(iv) the Seller has received all consents and approvals required by the terms of the 2013-1 Loan Assets to the sale of the 2013-1 Loan Assets hereunder to the Trust Depositor;

(v) the Seller has caused the filing of all appropriate financing statements in the proper filing office in the appropriate jurisdictions under Applicable Law in order to perfect the security interest in the 2013-1 Loan Assets granted to the Trust Depositor under this Agreement to the extent perfection can be achieved by filing a financing statement;

(vi) other than the security interest granted to the Trust Depositor pursuant to this Agreement, the Seller has not pledged, assigned, sold, granted a security interest in or otherwise conveyed any of the 2013-1 Loan Assets. The Seller has not authorized the filing of and is not aware of any financing statements naming the Seller as debtor that include a description of collateral covering the 2013-1 Loan Assets other than any financing statement (A) relating to the security interest granted to the Trust Depositor under this Agreement, or (B) that has been terminated or for which a release or partial release has been filed. The Seller is not aware of the filing of any judgment or tax Lien filings against the Seller;

(vii) all original executed copies of each Underlying Note (if any) that constitute or evidence the 2013-1 Loan Assets have been delivered to the Trustee;

(viii) the Seller has received a written acknowledgment from the Trustee that the Trustee or its bailee is holding any Underlying Notes that constitute or evidence any 2013-1 Loan Assets solely on behalf of and for the benefit of the Securityholders; and

(ix) none of the Underlying Notes that constitute or evidence any 2013-1 Loan Assets has any marks or notations indicating that they have been pledged, assigned or otherwise conveyed to any Person other than the Trust Depositor.

(l) Value Given. The cash payments and the corresponding increase in the Seller's equity interest in the Trust Depositor received by the Seller in respect of the purchase price of the Loan Assets sold hereunder constitute reasonably equivalent value in consideration for the transfer to the Trust Depositor of such Loan Assets under this Agreement, such transfer was not made for or on account of an antecedent debt owed by the Seller to the Trust Depositor, and such transfer was not and is not voidable or subject to avoidance under any Insolvency Law.

(m) No Defaults. The Seller is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or governmental agency, which default would reasonably be expected to have consequences that would materially and adversely affect the condition (financial or otherwise) or operations of the Seller or its respective properties or might have consequences that would materially and adversely affect its performance hereunder.

(n) Bulk Transfer Laws. The transfer, assignment and conveyance of the 2013-1 Loan Assets by the Seller pursuant to this Agreement are not subject to the bulk transfer laws or any similar statutory provisions in effect in any applicable jurisdiction.

(o) Origination and Collection Practices. The origination and collection practices used by the Seller and any of its Affiliates with respect to each 2013-1 Loan have been consistent with the Servicing Standard and have complied in all material respects with the Credit and Collection Policy.

(p) Lack of Intent to Hinder, Delay or Defraud. Neither the Seller nor any of its Affiliates sold, or will sell, any interest in any 2013-1 Loan Asset with any intent to hinder, delay or defraud any of their respective creditors.

(q) Nonconsolidation. The Seller conducts its affairs such that the Trust Depositor would not be substantively consolidated in the estate of the Seller and their respective separate existences would not be disregarded in the event of the Seller's bankruptcy.

(r) Accuracy of Information. All written factual information heretofore furnished by the Seller for purposes of or in connection with this Agreement or the other Transaction Documents to which the Seller is a party, or any transaction contemplated hereby or thereby is, and all such written factual information hereafter furnished by the Seller to any party to the Transaction Documents will be, true and accurate in all material respects, on the date such information is stated or certified; *provided* that the Seller shall not be responsible for any factual information furnished to it by any third party not affiliated with it, or the Trust Depositor or the Servicer, except to the extent that a Responsible Officer of the Seller has actual knowledge that such factual information is inaccurate in any material respect.

The representations and warranties set forth in Section 3.01(k) may not be waived by any Person and shall survive the termination of this Agreement. The Seller and the Trust Depositor shall provide the Rating Agency with prompt written notice upon obtaining knowledge of any breach of the representations and warranties set out in Section 3.01(k).

Section 3.02 Representations and Warranties Regarding Each Loan and as to Certain Loans in the Aggregate.

The Seller represents and warrants (x) with respect to Section 3.02(a), Section 3.02(b), Section 3.02(d) and Section 3.02(e), as to each 2013-1 Loan as of the Closing Date, and as of the related Substitute Loan Cutoff Date with respect to each Substitute Loan, and (y) with respect to Section 3.02(c), as to the 2013-1 Loans in the aggregate as of the Closing Date, and as of the related Substitute Loan Cutoff Date with respect to Substitute Loans (after giving effect to the addition of such Substitute Loans to the Collateral), that:

(a) List of Loans. The information set forth in the List of Loans attached to the Sale and Servicing Agreement as Exhibit G (as the same may be amended or deemed amended in respect of a conveyance of Substitute Loans on the related Substitute Loan Cutoff Date) is true, complete and correct.

(b) Eligible Loan. Each 2013-1 Loan and each Substitute Loan satisfies the criteria for the definition of Eligible Loan set forth in the Sale and Servicing Agreement.

(c) No Liens. Each 2013-1 Loan and each Substitute Loan is free and clear of all Liens, other than Permitted Liens, and, to the Seller's knowledge, no offsets, defenses or counterclaims against the Seller have been asserted or threatened with respect to such 2013-1 Loan and such Substitute Loan, respectively.

(d) Security Interest. Each 2013-1 Loan and each Substitute Loan is secured by a perfected security interest in certain property of the related Obligor identified in the loan documentation in favor of the Seller, as registered lienholder, or the Seller has taken all necessary action with respect to each 2013-1 Loan and each Substitute Loan to secure a perfected security interest in such property.

(e) Compliance with Law. Each 2013-1 Loan and each Substitute Loan complies in all material respects, as of such date and as of the date on which it was originated, with applicable federal and state laws.

Section 3.03 [Reserved].

Section 3.04 Representations and Warranties Regarding the Required Loan Documents.

The Seller represents and warrants on the Closing Date with respect to the 2013-1 Loans (or as of the related Substitute Loan Cutoff Date, with respect to Substitute Loans), that except as otherwise provided in Section 2.07, the Required Loan Documents and each other item included in the Loan File for each 2013-1 Loan (or Substitute Loan, as applicable) are in the possession of the Trustee or the Custodian, on behalf of the Trustee.

Section 3.05 [Reserved].

Section 3.06 Representations and Warranties Regarding the Trust Depositor.

By its execution of this Agreement, the Trust Depositor represents and warrants to the Seller that:

(a) Organization and Good Standing. The Trust Depositor is a limited liability company duly organized, validly existing and in good standing under the laws of Delaware and has the power to own its assets and to transact the business in which it is currently engaged. The Trust Depositor is duly qualified to do business as and is in good standing in each jurisdiction in which the character of the business transacted by it or properties owned or leased by it requires such qualification and in which the failure so to qualify would have a material adverse effect on the business, properties, assets or condition (financial or other) of the Trust Depositor or the Issuer.

(b) Authorization; Valid Sale; Binding Obligations. The Trust Depositor has the power and authority to make, execute, deliver and perform this Agreement and the other Transaction Documents to which it is a party and all of the transactions contemplated under this Agreement and the other Transaction Documents to which it is a party, and to create the Issuer and cause it to make, execute, deliver and perform its obligations under this Agreement and the other Transaction Documents to which the Issuer is a party, and the Trust Depositor has taken all necessary limited liability company action to authorize the execution, delivery and performance of this Agreement and the other Transaction Documents to which it is a party and to cause the Issuer to be created. This Agreement shall effect a valid sale, transfer and assignment of or grant of a security interest in the Loan Assets from the Seller to the Trust Depositor. This Agreement and the other Transaction Documents to which the Trust Depositor is a party constitute the legal, valid and binding obligation of the Trust Depositor enforceable in accordance with their respective terms, except as enforcement of such terms may be limited by applicable Insolvency Laws and general principles of equity, whether considered in a suit at law or in equity.

(c) No Consent Required. The Trust Depositor is not required to obtain the consent of any other party (other than those that it has already obtained) or any consent, license, approval or authorization from, or registration or declaration with, any Governmental Authority (other than those that it has already obtained) in connection with the execution, delivery, performance, validity or enforceability of this Agreement or the other Transaction Documents to which it is a party.

(d) No Violations. The execution, delivery and performance by the Trust Depositor of this Agreement and the other Transaction Documents to which it is a party, and the consummation of the transactions contemplated hereby and thereby, will not violate in any material respect any Applicable Law applicable to the Trust Depositor, or conflict with, result in a default under or constitute a breach of the Trust Depositor's organizational documents or any material Contractual Obligations to which the Trust Depositor is a party or by which the Trust Depositor or any of the Trust Depositor's properties may be bound, or result in the creation or imposition of any Lien of any kind upon any of its properties pursuant to the terms of any such material Contractual Obligations, other than as contemplated by the Transaction Documents.

(e) Litigation. No litigation or administrative proceeding of or before any court, tribunal or governmental body is currently pending, or to the knowledge of the Trust Depositor threatened, against the Trust Depositor or any of its properties or with respect to this Agreement, any other Transaction Documents to which it is a party or the Securities (i) that, if adversely determined, would in the reasonable judgment of the Trust Depositor be expected to have a material adverse effect on the business, properties, assets or condition (financial or otherwise) of the Trust Depositor or the Issuer or the transactions contemplated by this Agreement or any other Transaction Documents to which the Trust Depositor is a party or (ii) seeking to adversely affect the federal income tax or other federal, state or local tax attributes of the Securities.

(f) Solvency. The Trust Depositor, at the time of, and after giving effect to each conveyance of Loan Assets hereunder and of Combined Loan Assets under the Sale and Servicing Agreement, is Solvent.

(g) Taxes. The Trust Depositor has filed or caused to be filed all tax returns which, to its knowledge, are required to be filed and has paid all taxes shown to be due and payable on such returns or on any assessments made against it or any of its property and all other taxes, fees or other charges imposed on it or any of its property by any Governmental Authority (other than any amount of tax due, the validity of which is currently being contested in good faith by appropriate proceedings and with respect to which reserves in accordance with generally accepted accounting principles have been provided on the books of the Trust Depositor); no tax Lien has been filed and, to the Trust Depositor's knowledge, no claim is being asserted, with respect to any such tax, fee or other charge.

(h) Place of Business; No Changes. The Trust Depositor's location (within the meaning of Article 9 of the UCC) is the State of Delaware. The Trust Depositor has not changed its name, whether by amendment of its certificate of formation, by reorganization or otherwise, and has not changed its location, within the four months preceding the Closing Date.

(i) Not an Investment Company. The Trust Depositor is not and, after giving effect to the transactions contemplated by the Transaction Documents, will not be required to be registered as an "investment company" within the meaning of the 1940 Act.

(j) Sale Treatment. Other than for accounting and tax purposes, the Trust Depositor has treated the transfer of Loan Assets from the Seller for all purposes as a sale and purchase on all of its relevant books and records and other applicable documents.

ARTICLE IV

PERFECTION OF TRANSFER AND PROTECTION OF SECURITY INTERESTS

Section 4.01 Custody of Loans.

The contents of each Loan File shall be held in the custody of the Custodian (on behalf of the Trustee) under the terms of the Sale and Servicing Agreement for the benefit of, and as agent for, the Securityholders.

Section 4.02 Filing.

On the Closing Date, the Seller shall cause the UCC financing statement(s) referred to in Section 2.02(f) hereof to be filed. Notwithstanding the obligations of the Seller set forth in the preceding sentence, the Trust Depositor hereby authorizes the Servicer to prepare and file, at the expense of the Seller, such UCC financing statements (including but not limited to renewal, continuation or in lieu statements) and amendments or supplements thereto or other instruments as the Servicer may from time to time deem necessary or appropriate in order to perfect and maintain the security interest granted hereunder in accordance with the UCC.

Section 4.03 Changes in Name, Organizational Structure or Location.

(a) During the term of this Agreement, the Seller shall not change its name, principal place of business, form of organization, existence, state of formation or location without first giving at least 30 days' prior written notice to the Trust Depositor and Servicer.

(b) If any change in the Seller's name, form of organization, existence, state of formation, location or other action would make any financing or continuation statement or notice of ownership interest or Lien relating to any 2013-1 Loan Asset or Substitute Loan Asset seriously misleading within the meaning of applicable provisions of the UCC or any title statute, the Seller, or the Servicer on its behalf, no later than five (5) Business Days after the effective date of such change, shall file such amendments as may be required (including, but not limited to, any filings and other acts necessary or advisable under the UCC of each relevant jurisdiction) to preserve and protect the Trust Depositor's, the Issuer's and the Trustee's interests in the 2013-1 Loan Assets, any Substitute Loan Assets and the proceeds thereof.

Section 4.04 Costs and Expenses.

The initial Servicer will be obligated to pay all reasonable costs and disbursements in connection with the perfection and the maintenance of perfection, as against all third parties, of the Trust Depositor's and Issuer's right, title and interest in and to the 2013-1 Loan Assets and the Substitute Loan Assets (including, without limitation, the security interests in the Related Property related thereto and the security interests provided for in the Indenture); *provided* that to the extent permitted by the Underlying Loan Agreements, the Servicer may seek reimbursement for such costs and disbursements from the related Obligors.

Section 4.05 Sale Treatment.

Other than for accounting and tax purposes, the Seller shall treat the transfer of Loan Assets made hereunder for all purposes as a sale and purchase on all of its relevant books and records.

Section 4.06 Separateness from Trust Depositor.

The Seller agrees to take or refrain from taking or engaging in with respect to the Trust Depositor, each of the actions or activities specified in the "substantive consolidation" opinion of Dechert LLP (including any certificates of the Seller delivered in connection therewith) delivered on the Closing Date, upon which the conclusions therein are based.

ARTICLE V

COVENANTS OF THE ORIGINATOR

Section 5.01 Corporate Existence.

During the term of this Agreement, the Seller will keep in full force and effect its existence, rights and franchises as a corporation under the laws of the jurisdiction of its formation and will obtain and preserve its qualification to do business in each jurisdiction in which such qualification is or shall be necessary to protect the validity and enforceability of this Agreement, the other Transaction Documents and each other instrument or agreement necessary or appropriate for the proper administration of this Agreement and the transactions contemplated hereby. In addition, all transactions and dealings between the Seller and the Trust Depositor will be conducted on an arm's-length basis.

Section 5.02 [Reserved].

Section 5.03 Security Interests.

The Seller will not sell, pledge, assign or transfer to any Person other than the Trust Depositor, or grant, create, incur, assume or suffer to exist any Lien on any Loan in the Collateral or its interest in any Related Property, other than the Lien granted to the Trust Depositor, whether now existing or hereafter transferred to the Trust Depositor, or as otherwise expressly contemplated by this Agreement. The Seller will promptly notify the Trust Depositor upon obtaining knowledge of the existence of any Lien on any Loan in the Collateral or its interest in any Related Property; and the Seller shall defend the right, title and interest of the Trust Depositor in, to and under the Loans in the Collateral and the Trust Depositor's interest in any Related Property, against all claims of third parties; *provided* that nothing in this Section 5.03 shall prevent or be deemed to prohibit the Seller from suffering to exist Permitted Liens upon any of the Loans in the Collateral or its interest in any Related Property.

Section 5.04 Compliance with Law.

The Seller hereby agrees to comply in all material respects with all Applicable Law applicable to the Seller except where the failure to do so would not reasonably be expected to have a material adverse effect on the Securityholders.

Section 5.05 Liability of Seller.

The Seller shall be liable in accordance herewith only to the extent of the obligations specifically undertaken by the Seller under this Agreement.

Section 5.06 Limitation on Liability of Seller and Others.

The Seller and any director, officer, employee or agent of the Seller may rely in good faith on any document of any kind, prima facie properly executed and submitted by the appropriate Person respecting any matters arising hereunder. The Seller shall not be under any obligation to appear in, prosecute or defend any legal action that shall not be incidental to its obligations under this Agreement, and that in its opinion may involve it in any expense or liability.

Section 5.07 Reserved.

Section 5.08 Merger or Consolidation of Seller.

Any Person into which the Seller may be merged or consolidated, or any Person resulting from such merger, conversion or consolidation to which the Seller is a party, or any Person succeeding to substantially all of the business or substantially all of the lending business of the Seller shall be the successor to the Seller hereunder, without execution or filing of any paper or any further act on the part of any of the parties hereto, notwithstanding anything herein to the contrary; *provided* that if the Seller is the Servicer at the time of such merger, conversion, consolidation or sale, such transaction meets the requirements set forth in Section 5.13 of the Sale and Servicing Agreement.

Section 5.09 Delivery of Collections.

The Seller agrees to deposit into the Collection Account promptly (but in no event later than two (2) Business Days after receipt) all Collections received by the Seller in respect of any 2013-1 Loan or Substitute Loan, for application in accordance with Section 7.05 of the Sale and Servicing Agreement.

Section 5.10 Underlying Custodial Agreements.

The Seller agrees to fully cooperate with the Trust Depositor, the Issuer and the Trustee, and from and after the occurrence and during the continuance of an Event of Default or Servicer Default to take such actions as may be requested in the reasonable discretion of the Trustee, under any Underlying Loan Agreements. The Seller further agrees to fully cooperate with the Trust Depositor, the Issuer and the Trustee, and from and after the occurrence and during the continuance of an Event of Default or Servicer Default to take such actions as may be requested in the sole and absolute discretion of the Trustee to cause to be defended, enforced, preserved and protected the rights and privileges of the Trust Depositor, the Issuer, the Trustee and the Secured Parties under or with respect to the Underlying Loan Agreements and any underlying loan documents or other collateral held by the underlying custodians.

ARTICLE VI

REMEDIES UPON MISREPRESENTATION

Section 6.01 Repurchases of, or Substitution for, Loans for Breach of Representations and Warranties.

Upon a discovery by a Responsible Officer of the Trust Depositor, a Responsible Officer of the Servicer, the Backup Servicer or any subservicer, a Responsible Officer of the Owner Trustee or a Responsible Officer of the Trustee of a breach of a representation or warranty as set forth in Section 3.01, Section 3.02 or Section 3.04 or as made or deemed made relating to any 2013-1 Loan or Substitute Loan, as applicable, that materially and adversely affects the interests of the Securityholders (each such Loan with respect to which such breach exists, an "Ineligible Loan"), the party discovering such breach or failure shall give prompt written notice to the other parties to this Agreement; *provided* that neither the Owner Trustee nor the Trustee shall have a duty or obligation to inquire or to investigate the breach of any of such representations or warranties; provided that neither the Owner Trustee, the Trustee nor the Backup Servicer shall have a duty or obligation (i) to discover or make an attempt to discover, inquire about or investigate the breach of any of such representations or warranties or (ii) to determine if such breach materially and adversely affects the interests of the Securityholders. Within 30 days of the earlier of (x) its discovery or (y) its receipt of notice of any breach of a representation or warranty, the Seller shall (a) promptly cure such breach in all material respects, (b) repurchase each such Ineligible Loan by depositing in the Lockbox Account, for further credit to the Collection Account, within such 30 day period, an amount equal to the Transfer Deposit Amount for such Ineligible Loan, or (c) remove such 2013-1 Loan or Substitute Loan from the Collateral, deposit the Transfer Deposit Amount with respect to such Loan into the Lockbox Account, for further credit to the Collection Account, and, not later than the date a repurchase of such affected Loan would be required hereunder, effect a substitution for such affected Loan with a Substitute Loan in accordance with the substitution requirements set forth in Section 2.04.

Section 6.02 Reassignment of Repurchased or Substituted Loans.

Upon receipt by the Trustee for deposit in the Collection Account of the amounts described in Section 6.01 (or upon the Substitute Loan Cutoff Date related to a Substitute Loan described in Section 6.01), and upon receipt of an Officer's Certificate of the Servicer in the form attached as Exhibit F to the Sale and Servicing Agreement, the Trustee and the Issuer shall assign to the Trust Depositor and the Trust Depositor shall assign to the Seller all of the Trustee's and the Issuer's (or Trust Depositor's, as applicable) right, title and interest in the 2013-1 Loans or Substitute Loans being repurchased or substituted for the related Loan Assets without recourse, representation or warranty. Such reassigned 2013-1 Loan or Substitute Loan shall no longer thereafter be included in any calculations of Outstanding Loan Balances or otherwise be deemed a part of the Collateral.

ARTICLE VII

INDEMNIFICATION BY THE ORIGINATOR

Section 7.01 Indemnification.

The Seller agrees to indemnify, defend and hold harmless the Trust Depositor, its officers, directors, employees and agents (any one of which is an "Indemnified Party") from and against any and all claims, losses, penalties, fines, forfeitures, judgments (*provided* that any indemnification for damages is limited to actual damages, not consequential, special or punitive damages), reasonable legal fees and related costs and any other reasonable costs, fees and expenses that such Person may sustain as a result of the Seller's fraud or the failure of the Seller to perform its duties in compliance in all material respects with the terms of this Agreement, except to the extent arising from gross negligence, willful misconduct or fraud by the Person claiming indemnification. Any Person seeking indemnification hereunder shall promptly notify the Seller if such Person receives a complaint, claim, compulsory process or other notice of any loss, claim, damage or liability giving rise to a claim of indemnification hereunder but failure to provide such notice shall not relieve the Seller of its indemnification obligations hereunder unless the Seller is deprived of material substantive or procedural rights or defenses as a result thereof. The Seller shall assume (with the consent of the Indemnified Party, such consent not to be unreasonably withheld) the defense and any settlement of any such claim and pay all expenses in connection therewith, including reasonable counsel fees, and promptly pay, discharge and satisfy any judgment or decree which may be entered against the Indemnified Party in respect of such claim. If the consent of the Indemnified Party required in the immediately preceding sentence is unreasonably withheld, the Seller shall be relieved of its indemnification obligations hereunder with respect to such Person. The parties agree that the provisions of this Section 7.01 shall not be interpreted to provide recourse to the Seller against loss by reason of the bankruptcy, insolvency or lack of creditworthiness of an Obligor with respect to a 2013-1 Loan or Substitute Loan. The Seller shall have no liability for making indemnification hereunder to the extent any such indemnification constitutes recourse for uncollectible or uncollected 2013-1 Loans or Substitute Loans.

Section 7.02 Liabilities to Obligors.

No obligation or liability to any Obligor under any of the 2013-1 Loans or Substitute Loans is intended to be assumed by the Trust Depositor, the Trustees, the Issuer or the Securityholders under or as a result of this Agreement and the transactions contemplated hereby.

Section 7.03 Operation of Indemnities.

If the Seller has made any indemnity payments to an Indemnified Party pursuant to this Article VII and such Indemnified Party thereafter collects any such amounts from others, such Indemnified Party will repay such amounts collected to the Seller.

ARTICLE VIII

MISCELLANEOUS

Section 8.01 Amendment.

(a) This Agreement may be amended from time to time by the parties hereto by written agreement, with the prior written consent of the Trustee but without the consent of any Securityholder, to (i) cure any ambiguity or to correct or supplement any provisions herein that may be inconsistent with any other provisions in this Agreement or in the Offering Memorandum, (ii) comply with any changes in the Code, USA PATRIOT Act, or U.S. securities laws (including the regulations implementing such laws), (iii) add to the covenants of any party hereto for the benefit of the Securityholders, and (iv) add any new provisions with respect to matters or questions arising under this Agreement which shall not be inconsistent with the provisions of this Agreement; *provided* that no such amendment shall materially and adversely affect the interests of any Noteholder. Notice of any such proposed amendment must be sent to all Securityholders and the Rating Agency at least ten (10) Business Days prior to the execution of such amendment and (y) such amendment shall not be deemed to materially and adversely affect the interests of any Noteholder if the Person requesting such amendment obtains an Opinion of Counsel addressed to the Trustee to that effect.

(b) Except as provided in Section 8.01(a) hereof, this Agreement may be amended from time to time by the parties hereto by written agreement, with the prior written consent of the Trustee and with the consent of the Majority Noteholders and with notice to each of the Rating Agency and the Owner Trustee, for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Agreement or of modifying in any manner the rights of the Securityholders; *provided* that (i) if such amendment materially and adversely affects any Notes, such amendment shall also require the consent of the majority of the Outstanding Principal Balance of such Notes and (ii) no such amendment shall reduce in any manner the amount of, or delay the timing of, any amounts received on any 2013-1 Loans or Substitute Loans which are required to be distributed on any Note or the Certificate without the consent of the Holder of such Note or the Certificate or reduce the percentage of Securityholders that are required to consent to any such amendment without the consent of the Securityholders holding 100% of the Notes or the Certificate affected thereby.

(c) [Reserved].

(d) Promptly after the execution of any such amendment or consent, written notification of the substance of such amendment or consent shall be furnished by the Trustee to the Noteholders, by the Owner Trustee to the Certificateholders and by the Seller to the Rating Agency. It shall not be necessary for the consent of any Securityholders required pursuant to Section 8.01(b) to approve the particular form of any proposed amendment or consent, but it shall be sufficient if such consent shall approve the substance thereof. The manner of obtaining such consents and of evidencing the authorization by the Securityholders of the execution thereof shall be subject to such reasonable requirements as the Trustee may prescribe for the Noteholders and as the Owner Trustee may prescribe for the Certificateholders.

(e) Prior to the execution of any amendment to this Agreement, the Owner Trustee and the Trustee shall be entitled to receive and conclusively rely upon an Opinion of Counsel (which Opinion of Counsel may rely upon an Officer's Certificate of the Servicer with respect to the effect of any such amendment on the economic interests of any Securityholders) stating that the execution of such amendment is authorized or permitted by this Agreement. Each of the Trustee and the Owner Trustee may, but shall not be obligated to, enter into or consent to any such amendment that affects such Person's own rights, duties, indemnities or immunities under this Agreement or otherwise.

Section 8.02 Governing Law.

(a) THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REFERENCE TO ITS CONFLICT OF LAW PROVISIONS (OTHER THAN SECTION 5-1401 AND 5-1402 OF THE NEW YORK GENERAL OBLIGATIONS LAW), AND THE OBLIGATIONS, RIGHTS, AND REMEDIES OF THE PARTIES UNDER THE AGREEMENT SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS.

(b) EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT. EACH PARTY HERETO (I) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (II) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 8.02(b).

Section 8.03 **Notices.**

All notices, demands, certificates, requests and communications hereunder ("notices") shall be in writing and shall be effective (a) upon receipt when sent through the U.S. mails, registered or certified mail, return receipt requested, postage prepaid, with such receipt to be effective the date of delivery indicated on the return receipt, or (b) one Business Day after delivery to an overnight courier, or (c) on the date personally delivered to a Responsible Officer of the party to which sent, or (d) on the date transmitted by legible telecopier with a confirmation of receipt, in all cases addressed to the recipient as follows:

(i) if to the Servicer or the Seller:

Horizon Technology Finance Corporation
312 Farmington Avenue,
Farmington, Connecticut 06032
Attention: Legal Department
Re: Horizon Funding Trust 2013-1
Telephone: (860) 676-8654
Facsimile No.: 860-676-8655

with a copy to:

Horizon Technology Finance Corporation
312 Farmington Avenue,
Farmington, Connecticut 06032
Attention: Legal Department
Re: Horizon Funding Trust 2013-1
Telephone: (860) 676-8654
Facsimile No.: 860-676-8655

(ii) if to the Trust Depositor:

Horizon Funding 2013-1 LLC
c/o Horizon Technology Finance Corporation
312 Farmington Avenue,
Farmington, Connecticut 06032
Attention: Legal Department
Re: Horizon Funding Trust 2013-1
Telephone: (860) 676-8654
Facsimile No.: 860-676-8655

with a copy to:

Horizon Funding 2013-1 LLC
c/o Horizon Technology Finance Corporation
312 Farmington Avenue,
Farmington, Connecticut 06032
Attention: Legal Department
Re: Horizon Funding Trust 2013-1
Telephone: (860) 676-8654
Facsimile No.: 860-676-8655

(iii) if to the Trustee:

U.S. Bank National Association
190 S. LaSalle St., 7th Floor
Chicago, IL 60603
Attention: Structured Finance – Horizon 2013-1
Facsimile No.: (651) 495-8090

(iv) if to the Backup Servicer:

U.S. Bank National Association
60 Livingston Avenue
EP-MN-WS3D
St. Paul, MN 55107
Attention: Deborah Jones Franco
Facsimile No.: (651) 495-8090

(v) If to the Custodian with respect to Loan Files:

U.S. Bank National Association
1133 Rankin Street, Suite 100
St. Paul, MN 55116
Attention: Receiving Unit
Ref: Horizon Funding Trust 2013-1

(vi) if to the Owner Trustee:

Wilmington Trust, National Association
1100 North Market Street
Wilmington, Delaware 19890
Attention: Corporate Trust Administration
Facsimile No.: (302) 636-4140

with a copy to:

the Seller and the Servicer as provided in clause (i) above

(vii) if to the Issuer:

Horizon Funding Trust 2013-1
c/o Wilmington Trust, National Association
1100 North Market Street
Wilmington, Delaware 19890

Attention: Corporate Trust Administration
Facsimile No.: (302) 636-4140

with a copy to:

the Seller and the Servicer as provided in clause (i) above

(viii) if to the Rating Agency:

Moody's Investors Service
7 World Trade Center
250 Greenwich Street
New York, New York 10007

(ix) if to the Initial Purchaser:

Guggenheim Securities, LLC
135 East 57th St, 7th Floor
New York, NY 10022
Attention: Chief Operating Officer / General Counsel
Re: Horizon Funding Trust 2013-1
Facsimile No.: (646) 786-4931

Each party hereto may, by notice given in accordance herewith to each of the other parties hereto, designate any further or different address to which subsequent notices shall be sent.

Section 8.04 Severability of Provisions.

If one or more of the covenants, agreements, provisions or terms of this Agreement shall be for any reason whatsoever prohibited or held invalid or unenforceable, then such covenants, agreements, provisions or terms shall be deemed severable from the remaining covenants, agreements, provisions or terms of this Agreement and shall in no way affect the validity or enforceability of the other provisions of this Agreement, the Notes or Certificates or the rights of the Securityholders, and any such prohibition, invalidity or unenforceability in any jurisdiction shall not invalidate or render unenforceable such covenants, agreements, provisions or terms in any other jurisdiction.

Section 8.05 Third Party Beneficiaries.

Except as otherwise specifically provided herein, the parties hereto hereby manifest their intent that no third party (other than the Issuer, the Trustee and the Owner Trustee) shall be deemed a third party beneficiary of this Agreement, and specifically that the Obligors are not third party beneficiaries of this Agreement.

Section 8.06 Counterparts.

This Agreement may be executed by facsimile signature and in several counterparts, each of which shall be an original and all of which shall together constitute but one and the same instrument.

Section 8.07 Headings.

The headings of the various Articles and Sections herein are for convenience of reference only and shall not define or limit any of the terms or provisions hereof.

Section 8.08 No Bankruptcy Petition; Disclaimer.

(a) Each of the Seller and the Trust Depositor covenants and agrees that, prior to the date that is one year and one day (or, if longer, the preference period then in effect and one day) after the payment in full of all amounts owing in respect of all outstanding Notes rated by any Rating Agency, it will not institute against the Trust Depositor (in the case of the Seller), or the Issuer, or join any other Person in instituting against the Trust Depositor or the Issuer, any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings or other similar proceedings under the laws of the United States or any state of the United States. This Section 8.08 will survive the termination of this Agreement.

(b) The provisions of this Section 8.08 shall be for the third party benefit of those entitled to rely thereon, including the Securityholders, and shall survive the termination of this Agreement.

Section 8.09 Jurisdiction.

Any legal action or proceeding with respect to this Agreement may be brought in the courts of the United States for the Southern District of New York, and by execution and delivery of this Agreement, each party hereto consents, for itself and in respect of its property, to the non-exclusive jurisdiction of those courts. Each such party irrevocably waives any objection, including any objection to the laying of venue or based on the grounds of *forum non conveniens*, which it may now or hereafter have to the bringing of any action or proceeding in such jurisdiction in respect of this Agreement or any document related hereto.

Section 8.10 Prohibited Transactions with Respect to the Issuer.

The Seller shall not:

(a) Provide credit to any Noteholder or Certificateholder for the purpose of enabling such Noteholder or Certificateholder to purchase Notes or Certificates, respectively;

(b) Purchase any Notes or Certificates in an agency or trustee capacity; or

(c) Except in its capacity as Servicer as provided in the Sale and Servicing Agreement, lend any money to the Issuer.

Section 8.11 No Partnership.

Nothing herein contained shall be deemed or construed to create a co-partnership or joint venture between the parties hereto.

Section 8.12 Successors and Assigns.

This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and permitted assigns.

Section 8.13 Duration of Agreement.

This Agreement shall continue in existence and effect until the termination of the Sale and Servicing Agreement.

Section 8.14 Limited Recourse.

The obligations of the Trust Depositor and the Seller under this Agreement and the other Transaction Documents are solely the obligations of the Trust Depositor and the Seller, respectively. No recourse shall be had for the payment of any amount owing by the Trust Depositor or the Seller or otherwise under this Agreement, any other Transaction Document or for the payment by the Trust Depositor or the Seller of any fee in respect hereof or thereof or any other obligation or claim of or against the Trust Depositor or the Seller arising out of or based upon this Agreement or any other Transaction Document, against any Affiliate, shareholder, partner, manager, member, director, officer, employee, representative or agent of the Trust Depositor or the Seller or of any Affiliate of such Person. The provisions of this Section 8.14 shall survive the termination of this Agreement.

[Remainder of Page Intentionally Left Blank.]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective officers as of the day and year first above written.

HORIZON TECHNOLOGY FINANCE CORPORATION,
as the Seller

By: /s/ Robert D. Pomeroy, Jr.
Name: Robert D. Pomeroy, Jr.
Title: Chief Executive Officer

HORIZON FUNDING 2013-1 LLC
as the Trust Depositor

By: /s/ Robert D. Pomeroy, Jr.
Name: Robert D. Pomeroy, Jr.
Title: Chief Executive Officer

EXECUTION COPY

HORIZON FUNDING TRUST 2013-1 NOTES

U.S. $90,000,000 OF 3.00% ASSET-BACKED NOTES

NOTE PURCHASE AGREEMENT

June 26, 2013

Guggenheim Securities, LLC,
as Initial Purchaser (the "Initial Purchaser")
135 East 57th Street
New York, NY 10022, 7th Floor

Ladies and Gentlemen:

Section 1. Authorization of Notes.

Horizon Technology Finance Corporation (the "Company"), as sole member of Horizon Funding 2013-1 LLC (the "Trust Depositor"), has duly authorized the sale of the 3.00% Asset-Backed Notes (the "Notes") of Horizon Funding Trust 2013-1, a Delaware statutory trust (the "Trust"). The Notes will be issued by the Trust in an aggregate principal amount of $90,000,000. The Notes will be offered by the Trust pursuant to the Memoranda (as defined below). The Trust was formed pursuant to (i) a Trust Agreement, dated as of June 18, 2013, as amended and restated as of the Closing Date (the "Trust Agreement") between the Trust Depositor and Wilmington Trust, National Association, as the owner trustee (the "Owner Trustee") and (ii) a Certificate of Trust filed with the Secretary of State of the State of Delaware on June 18, 2013. In addition to the Notes, the Trust is issuing a Trust Certificate (the "Certificate"). The Certificate will represent a fractional undivided beneficial interest in the Trust. The Certificate will be issued pursuant to the Trust Agreement. The Notes will be issued pursuant to an Indenture, to be dated as of the Closing Date (the "Indenture"), between the Trust and U.S. Bank National Association, as the trustee (the "Trustee"). The Notes will be secured by the assets of the Trust. The primary assets of the Trust will be a pool of senior commercial loans made to life sciences companies, technology companies, healthcare companies and cleantech companies and secured by security interests in certain assets of those companies, originated by the Company or one of its affiliates (collectively, the "Loans"). The Trust Depositor will acquire loans from the Company pursuant to a Sale and Contribution Agreement, to be dated as of the Closing Date (the "Sale and Contribution Agreement") between the Company and the Trust Depositor. Pursuant to a Sale and Servicing Agreement, to be dated as of the Closing Date (the "Sale and Servicing Agreement"), among the Trust, the Company, the Trust Depositor, and the Trustee, the Trust Depositor will sell, transfer and convey to the Trust, without recourse, all of its right, title and interest in the Loans in consideration for the Trust's payment of portion of the proceeds of the Notes and the issuance of the Certificate to the Trust Depositor. Pursuant to the Indenture, as security for the indebtedness represented by the Notes, the Trust will pledge and grant to the Trustee a security interest in the Loans, and its rights under the Sale and Contribution Agreement and the Sale and Servicing Agreement. This Note Purchase Agreement (the "Agreement"), the Trust Agreement, the Sale and Contribution Agreement, the Sale and Servicing Agreement and the Indenture are referred to collectively herein as the "Transaction Documents."

Capitalized terms used herein but not otherwise defined shall have the meanings set forth in the Sale and Servicing Agreement.

The Notes are to be offered without being registered under the Securities Act of 1933, as amended (the "Securities Act"), to "qualified institutional buyers" in compliance with the exemption from registration provided by Rule 144A under the Securities Act ("QIBs"), in offshore transactions to non-U.S. persons in reliance on Regulation S under the Securities Act ("Regulation S"), and to institutional "accredited investors" (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act) ("Institutional Accredited Investors") who, in each case, are "qualified purchasers" ("Qualified Purchasers") for purposes of Section 3(c)(7) under the Investment Company Act of 1940, as amended (the "1940 Act").

In connection with the sale of the Notes, the Company has prepared a preliminary offering memorandum dated June 24, 2013 (including any exhibits, amendments or supplements thereto and all information incorporated therein by reference, the "Preliminary Memorandum"), and a final offering memorandum dated on or about June 26, 2013 (including any exhibits, amendments or supplements thereto and all information incorporated therein by reference, the "Final Memorandum", and each of the Preliminary Memorandum and the Final Memorandum, a "Memorandum" or together the "Memoranda") including a description of the terms of the Notes, the terms of the offering, and the Trust. The Company has also posted information relating to the performance of the Loans, one or more marketing books, and certain additional information and documents concerning the Notes, the Loans and the Company to a password protected Internet site accessible by potential investors (such information the "Additional Offering Materials"). It is understood and agreed that 9:46 am New York time on June 26, 2013 constitutes the time of the contract of sale of the Notes for purposes of Rule 159 under the Securities Act (the "Time of Sale"). It is further understood and agreed that the Preliminary Offering Memorandum and the Additional Offering Materials as of the Time of Sale shall be the entirety of the information conveyed to investors as of the Time of Sale, and that "Time of Sale Information" shall refer exclusively to such information, in either case in such form that has not been superseded by any amendment or supplement thereto.

It is understood and agreed that nothing in this Agreement shall prevent the Initial Purchaser from entering into any agency agreements, underwriting agreements or other similar agreements governing the offer and sale of securities with any issuer or issuers of securities, and nothing contained herein shall be construed in any way as precluding or restricting the Initial Purchaser's right to sell or offer for sale any securities issued by any person, including securities similar to, or competing with, the Notes.

Each of the Company and the Trust Depositor, as applicable, hereby agrees with you, as the Initial Purchaser, as follows:

Section 2. Purchase and Sale of Notes.

(a) Subject to the terms and conditions and in reliance upon the representations and warranties set forth herein, the Trust agrees to sell to the Initial Purchaser, and the Initial Purchaser agrees to use commercially reasonable efforts to place, the aggregate principal amount of Notes set forth on Schedule I hereto with investors on a private placement basis in accordance with the terms hereof. The Notes will be purchased at a price of 100%. It is understood and agreed that the Initial Purchaser is not acquiring and has no obligation to acquire the Certificate and the Certificate will be acquired by the Trust Depositor on the Closing Date pursuant to the Trust Agreement. It is further understood and agreed that the Initial Purchaser may retain the Notes, purchase the Notes for its own account, or sell the Notes to its affiliates or to any other investor in accordance with the applicable provisions hereof and of the Indenture. The Notes sold hereby shall be issued and sold free from all liens, charges and encumbrances, equities and other third party rights of any nature whatsoever, together with all rights of any nature whatsoever attaching or accruing to them now or after the date of this Agreement. The Initial Purchaser shall have the right to reject, in whole or in part, any offer received by it to purchase Notes and any such rejection by the Initial Purchaser shall not be deemed a breach of the agreements contained herein.

(b) In addition, whether or not the transactions contemplated hereby shall be consummated, the Company agrees to pay (or cause to be paid by the Trust) certain costs and expenses incidental to the performance by the Company of its obligations hereunder and under the documents to be executed and delivered in connection with the offering, issuance, sale, exchange and delivery of the Notes (the "Documents"), including, without duplication, (i) the fees and disbursements of counsel to the Company; (ii) the fees and expenses of any trustees or custodian due to such trustees' or custodian's initial expenses incurred in connection with the issuance of the Notes and their or its counsel, as applicable; (iii) the fees and expenses of any bank establishing and maintaining accounts on behalf of the holders of the Notes or in connection with the transactions; (iv) the fees and expenses of the accountants for the Company, including the fees for the "comfort letters" or "agreed-upon procedures letters" required by the Initial Purchaser, any rating agency or any purchaser in connection with the offering, sale, issuance and delivery of the Notes; (v) all expenses incurred in connection with the preparation and distribution of each Memorandum, the Additional Offering Materials and other disclosure materials prepared and distributed and all expenses incurred in connection with the preparation and distribution of the Transaction Documents; (vi) the fees charged by any securities rating agency for rating the Notes; (vii) the fees for any securities identification service for any CUSIP or similar identification number required by the purchasers or requested by the Initial Purchaser; (viii) all fees and expenses (including reasonable fees and expenses of counsel) of the Company in connection with approval of the Securities by The Depositary Trust Company ("DTC") for "book-entry" transfer, (ix) all reasonable fees and disbursements of counsel to the Initial Purchaser; (x) all expenses in connection with the qualification of the Notes for offering and sale under state securities laws, including the fees and disbursements of counsel and, if necessary in the reasonable judgment of the Initial Purchaser, the cost of the preparation and reproduction of any "blue sky" or legal investment memoranda; (xi) any federal, state or local taxes, registration or filing fees (including Uniform Commercial Code financing statements) or other similar payments to any federal, state or local governmental authority in connection with the offering, sale, issuance and delivery of the Notes; and (xii) the fees and expenses of any special counsel or other experts required to be retained to provide advice, opinions or assistance in connection with the offering, issuance, sale and delivery of the Notes. Notwithstanding the foregoing, none of the Company, the Trust Depositor or the Trust shall be liable to the Initial Purchaser for loss of anticipated profits from the transactions covered by this Agreement.

Section 3. Delivery.

Delivery of the Notes shall be made in the form of one or more global certificates delivered to DTC or its designated agent, except that any Note to be sold by the Initial Purchaser to an Institutional Accredited Investor that is also a Qualified Purchaser for purposes of Section 3(c)(7) of the 1940 Act, but that is not a QIB (as such terms are defined herein), shall be delivered in fully registered, certificated form in an amount not less than the applicable minimum denomination set forth in the Final Memorandum at the offices of Dechert LLP at 12:00 p.m. New York, New York time, on June 28, 2013 or such other place, time or date as may be mutually agreed upon by the Initial Purchaser and the Company (the "Closing Date"). Subject to the foregoing, the Notes will be registered in such names and such denominations as the Initial Purchaser shall specify in writing to the Company and the Trustee. The Certificate shall be delivered to the Trust Depositor on the Closing Date in fully registered, certificated form in the permitted denominations and the required proportions as set forth in the Final Memorandum.

Section 4. Representations and Warranties of the Company.

Each of the Company, the Trust Depositor and the Trust, with respect to itself, hereby represents and warrants to the Initial Purchaser, as of the date hereof and as of the Closing Date, that:

(i) The Final Memorandum and any additional information and documents concerning the Notes, including but not limited to the Additional Offering Materials, did not, as of their respective dates or date on which such statements contained therein were made, and the Final Memorandum and the Additional Offering Materials and any amendment or supplement thereto, will not, each as of their respective dates or date on which such statements contained therein were made and as of the Closing Date, include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements in each, in light of the circumstances under which they were made, not misleading; *provided* that the Company makes no representation or warranty as to the information contained in or omitted from the Final Memorandum or the Additional Offering Materials in reliance upon and in conformity with information furnished in writing to the Company by or on behalf of the Initial Purchaser referenced in the last sentence of Section 8(a) herein.

(ii) The Time of Sale Information, as of the Time of Sale, did not, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading; *provided* that the Company makes no representation or warranty as to the information contained in or omitted from the Time of Sale Information in reliance upon and in conformity with information furnished in writing to the Company by or on behalf of the Initial Purchaser referenced in the last sentence of Section 8(a) herein.

(iii) The Company is a Delaware corporation, duly incorporated and validly existing under the laws of the State of Delaware, has all corporate power and authority necessary to own or hold its properties and conduct its business in which it is engaged as described in each Memorandum and has all licenses necessary (and has not received any notice of proceedings relating to the revocation or modification of any such licenses) to carry on its business as it is now being conducted and is licensed and qualified in each jurisdiction in which the conduct of its business (including, without limitation, the origination and acquisition of Loans and Related Property and performing its obligations hereunder and under the other Transaction Documents) requires such licensing or qualification and in which the failure so to qualify would have a material adverse effect on the business, properties, assets, or condition (financial or otherwise) of the Company.

(iv) This Agreement has been duly authorized, executed and delivered by the Company, the Trust Depositor and the Trust and, assuming due authorization, execution and delivery thereof by the other parties hereto, constitutes a valid and legally binding obligation of the Company, the Trust Depositor and the Trust enforceable against the Company, the Trust Depositor and the Trust in accordance with its terms, subject, as to enforcement only, to the effect of bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally or the application of equitable principles in any proceeding, whether at law or in equity.

(v) On the Closing Date, the Sale and Contribution Agreement, the Sale and Servicing Agreement and the Assignment will have been duly authorized, executed and delivered by the Company and, assuming due authorization, execution and delivery thereof by the other parties thereto, will constitute valid and binding agreements of the Company, enforceable against the Company in accordance with their respective terms, subject, as to enforcement only, to the effect of bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally or the application of equitable principles in any proceeding, whether at law or in equity.

(vi) On the Closing Date, the Notes will have been duly authorized, and when executed and authenticated in accordance with the Indenture and delivered to and paid for by the Initial Purchaser in accordance with this Agreement, the Notes will constitute valid and binding obligations of the Trust, enforceable against the Trust in accordance with their terms, subject, as to enforcement only, to the effect of bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally or the application of equitable principles in any proceeding, whether at law or in equity, and will be entitled to the benefits of the Indenture.

(vii) Other than as set forth in or contemplated by each Memorandum, there are no legal or governmental proceedings pending to which the Company is a party or of which any property or assets of the Company are the subject of which could reasonably be expected to materially adversely affect the financial position, stockholders' equity or results of operations of the Company or on the performance by the Company of its obligations hereunder or under the other Transaction Documents; and to the knowledge of the Company, no such proceedings are threatened or contemplated by governmental authorities or threatened by others.

(viii) The execution, delivery and performance of this Agreement and the other Transaction Documents to which it is a party and the consummation by each of the Company, the Trust Depositor and the Trust of the transactions contemplated herein and therein and in all documents relating to the Notes will not result in any breach or violation of, or constitute a default under, any material agreement or instrument to which the Company is a party or to which any of its material properties or assets are subject, except for such of the foregoing as to which relevant waivers, consents or amendments have been obtained and are in full force and effect or which would not reasonably be expected to have a material adverse effect on the financial position, stockholders' equity or results of operations of the Company or on the performance by the Company of its obligations hereunder or under the other Transaction Documents, nor will any such action result in a violation of the articles of organization or limited liability company agreement of the Company or any Applicable Law.

(ix) (i) None of the Trust Depositor, the Trust or the pool of Loans is, or after giving effect to the transactions contemplated by the Transaction Documents will be, (a) required to be registered as an "investment company" under the 1940 Act or (b) required to register under the Commodity Exchange Act of 1922, as amended, as a "commodity pool" and (ii) neither the Trust Depositor nor the Trust is "controlled" by an investment company within the meaning of the 1940 Act.

(x) Assuming the Initial Purchaser's representations herein are true and accurate, it is not necessary in connection with the offer, sale or exchange and delivery of the Notes in the manner contemplated by this Agreement and each Memorandum to register the Notes under the Securities Act or to qualify the Indenture under the Trust Indenture Act of 1939, as amended.

(xi) The Notes satisfy the requirements set forth in Rule 144A(d)(3) under the Securities Act. As of the Closing Date, the Notes will not be (i) of the same class as securities listed on a national securities exchange in the United States that is registered under Section 6 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or (ii) quoted in any "automated inter-dealer quotation system" (as such term is used in the Exchange Act) in the United States.

(xii) At the time of execution and delivery of the Sale and Contribution Agreement, the Company owned the Loans to be conveyed by it on the Closing Date free and clear of all liens, encumbrances, adverse claims or security interests ("Liens") other than Liens permitted by the Transaction Documents and the Company had the power and authority to transfer such loans to the Trust Depositor. At the time of execution and delivery of the Sale and Servicing Agreement, the Trust Depositor owned the Loans to be conveyed by it on the Closing Date free and clear of all Liens other than Liens permitted by the Transaction Documents and the Trust Depositor had the power and authority to transfer such Loans to the Trust.

(xiii) Upon the execution and delivery of the Transaction Documents, delivery to the Trust of the Loans and delivery to, or upon the order of, the Trust Depositor of the net proceeds of the Notes and the Certificate, the Trust will own the Loans conveyed to it on the Closing Date and the Trust Depositor will acquire title to the Certificate, in each case free of Liens except such Liens as may be permitted in the Transaction Documents. Upon the execution and delivery of the Transaction Documents, payment by the Initial Purchaser for the Notes and delivery to the Initial Purchaser of the Notes, the Initial Purchaser will acquire title to the Notes, free and clear of Liens except such Liens as may be granted or created by the Initial Purchaser and those permitted in the Transaction Documents.

(xiv) No consent, authorization or order of, or filing or registration with, any court or governmental agency is required for the issuance and sale of the Notes by the Trust to the Initial Purchaser or the execution, delivery and performance by the Trust of this Agreement or the other Transaction Documents to which it is a party, except such consents, approvals, authorizations, registrations or qualifications as have been obtained or as may be required under state securities or blue sky laws in connection with the sale or exchange and delivery of the Notes in the manner contemplated herein.

(xv) The Loans in all material respects have the characteristics described in the Time of Sale Information and the Final Memorandum.

(xvi) Each of the representations and warranties of the Company, the Trust Depositor and the Trust set forth in each of the other Transaction Documents is true and correct in all material respects.

(xvii) Neither the Company nor any affiliate (as defined in Rule 501(b) of Regulation D under the Securities Act ("Regulation D")) of the Company nor anyone acting on their behalf has, directly or indirectly (except to or through the Initial Purchaser), sold or offered, or attempted to offer or sell, or solicited any offers to buy, or otherwise approached or negotiated in respect of, any of the Notes and neither the Company nor any of its affiliates will do any of the foregoing. As used herein, the terms "offer" and "sale" have the meanings specified in Section 2(3) of the Securities Act.

(xviii) Neither the Company nor any affiliate (as defined in Rule 501(b) of Regulation D) of the Company has directly, or through any agent, sold, offered for sale, solicited offers to buy or otherwise negotiated in respect of, any security (as defined in the Securities Act) which is or will be integrated with the sale or exchange of the Notes in a manner that would require the registration under the Securities Act of the offering contemplated by each Memorandum or engaged in any form of general solicitation or general advertising in connection with the offering of the Notes.

(xix) With respect to any Notes subject to the provisions of Regulation S of the Securities Act, the Company has not offered or sold such Notes during the Distribution Compliance Period to a person (other than the Initial Purchaser) who is within the United States or its possessions or to a United States person. For this purpose, the term "Distribution Compliance Period" is defined as such term is defined in Regulation S and the terms "United States or its possessions" and "United States person" are defined as such terms are defined for purposes of Treas. Reg. § 1.163-5(c)(2)(i)(D).

(xx) Since the date of the latest audited financial statements of the Company, there has been no change nor any development or event involving a prospective change which has had or could reasonably be expected to have a material adverse change in or effect on (i) the business, operations, properties, assets, liabilities, shareholders' equity, earnings, condition (financial or otherwise), results of operations or management of the Company and its subsidiaries, considered as one enterprise, whether or not in the ordinary course of business, or (ii) the ability of the Company to perform its obligations hereunder or under the other Transaction Documents.

(xxi) The Notes, the Certificate and the Transaction Documents conform in all material respects to the descriptions thereof in the Final Memorandum.

(xxii) Any taxes, fees, and other governmental charges in connection with the offering of the Notes, the execution and delivery of this Agreement and the other Transaction Documents, the execution, delivery and transfer of the Certificate and the execution, delivery, and sale or exchange of the Notes have been or will be paid at or before the Closing Date.

(xxiii) None of the Company or any Person acting on its behalf has taken, and none of them will take, any action that might cause this Agreement or the issuance, sale or exchange of the Notes to violate Regulation T, Regulation U or Regulation X of the Board of Governors of the Federal Reserve System.

(xxiv) No proceeds received by the Company, the Trust Depositor or the Trust in respect of the Notes will be used by the Company, the Trust Depositor or the Trust to acquire any security in any transaction which is subject to Section 13 or 14 of the Exchange Act.

(xxv) (i) Each of the Company, the Trust and their respective ERISA Affiliates is in compliance in all material respects with ERISA unless any failure to so comply could not reasonably be expected to have a material adverse effect and (ii) no lien under Section 303(k) of ERISA or Section 430(k) of the Code exists on any of the Collateral. As used in this paragraph, the term "ERISA Affiliate" means, with respect to any Person, a corporation, trade or business that is, along with such Person, a member of a controlled group (as described in Section 414 of the Code or Section 4001 of ERISA).

(xxvi) Neither the Company nor any of its properties or assets has any immunity from the jurisdiction of any court or from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) under the laws of the State of Delaware.

(xxvii) The Company has not paid or agreed to pay to any person any compensation for soliciting another to purchase or exchange any of the Notes (except as contemplated by this Agreement and the engagement letter (the "Engagement Letter") dated February 27, 2013, between the Company and the Initial Purchaser).

(xxviii) No event has occurred which, had the Notes already been issued, might (whether or not with the giving of notice and/or the passage of time and/or the fulfillment of any other requirement) constitute an event of default or such other similar term howsoever used or defined in any Transaction Document.

(xxix) The Company has not taken, directly or indirectly, any action designed to cause or to result in, or that has constituted or which might reasonably be expected to constitute, the stabilization or manipulation of the price of any Note or to facilitate the sale or resale of the Notes.

(xxx) (i) The purchase and sale of the Notes pursuant to this Agreement, including the determination of the offering price of the Notes and any related discounts and commissions, is an arm's-length commercial transaction between the Company, on the one hand, and the Initial Purchaser, on the other hand, and the Company is capable of evaluating and understanding and understands and accepts the terms, risks and conditions of the transactions contemplated by this Agreement; (ii) in connection with each transaction contemplated hereby, none of the Company, the Trust Depositor or the Trust is relying on the Initial Purchaser as the financial advisor, agent (except to the extent provided in this Agreement) or fiduciary of the Company or any of its Affiliates, stockholders, creditors or employees or any other party; (iii) the Initial Purchaser has no obligation to the Company with respect to the offering contemplated hereby except the obligations expressly set forth in this Agreement; (iv) the Company and the Trust Depositor acknowledge that the Initial Purchaser and its affiliates may be engaged in a broad range of transactions that involve interests that differ from those of the Company and the Initial Purchaser has no obligation to disclose any of such interests by virtue of any advisory or fiduciary relationship; and (v) the Company has consulted its own legal, accounting, regulatory and tax advisors to the extent it deemed appropriate and is not relying on the Initial Purchaser for any legal, accounting, regulatory or tax advice with respect to the offering contemplated hereby.

(xxxi) On and immediately after the Closing Date, each of the Company, the Trust Depositor and the Trust (after giving effect to the issuance of the Notes and to the other transactions related thereto as described in the Time of Sale Information and the Final Memorandum) will be Solvent. As used in this paragraph, the term "Solvent" means, with respect to a particular date and any Person, that on such date (A) the present fair market value (or present fair saleable value) of the assets of such Person is not less than the total amount required to pay the probable liabilities of such Person on its total existing debts and liabilities (including contingent liabilities) as they become absolute and matured, (B) such Person is able to realize upon its assets and pay its debts and other liabilities, contingent obligations and commitments as they mature and become due in the normal course of business, (C) assuming the sale or exchange of the Notes as contemplated by this Agreement, the Time of Sale Information and the Final Memorandum, such Person is not incurring debts or liabilities beyond its ability to pay as such debts and liabilities mature and (D) such Person is not engaged in any business or transaction, and is not about to engage in any business or transaction, for which its property would constitute unreasonably small capital after giving due consideration to the prevailing practice in the industry in which such Person is engaged. In computing the amount of such contingent liabilities at any time, it is intended that such liabilities will be computed at the amount that, in the light of all the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability.

(xxxii) The Company has provided a written representation (the "17g5 Representation") to Moody's Investors Service, Inc. (the "Hired NRSRO"), which satisfies the requirements of paragraph Rule 17g-5(a)(3)(iii) of the Exchange Act ("Rule 17g5") and a copy of which has been delivered to the Initial Purchaser. The Company has complied with the representations, certifications and covenants made to the Hired NRSRO in connection with the 17g5 Representation.

(xxxiii) The Company has not taken, nor will it take, directly or indirectly, any action prohibited by Regulation M under the Exchange Act in connection with the offering of the Notes.

(xxxiv) No forward looking statement (within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act) contained in the Preliminary Memorandum or the Final Memorandum has been made or reaffirmed without a reasonable basis or has been disclosed other than in good faith.

(xxxv) Each of the Company and the Trust Depositor represents and warrants that there are no contracts, agreements or understandings between the Trust and any person granting such person the right to require the Trust to file a registration statement under the Securities Act with respect to any Notes owned or to be owned by such person or to include any Notes in any securities registered pursuant to any registration statement filed by the Trust under the Securities Act.

(xxxvi) No action has been taken by any governmental agency or body and no statute, rule or regulation or order has been enacted, adopted or issued by any governmental agency or body which prevents the issuance of the Notes or suspends the sale or exchange of the Notes in any jurisdiction; no injunction, restraining order or order of any nature by a Federal or state court of competent jurisdiction has been issued with respect to the Company that would prevent or suspend the issuance, sale or exchange of the Notes, or the use of any of the Preliminary Memorandum, the Final Memorandum or the Additional Offering Materials in any jurisdiction; no action, suit or proceeding is pending against or, to the best of the knowledge of the Company, threatened against or affecting the Company before any court or arbitrator or any governmental body, agency or official, domestic or foreign, that could reasonably be expected to interfere with or adversely affect the issuance or exchange of the Notes or in any manner draw into question the validity of the Notes, any related agreement or this Agreement or any action taken or to be taken pursuant hereto or thereto.

Section 5. Sale of the Notes to the Initial Purchaser.

The sale of the Notes to the Initial Purchaser will be made without registration of the Notes under the Securities Act, in reliance upon the exemption therefrom provided by Section 4(2) of the Securities Act.

(a) The Company, the Initial Purchaser and the Trust Depositor hereby agree that the Notes will be offered and sold only in transactions exempt from registration under the Securities Act. The Company, the Initial Purchaser and the Trust Depositor will each reasonably believe at the time of the sale of the Notes by the Trust to the Initial Purchaser and the initial resale of the Notes by the Initial Purchaser (i) that either (A) each purchaser of the Notes is an institutional investor that is (1) a QIB who is a Qualified Purchaser purchasing for its own account (or for the accounts of QIBs who are Qualified Purchasers to whom notice has been given that the resale, pledge or other transfer is being made in reliance on Rule 144A) in transactions meeting the requirements of Rule 144A, or (2) an Institutional Accredited Investor who is a Qualified Purchaser who purchases for its own account or the account of other Institutional Accredited Investors that are not QIBs and provides the Initial Purchaser with a written certification in substantially the form of Exhibit D-1 to the Indenture, or (B) each purchaser that is a non-U.S. person is acquiring the Notes in an offshore transaction meeting the requirements of Regulation S and is a Qualified Purchaser, and (ii) that the offering of the Notes will be made in a manner that will enable the offer and sale of the Notes to be exempt from registration under state securities or Blue Sky laws; and each such party understands that no action has been taken to permit a public offering in any jurisdiction where action would be required for such purpose. The Company, the Initial Purchaser and the Trust Depositor each further agrees not to (i) engage (and represents that it has not engaged) in any activity that would constitute a public offering of the Notes within the meaning of Section 4(2) of the Securities Act or (ii) offer, sell or exchange the Notes by (and represents that it has not engaged in) any form of general solicitation or general advertising (as those terms are used in Regulation D), including the methods described in Rule 502(c) of Regulation D, in connection with any offer or sale of the Notes.

(b) The Initial Purchaser hereby represents and warrants to and agrees with the Company, that (i) for resale purposes only, it is an "accredited investor" within the meaning of Rule 501(a)(1), (2), (3) or (7) under the Securities Act and a Qualified Purchaser and (ii) it will offer the Notes only (A) to persons who it reasonably believes are QIBs who are Qualified Purchasers in transactions meeting the requirements of Rule 144A, (B) to institutional investors who it reasonably believes are Institutional Accredited Investors who are Qualified Purchasers or (C) to non-United States persons it reasonably believes are Qualified Purchasers in offshore transactions in accordance with Regulation S. The Initial Purchaser further agrees that (i) it will deliver to each purchaser of the Notes, at or prior to the Time of Sale, a copy of the Time of Sale Information, as then amended or supplemented, (ii) prior to any sale of the Notes to an Institutional Accredited Investor who is a Qualified Purchaser that it does not reasonably believe is a QIB, it will receive from such Institutional Accredited Investor a written certification in substantially the form attached as Exhibit D-2 to the Indenture and (iii) prior to any sale of the Notes to an investor in a denomination of less than $250,000, it will receive an Initial Transferee Certification in the form agreed upon on the date hereof.

(c) The Initial Purchaser hereby represents that it is duly authorized and possesses the requisite limited liability company power to enter into this Agreement.

(d) The Initial Purchaser hereby represents and agrees that all offers and sales of the Notes by it to non-United States persons, prior to the expiration of the Distribution Compliance Period, will be made only in accordance with the provisions of Rule 903 or Rule 904 of Regulation S (except to the extent of any beneficial owners thereof who acquired an interest therein pursuant to another exemption from registration under the Securities Act and who will take delivery of a beneficial ownership interest in a Global Note, as contemplated in the Indenture) and only upon receipt of certification of beneficial ownership of the securities by a non-United States person in the form provided in the Indenture. For this purpose, the term "Distribution Compliance Period" is defined as such term is defined in Regulation S and the term "United States person" is defined as such term is defined for purposes of Treas. Reg. §1.163-5(c)(2)(i)(D).

(e) The Initial Purchaser represents and agrees that (a) it has not delivered, and will not deliver, any Rating Information to the Hired NRSRO without the prior consent of a designated representative of the Company and (b) it has not participated, and will not participate, in any oral communication regarding Rating Information with the Hired NRSRO unless a designated representative from the Company consents to or participates in such communication; *provided*, *however*, that if an Initial Purchaser receives an oral communication from the Hired NRSRO, such Initial Purchaser is authorized to inform the Hired NRSRO that it will respond to the oral communication with a designated representative from the Company. For purposes of this paragraph, "Rating Information" means any information that could reasonably be determined to be relevant to: (i) determining an initial credit rating for the Notes (as contemplated by Rule 17g-5(a)(3)(iii)(C)) or (ii) undertaking credit rating surveillance for the Notes (as contemplated by Rule 17g-5(a)(3)(iii)(D)).

Section 6. Certain Agreements of the Company.

The Company covenants and agrees with the Initial Purchaser as follows:

(a) If, at any time prior to the completion of distribution of the Notes (as determined by the Initial Purchaser), any event involving the Company shall occur as a result of which the Final Memorandum (as then amended or supplemented) would include an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, the Company will promptly notify the Initial Purchaser and prepare and furnish to the Initial Purchaser an amendment or supplement to the Final Memorandum that will correct such statement or omission. The Company will not at any time amend or supplement the Final Memorandum (i) prior to having furnished the Initial Purchaser with a copy of the proposed form of the amendment or supplement and giving the Initial Purchaser a reasonable opportunity to review the same or (ii) in a manner to which the Initial Purchaser or its counsel shall object. The Initial Purchaser's consent to or its delivery to prospective investors of such amendment or supplement shall not constitute a waiver of any of the conditions set forth in Section 7 hereof. In the event that the Initial Purchaser shall incur any costs in connection with the reformation with a contract of sale with any investor that received the Time of Sale Information that contains an untrue statement of a material fact or failed to state a material fact necessary in order to the make the statements therein, in the light of the circumstances under which they were made, not misleading, the Company and the Trust Depositor jointly and severally agree to reimburse the Initial Purchaser for such costs, provided that the untrue statement or omission in the Time of Sale Information did not relate solely to Initial Purchaser Information (as defined below).

(b) During the period referred to in Section 6(a), the Company will furnish to the Initial Purchaser, without charge, copies of the Final Memorandum (including all exhibits and documents incorporated by reference therein), the Transaction Documents and all amendments or supplements to such documents, in each case, as soon as reasonably available and in such quantities as the Initial Purchaser may from time to time reasonably request.

(c) During the period referred to in Section 6(a), the Company shall promptly prepare, upon the reasonable request of the Initial Purchaser, any amendments of or supplements to the Final Memorandum that in the opinion of the Initial Purchaser may be reasonably necessary to enable the Initial Purchaser to continue to sell the Notes, subject to the approval of the Initial Purchaser's counsel.

(d) At all times during the period referenced in Section 6(a), (i) the Company will make available to each offeree the Additional Offering Materials subject to such offeree's acceptance of the confidentiality requirements with respect thereto and such information concerning any other relevant matters as it or any of its affiliates possess or can acquire without unreasonable effort or expense, as determined in good faith by it or such affiliate, as applicable, (ii) the Company will provide each offeree the opportunity to ask questions of, and receive answers from, it concerning the terms and conditions of the offering and to obtain any additional information, to the extent it or any of its affiliates possess such information or can acquire it without unreasonable effort or expense (as determined in good faith by it or such affiliate, as applicable), necessary to verify the accuracy of the information furnished to the offeree, (iii) the Company will not publish or disseminate any material in connection with the offering of the Notes except as contemplated herein or as consented to by the Initial Purchaser or in connection with the Company's disclosure obligations under the Exchange Act, provided that no such disclosure under the Exchange Act would result in a requirement that the offering of the Notes be registered under §5 of the Securities Act, (iv) the Company will take such action as the Initial Purchaser may reasonably request to obtain an exemption from registration requirements or to qualify the Notes for offering and sale under the state securities laws of such jurisdictions in the United States of America, its territories and possessions, as the Initial Purchaser may request; (v) the Company will advise the Initial Purchaser promptly of the receipt by the Company of any communication from the SEC or any state securities authority concerning the offering, sale or exchange of the Notes, (vi) the Company will advise the Initial Purchaser promptly of the commencement of any lawsuit or proceeding to which the Company is a party relating to the offering, sale or exchange of the Notes, and (vii) the Company will advise the Initial Purchaser of the suspension of the qualification of the Notes for offering, sale or exchange in any jurisdiction, or the initiation or threat of any procedure for any such purpose.

(e) The Company will furnish, upon the written request of any Noteholder or of any owner of a beneficial interest in a Note, such information as is specified in paragraph (d)(4) of Rule 144A under the Securities Act (i) to such Noteholder or beneficial owner, (ii) to a prospective purchaser of a Note or interest therein who is a QIB and a Qualified Purchaser designated by such Noteholder or beneficial owner, or (iii) to the Trustee for delivery to such Noteholder, beneficial owner or prospective purchaser, in order to permit compliance by such Noteholder or beneficial owner with Rule 144A in connection with the resale of such Note or beneficial interest therein by such holder or beneficial owner in reliance on Rule 144A unless, at the time of such request, the Trust is subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act or is exempt from such reporting requirements pursuant to and in compliance with Rule 12g3-2(b).

(f) Except as otherwise provided in the Indenture, each Note will contain a legend to the effect set forth in the Final Memorandum.

(g) The Trust Depositor and the Company agree that no future offer and sale of Notes of the Trust will be made if, as a result of the doctrine of "integration" referred to in Rule 502 under the Securities Act, such offer and sale would require the registration under the Securities Act of the offering contemplated by the Time of Sale Information and the Final Memorandum.

(h) None of the Company, the Trust Depositor nor the Trust will take or permit, or cause any of their affiliates to take, any action whatsoever which would have the effect of requiring the registration under the Securities Act of the offering or sale of the Notes contemplated by the Time of Sale Information and the Final Memorandum. The Company or the Trust Depositor will cause the filing of such statements and reports as may be required under the Securities Act or the Exchange Act.

(i) Neither the Company nor any of its affiliates or any other Person acting on their behalf shall engage, in connection with the offer and sale or exchange of the Notes, in any form of general solicitation or general advertising within the meaning of Rule 502(c) of Regulation D under the Securities Act, including, but not limited to, the following:

(i) any advertisement, article, notice or other communication published in any newspaper, magazine or similar medium or broadcast over television or radio; and

(ii) any seminar or meeting whose attendees have been invited by any general solicitation or general advertising.

(j) None of the Company or any Person acting on its behalf shall engage in any directed selling efforts (as that term is defined in Regulation S) with respect to the Notes, and the Company and each Person acting on its behalf shall comply with the applicable offering restrictions requirements of Regulation S.

(k) The Company shall not solicit any offer to buy from or offer to sell or sell to any Person any Notes, except through the Initial Purchaser or with the consent of the Initial Purchaser and/or as otherwise specified in the Indenture at any time prior to the Closing Date; on or prior to the Closing Date, the Company shall not publish or disseminate any material other than the Additional Offering Materials consented to by the Initial Purchaser, the Time of Sale Information and the Final Memorandum in connection with the offer or sale of the Notes as contemplated by this Agreement, unless the Initial Purchaser shall have consented to the use thereof; if the Company makes any press release including "tombstone" announcements, in connection with the Transaction Documents, it shall permit the Initial Purchaser to review and approve such release in advance.

(l) The Company shall not take, or permit or cause any of its affiliates to take, any action whatsoever which would have the effect of requiring the registration, under the Securities Act, of the offer, sale or exchange of the Notes contemplated by the Time of Sale Information or the Final Memorandum.

(m) The Company shall not solicit any offer to buy from or offer to sell to any Person any Notes, except through the Initial Purchaser.

(n) The Company shall not take, directly or indirectly, any action designed to or which has constituted or which might reasonably be expected to cause or result, under the Exchange Act or otherwise, in stabilization or manipulation of the price of any Note to facilitate the sale, resale or exchange of the Notes.

(o) The Company shall cooperate with the Initial Purchaser and use its best efforts to permit the Notes to be eligible for clearance and settlement through the facilities of The Depository Trust Company ("DTC") other than any Note to be sold by the Initial Purchaser to an Institutional Accredited Investor that is also a Qualified Purchaser, but that is not a QIB, which shall be delivered in fully registered, certificated form in an amount not less than the applicable minimum denomination.

(p) The Company shall apply the net proceeds from the sale of the Notes as set forth in the Final Memorandum under the heading "Use of Proceeds".

(q) So long as any of the Notes are outstanding, the Company or the Trust Depositor, as applicable, will furnish to the Initial Purchaser, by first-class mail, facsimile, email or such other method of delivery agreed to in writing by the Initial Purchaser, as soon as practicable: (i) all documents required to be distributed to the Holders of Notes; (ii) annual statements of compliance, annual independent certified public accountants' reports (so long as the Initial Purchaser has executed an acknowledgment letter in favor of such accountants) and annual opinions of counsel furnished to the Trustee or the Owner Trustee pursuant to the Transaction Documents, following the date as such statements, reports and opinions are furnished to the Trustee or the Owner Trustee, as the case may be and (iii) from time to time, such other information concerning the Company, the Trust Depositor, the Trust, the Notes or the Certificate as the Initial Purchaser may reasonably request.

(r) The Company will extend to all prospective investors the opportunity to ask questions of, and receive answers from, the Company concerning the Notes and the terms and conditions of the offering thereof and to obtain such information as such prospective investors may consider necessary in making an informed investment decision or to verify the accuracy of the information set forth in the Memoranda, to the extent the Company possesses the same or can acquire it without unreasonable effort or expense, provided that the Company shall be under no obligation to divulge information that is proprietary or confidential.

Section 7. Conditions of the Initial Purchaser Obligations.

The obligation of the Initial Purchaser to purchase the Notes on the Closing Date will be subject to the accuracy, in all material respects, of the representations and warranties of the Company herein and the other Transaction Documents, to the performance, in all material respects, by the Company of its obligations hereunder and the other Transaction Documents and to the following additional conditions precedent:

(a) The Company shall have obtained all governmental authorizations (if any) required in connection with the issuance and sale or exchange of the Notes and the performance of its obligations hereunder and under the other Transaction Documents to which it is a party.

(b) The Notes shall have been duly authorized, executed, authenticated, delivered and issued, the Transaction Documents shall have been duly authorized, executed and delivered by the respective parties thereto and shall be in full force and effect, and the Required Loan Documents in respect of the Loans shall have been delivered to the Trustee pursuant to and as required by the Sale and Servicing Agreement.

(c) The Initial Purchaser shall have received a certificate, dated as of the Closing Date, of the President, Chief Executive Officer, Chief Financial Officer, Treasurer or any duly authorized officer of the Company to the effect that such officer has carefully examined this Agreement, the Final Memorandum and the Transaction Documents and that, to the best of such officer's knowledge (i) since the date information is given in the Final Memorandum, there has not been any material adverse change in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Company, whether or not arising in the ordinary course of business, or the ability of the Company, the Trust Depositor or the Trust to perform its obligations hereunder or under the Transaction Documents or in the characteristics of the Loans except as contemplated by the Final Memorandum, (ii) the representations and warranties of the Company as set forth herein are true and correct in all material respects as of the Closing Date, as though such representations and warranties had been made on and as of such date, (iii) each of the Company, the Trust Depositor and the Trust has complied in all material respects with all agreements and satisfied all conditions on its part to be performed or satisfied hereunder, under the other Transaction Documents, at or prior to the Closing Date, (iv) the representations and warranties of the Company, the Trust Depositor and the Trust in the other Transaction Documents are true and correct in all material respects, as of the Closing Date, as though such representations and warranties had been made on and as of such date, and (v) nothing has come to the attention of such officer that would lead such officer to believe that (A) the Time of Sale Information, as of the Time of Sale, contained any untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, and (B) the Final Memorandum, as of its date and as of the Closing Date, or any Additional Offering Material, as of its respective date, contained or contains an untrue statement of a material fact or omitted or omits to state any material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

(d) The Notes shall have been rated no less than "A2 (sf)" by the Hired NRSRO, such rating shall not have been rescinded, and no public announcement shall have been made by Hired NRSRO that any rating of the Notes has been placed under review.

(e) McGladrey LLP shall have furnished to the Initial Purchaser "agreed upon procedures" letters, dated the date of delivery thereof, in form and substance satisfactory to the Initial Purchaser, with respect to certain financial and statistical information contained in the static pool reports, the Preliminary Memorandum and the Final Memorandum.

(f) The Initial Purchaser shall have received an opinion, dated the Closing Date, of Chapman and Cutler LLP counsel to the Trustee, in form and substance satisfactory to the Initial Purchaser.

(g) The Initial Purchaser shall have received legal opinions of Dechert LLP, counsel to the Company, the Trust Depositor and the Trust, (i) with respect to certain corporate, enforceability, federal tax, security interest, securities law and investment company matters, in form and substance satisfactory to the Initial Purchaser, (ii) with respect to certain "true sale" issues in form and substance satisfactory to the Initial Purchaser and (iii) with respect to certain "non-consolidation" issues in form and substance satisfactory to the Initial Purchaser.

Dechert LLP shall also provide a customary "negative assurances" letter, dated as of the Closing Date, addressed to the Initial Purchaser and in form and substance reasonably satisfactory to its counsel, containing customary exceptions and limitations, to the effect that such counsel has no reason to believe that the Preliminary Memorandum, at the Time of Sale, or the Final Memorandum, as of its date and on the Closing Date, included or includes any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading (in each case, other than the financial statements and other information of a statistical, accounting or financial nature included in the Memoranda).

(h) The Initial Purchaser shall have received opinions of Richards, Layton & Finger, P.A., counsel to the Owner Trustee and special Delaware counsel to the Trust Depositor and the Trust, with respect to (i) certain corporate and enforceability matters regarding the Owner Trustee, (ii) certain Delaware limited liability company matters, (iii) certain Delaware statutory trust matters, (iv) certain corporate, perfection and priority issues and (v) whether Delaware law, and not federal law, would govern the determination of what persons or entities have the authority to file a voluntary bankruptcy petition on behalf of the Trust Depositor, in each case, in form and substance satisfactory to the Initial Purchaser.

(i) The Initial Purchaser shall have received from the Trustee a certificate signed by one or more duly authorized officers of the Trustee, dated the Closing Date, in customary form.

(j) The Initial Purchaser shall have received from the Owner Trustee, a certificate signed by one or more duly authorized officers of the Owner Trustee, dated the Closing Date, in customary form.

(k) The Company shall have furnished to the Initial Purchaser and its counsel such further information, certificates and documents as the Initial Purchaser and its counsel may reasonably have requested, and all proceedings in connection with the transactions contemplated by this Agreement, the other Transaction Documents and all documents incidental hereto shall be in all material respects reasonably satisfactory in form and substance to the Initial Purchaser and its counsel.

(l) The Trust shall have (or shall cause to be) delivered to DTC (or an approved custodian therefor) the Notes (other than the Notes issued to Institutional Accredited Investors), in each case in global form and as described in Section 3(b) above, duly executed by the Trust and authenticated by the Indenture Trustee. The Trust shall have issued the Certificate.

(m) The Trust shall have executed and delivered to the DTC a standard "letter of representations" sufficient to cause DTC to qualify the Notes issued in global form for inclusion in DTC's book-entry registration and transfer system.

(n) Each of the Collection Account, the Lockbox Account, the Distribution Account and the Reserve Account shall have been established in accordance with the terms of the Transaction Documents.

(o) All other documents incidental hereto, to the other Transaction Documents shall be reasonably satisfactory in form and substance to the Initial Purchaser and its counsel.

If any of the conditions specified in this Section 7 shall not have been fulfilled in all material respects when and as provided in this Agreement, or if any of the opinions and certificates mentioned above shall not be in all material respects reasonably satisfactory in form and substance to the Initial Purchaser, this Agreement and all of the Initial Purchaser's obligations hereunder may be canceled by the Initial Purchaser at or prior to delivery of and payment for the Notes. Notice of such cancellation shall be given to the Company in writing, or by telephone or facsimile confirmed in writing.

Section 8. Indemnification and Contribution.

(a) The Company, the Trust Depositor and the Trust, jointly and severally, shall indemnify and hold harmless the Initial Purchaser (whether acting as Initial Purchaser or as placement agent with respect to any of the Notes), its affiliates, officers, directors, employees, agents and each person, if any, who controls the Initial Purchaser within the meaning of either the Securities Act or the Exchange Act and the affiliates of the Initial Purchaser from and against any loss, claim, damage, liability or expense, joint or several, and any action in respect thereof, to which any indemnified party may become subject, under the Securities Act or Exchange Act or otherwise, insofar as such loss, claim, damage, liability, expense or action arises out of, or is based upon, any untrue statement or alleged untrue statement of a material fact contained in the Final Memorandum (or any amendment or supplement thereto), any Additional Offering Materials, the Time of Sale Information or arises out of, or is based upon, (i) the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein in light of the circumstances under which they were made not misleading, (ii) in whole or in part, any inaccuracy in the representations and warranties of the Company contained herein, or (iii) in whole or in part, any failure of the Company to perform its obligations hereunder or under law; and shall reimburse any such indemnified party for any legal and other expenses reasonably incurred by such indemnified party in investigating or defending or preparing to defend against any such loss, claim, damage, liability, expense or action; *provided*, *however*, that the indemnifying parties shall not be liable to any such indemnified party in any such case to the extent that any such loss, claim, damage, liability, expense or action arises out of, or is based upon, any untrue statement or alleged untrue statement or omission or alleged omission made in the Time of Sale Information, any Memorandum or any Additional Offering Materials in reliance upon and in conformity with written information furnished to the Company by or on behalf of the Initial Purchaser referenced in the last sentence of this Section 8(a); *provided*, *further*, that the foregoing indemnity shall not inure to the benefit of any indemnified party from whom the person asserting any such loss, claim, damage, liability or expense purchased the Notes which are the subject thereof if the indemnified party sold Notes to or placed Notes with the person alleging such loss, claim, damage or liability without sending or giving a copy of the Time of Sale Information at or prior to the confirmation of the sale of the Notes, if the Company shall have previously furnished copies thereof to such indemnified party and the loss, claim, damage or liability of such person results from an untrue statement or omission of a material fact contained in the Preliminary Memorandum which was corrected in the Time of Sale Information. The foregoing indemnity is in addition to any liability that the indemnifying parties may otherwise have to any indemnified party. The indemnifying parties acknowledge that the statements set forth in the Initial Purchaser Information (as defined herein) constitute the only written information furnished to the Company by or on behalf of the indemnified parties specifically for inclusion in the Time of Sale Information, any Memorandum or any Additional Offering Materials. "Initial Purchaser Information" shall mean the information appearing in the Preliminary Memorandum and the Final Memorandum under the caption: "Plan of Distribution" (but solely with respect to statements in the second paragraph relating to the Initial Purchaser under such caption).

(b) Guggenheim Securities, LLC agrees to indemnify and hold harmless the Company, the Trust Depositor and the Trust, the partners, directors, officers, employees and agents, and each person, if any, who controls the Company, the Trust Depositor and the Trust within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act from and against any and all losses, claims, damages and liabilities, joint or several, or actions in respect thereof, caused by or arising out of any untrue statement or alleged untrue statement of a material fact contained in the Time of Sale Information, Final Memorandum or any Additional Offering Materials (or in any amendment or supplement thereto) or caused by or arising out of any omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, but only to the extent such losses, claims, damages or liabilities are caused by or arise out of any untrue statement or omission based upon information furnished in writing to the Company, the Trust Depositor and the Trust by Guggenheim Securities, LLC and set forth in the Initial Purchaser Information.

(c) Promptly after receipt by an indemnified party under this Section 8 of notice of any claim or the commencement of any action, the indemnified party shall, if a claim in respect thereof is to be made against an indemnifying party under this Section 8, notify such indemnifying party in writing of the claim or commencement of that action, *provided*, *however*, that the failure to notify an indemnifying party shall not relieve such indemnifying party from any liability that it may have to an indemnified party under this Section 8, except to the extent that such indemnifying party has been materially prejudiced by such failure and, *provided*, *further*, that the failure to notify an indemnifying party shall not relieve such indemnifying party from any liability that it may have to an indemnified party otherwise than under this Section 8. If any such claim or action shall be brought against an indemnified party, and it shall notify an indemnifying party thereof, such indemnifying party shall be entitled to participate therein and, to the extent that it wishes, jointly with any other similarly notified indemnifying party, to assume the defense thereof with counsel reasonably satisfactory to such indemnified party. After notice from any such indemnifying party or parties to the indemnified party or parties of its or their election to assume the defense of such claim or action, any such indemnifying party or parties shall not be liable to the indemnified party under this Section 8 for any legal or other expenses subsequently incurred by the indemnified party or parties in connection with the defense thereof; *provided* that the indemnified party seeking such indemnity shall have the right to employ counsel to represent it and any other indemnified party who may be subject to liability arising out of any claim or action in respect of which indemnity may be sought by an indemnified party against an indemnifying party under this Section 8, if (i) in the reasonable judgment of such indemnified party, there may be legal defenses available to it and any other indemnified party different from or in addition to those available to the indemnifying party, or there is a conflict of interest between it and any other indemnified party, on one hand, and the indemnifying party, on the other, or (ii) the indemnifying party shall fail to select counsel reasonably satisfactory to such indemnified party or parties, and in such event the reasonable fees and expenses of such separate counsel shall be paid by the indemnifying party. In no event shall the indemnifying party be liable for the fees and expenses of more than one separate firm of attorneys for all indemnified parties (together with local counsel (in each jurisdiction)) in connection with any other action or separate but similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances. 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 (i) does not include a statement as to, or admission of, fault, culpability or a failure to act by or on behalf of any such indemnified party, and (ii) includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such proceeding.

(d) If the indemnification provided for in Section 8 shall for any reason be unavailable to an indemnified party under subsection 8(a) hereof in respect of any loss, claim, damage or liability, or any action in respect thereof, referred to therein, then each indemnifying party shall, in lieu of indemnifying such indemnified party, contribute to the amount paid or payable by such indemnified party as a result of such loss, claim, damage or liability, or action in respect thereof, (i) in such proportion as shall be appropriate to reflect the relative benefits received by the Company, the Trust Depositor and the Trust, on the one hand (without duplication), and the Initial Purchaser, on the other, from the offering and sale of the Notes or (ii) if the allocation provided by clause (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 (i) above but also the relative fault of the Company, the Trust Depositor and the Trust, on the one hand, and the Initial Purchaser, on the other, with respect to the statements or omissions that resulted in such loss, claim, damage or liability, or action in respect thereof, as well as any other relevant equitable considerations. The relative benefits received by the Company, the Trust Depositor and the Trust, on the one hand (without duplication), and the Initial Purchaser, on the other, with respect to such offering shall be deemed to be in the same proportion as the total net proceeds from the offering and sale or exchange of the Notes (before deducting expenses) received by the Company, the Trust Depositor and the Trust bear (without duplication) to the total fees actually received by the Initial Purchaser with respect to such offering and sale. The relative fault shall be determined by reference to whether the untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Company, the Trust Depositor, the Trust or by the Initial Purchaser, the intent of the parties and their relative knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company, the Trust Depositor, the Trust and the Initial Purchaser agree that it would not be just and equitable if contributions pursuant to this subsection 8(c) were to be determined by pro rata allocation or by any other method of allocation that does not take into account the equitable considerations referred to herein. The amount paid or payable by an indemnified party as a result of the loss, claim, damage or liability, or action in respect thereof, referred to above in this subsection 8(c) shall be deemed to include, for purposes of this subsection 8(c), 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 clause (d), the Initial Purchaser shall not be required to contribute any amount in excess of the amount by which the total underwriting discounts and commissions received by it in connection with the Notes purchased by it exceeds the amount of any damages which the Initial Purchaser 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.

(e) The indemnity agreements contained in this Section 8 shall survive the delivery of the Notes, and the provisions of this Section 8 (which shall at all times be effective and shall survive any termination of this Agreement) shall remain in full force and effect, regardless of any termination or cancellation of this Agreement or any investigation made by or on behalf of any indemnified party.

Section 9. Termination.

This Agreement shall be subject to termination in the absolute discretion of the Initial Purchaser, by notice given to the Company prior to delivery of and payment for the Notes, if prior to such time (i) trading in securities generally in the New York Stock Exchange, the American Stock Exchange or the Nasdaq Stock Market shall have been suspended or limited or any setting of minimum prices for trading on such exchange shall have occurred, (ii) there shall have been, since the respective dates as of which information is given in the Time of Sale Information or the Final Memorandum, any material adverse change in the condition, financial or otherwise, or in the properties (including, without limitation, the Loans) or the earnings, business affairs or business prospects of the Company, whether or not arising in the ordinary course of business; (iii) a general moratorium on commercial banking activities in New York shall have been declared by either U.S. federal or New York State authorities, (iv) there shall have occurred any outbreak or material escalation of hostilities or declaration by the United States of a national emergency or war any other major act of terrorism involving the United States, or other substantial national or international calamity or crises the effect of which on the financial markets of the United States is such as to make it, in the reasonable judgment of the Initial Purchaser, impracticable or inadvisable to market the Notes on the terms and in the manner contemplated by each Memorandum as amended or supplemented or any substantial change or development involving a prospective substantial change in United States' or international political, financial or economic conditions, as in the reasonable judgment of the Initial Purchaser is material and adverse and makes it impracticable or inadvisable to proceed with the offering sale or delivery of the Notes in the manner and on the terms described in the Memoranda or to enforce contracts for the sale of securities; (v) any federal or state statute, regulation, rule or order of any court or other governmental authority shall have been enacted or published or promulgated which, in the reasonable judgment of the Initial Purchaser, materially and adversely affects, or will materially and adversely affect, the business, prospects, financial condition or results of operations of the Company; (vi) any material disruption in securities settlement, payment or clearance services shall have occurred in the United States or (vii) the Company shall have sustained a loss by strike, fire, flood, earthquake, accident or other calamity of such character which may reasonably be expected to materially interfere with the conduct of the business and operations of the Company regardless of whether or not such loss shall have been insured.

Any termination of this Agreement pursuant to this Section 9 shall be without liability or any further obligation of any party to any other party except for (i) the indemnity provided in Section 8 (which shall at all times be effective and shall survive any termination of this Agreement) and (ii) any liability (including the obligation to reimburse the expenses of the Initial Purchaser pursuant to Section 2(b) hereof) arising in connection with the transactions contemplated by this Agreement that arise before such termination.

Section 10. Severability Clause.

Any part, provision, representation, or warranty of this Agreement which is prohibited or is held to be void or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof.

Section 11. Notices.

All demands, notices and communications hereunder shall be in writing and shall be deemed to have been duly given if personally delivered at or mailed by overnight mail, certified mail or registered mail, postage prepaid and effective only upon receipt and if sent to the Initial Purchaser, will be delivered to Guggenheim Securities, LLC, 135 East 57th Street,
New York, New York 10022; or if sent to the Company or the Trust Depositor will be delivered to such party c/o Horizon Technology Finance Corporation, 312 Farmington Avenue, Farmington, Connecticut 06032, Telephone: (860) 676-8654, or at any other address previously furnished in writing to the Trustee by the Company.

Section 12. Representations and Indemnities to Survive.

The respective agreements, representations, warranties, indemnities and other statements of the Company, the Trust Depositor, the Trust and their respective officers and of the Initial Purchaser set forth in or made pursuant to this Agreement shall remain in full force and effect (in the case of the Company, regardless of any investigation or any statements as to the results thereof made by or on behalf of the Initial Purchaser, the Company, the Trust Depositor, the Trust or indemnified party or any officer, director, employee or controlling person of the Initial Purchaser, the Company, the Trust Depositor, the Trust or indemnified party), regardless of the completion of the arrangements for the purchase and issuance of the Notes or any investigation made by or on behalf of the Initial Purchaser, the Company, the Trust Depositor, the Trust or indemnified party. The provisions of Sections (2)(b), 8, 14, 16 and 17 of this Agreement shall survive the termination or cancellation of this Agreement.

Section 13. Successors.

This Agreement will inure to the benefit of and be binding upon the parties hereto and their respective successors by merger, consolidation or acquisition of their assets substantially as an entity and each indemnified party referred to in Section 8 of this Agreement and, except as specifically set forth herein, no other person will have any right or obligation hereunder.

Section 14. Applicable Law.

(a) THIS AGREEMENT WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK (INCLUDING SECTIONS 5-1401 AND 5-1402 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK, BUT OTHERWISE WITHOUT REGARD TO CONFLICTS OF LAW PRINCIPLES).

(b) EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY REQUIREMENTS OF LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT. EACH PARTY HERETO (I) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (II) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 14(b).

(c) ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT MAY BE BROUGHT IN THE COURTS OF THE UNITED STATES FOR THE SOUTHERN DISTRICT OF NEW YORK, AND BY EXECUTION AND DELIVERY OF THIS AGREEMENT, EACH PARTY HERETO CONSENTS, FOR ITSELF AND IN RESPECT OF ITS PROPERTY, TO THE NON-EXCLUSIVE JURISDICTION OF THOSE COURTS. EACH SUCH PARTY IRREVOCABLY WAIVES ANY OBJECTION, INCLUDING ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY ACTION OR PROCEEDING IN SUCH JURISDICTION IN RESPECT OF THIS AGREEMENT OR ANY DOCUMENT RELATED HERETO.

Section 15. Counterparts, Etc.

This Agreement supersedes all prior or contemporaneous agreements and understandings relating to the subject matter hereof. Neither this Agreement nor any term hereof may be amended, modified, changed, waived, discharged or terminated except by a writing signed by the party against whom enforcement of such change, waiver, discharge or termination is sought. This Agreement may be signed in any number of counterparts each of which shall be deemed an original, which taken together shall constitute one and the same instrument.

Section 16. Limitation of Liability.

Notwithstanding any other provision herein or elsewhere, this Agreement has been executed and delivered on behalf of the Trust by Wilmington Trust, National Association, not in its individual capacity, but solely in its capacity as Owner Trustee of the Trust, in no event shall Wilmington Trust, National Association or the Owner Trustee have any liability in respect of the representations, warranties, or obligations of the Trust hereunder or under any other document, as to all of which recourse shall be had solely to the assets of the Trust, and for all purposes of this Agreement and each other document the Owner Trustee and Wilmington Trust, National Association, shall be entitled to the benefits of the Trust Agreement. The provisions of this Section 16 shall survive any termination of this Agreement.

Section 17. No Petition; Limited Recourse.

(a) The Initial Purchaser covenants and agrees that, prior to the date that is one year and one day (or such longer preference period as shall then be in effect) after the payment in full of the Notes rated by Hired NRSRO, it will not institute against the Trust or the Trust Depositor or join any other Person in instituting against the Trust or the Trust Depositor any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings or other similar proceedings under the laws of the United States or any state of the United States.

(b) Notwithstanding anything to the contrary herein, the obligations of the Trust hereunder are limited recourse obligations of the Trust payable solely from the Collateral securing the Notes and all other assets of the Trust and following the exhaustion of such Collateral and such other assets, any claims of the Initial Purchaser hereunder against the Trust shall be extinguished. All payments by the Trust to the Initial Purchaser hereunder shall be made subject to and in accordance with the Priority of Payments set forth in Section 7.05 of the Sale and Servicing Agreement.

Section 18. **USA Patriot Act Notice.** The Initial Purchaser hereby notifies the Company, the Trust Depositor and the Trust that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Patriot Act"), it is required to obtain, verify and record information that identifies the Company, the Trust Depositor and the Trust, such information includes the name and address of each of the Company, the Trust Depositor and the Trust and other information that will allow the Initial Purchaser to identify each other party in accordance with the Patriot Act.

Section 19. **Arm's-Length Transaction; Other Transactions.**

(a) Each of the Company and the Trust Depositor acknowledges and agrees that (i) the purchase and sale of the Notes pursuant to this Agreement, including the determination of the offering price of the Notes and any related discounts and commissions, is an arm's-length commercial transaction between the Trust, on the one hand, and the Initial Purchaser, on the other hand, (ii) in connection with the offering contemplated hereby and the process leading to such transaction, the Initial Purchaser is and has been acting solely as a principal and is not an agent or fiduciary of the Trust, the Company or the Trust Depositor or any of their respective equity holders, creditors, employees or any other party, (iii) the Initial Purchaser has not assumed and will not assume an advisory or fiduciary responsibility in favor of the Trust, the Company or the Trust Depositor with respect to the offering contemplated hereby or the process leading thereto (irrespective of whether the Initial Purchaser has advised or is currently advising any of the Trust, the Company or the Trust Depositor on other matters) and the Initial Purchaser has no obligation to any of the Trust, the Company or the Trust Depositor with respect to the offering contemplated hereby, except the obligations expressly set forth in this Agreement, and (iv) the Initial Purchaser has not provided any legal, accounting, regulatory or tax advice with respect to the offering contemplated hereby and each of the Trust, the Company and the Trust Depositor has consulted its own legal, accounting, regulatory and tax advisors to the extent it deemed appropriate.

(b) Each of the Company, the Trust Depositor and the Trust acknowledges and agrees that the Initial Purchaser and its Affiliates may presently have and may in the future have investment and commercial banking, trust and other relationships with parties other than the Company, the Trust Depositor and the Trust, which parties may have interests with respect to the purchase and sale or exchange of the Notes. Although the Initial Purchaser in the course of such other relationships may acquire information about the purchase and sale or exchange of the Notes, potential purchasers of the Notes or such other parties, the Initial Purchaser shall not have any obligation to disclose such information to any of the Company, the Trust Depositor or the Trust. Furthermore, each of the Company, the Trust Depositor and the Trust acknowledges that the Initial Purchaser may have fiduciary or other relationships whereby the Initial Purchaser may exercise voting power over securities of various persons, which securities may from time to time include securities of any of the Company, the Trust Depositor or the Trust or their respective Affiliates or of potential purchasers. Each of the Company, the Trust Depositor and the Trust acknowledges that the Initial Purchaser may exercise such powers and otherwise perform any functions in connection with such fiduciary or other relationships without regard to its relationship to the Company, the Trust Depositor or the Trust hereunder.

[REST OF PAGE INTENTIONALLY LEFT BLANK]

If the foregoing is in accordance with your understanding of our agreement, please sign and return to the undersigned a counterpart hereof, whereupon this letter and your acceptance shall represent a binding agreement among the Company, the Trust Depositor, the Trust and the Initial Purchaser.

Very truly yours,

HORIZON TECHNOLOGY FINANCE CORPORATION

By: /s/ Robert D. Pomeroy, Jr.
Name: Robert D. Pomeroy, Jr.
Title: Chief Executive Officer

HORIZON FUNDING 2013-1 LLC

By: /s/ Robert D. Pomeroy, Jr.
Name: Robert D. Pomeroy, Jr.
Title: Chief Executive Officer

HORIZON FUNDING TRUST 2013-1

By: WILMINGTON TRUST, NATIONAL ASSOCIATION, not in its individual capacity but solely as Owner Trustee on behalf of the Trust

By: /s/ Rachel L. Simpson
Name: Rachel L. Simpson
Title: Assistant Vice President

The foregoing Agreement is hereby confirmed and accepted as of the date first above written.

GUGGENHEIM SECURITIES, LLC
as the Initial Purchaser

By: /s/ Paul Friedman
Name: Paul Friedman
Title: Chief Operating Officer

SCHEDULE I

Principal Amount	
$	90,000,000

SCHEDULE II

TIME OF SALE INFORMATION

Horizon Funding Trust 2013-1 **Priced** IAI/144A/Reg S

Note Type		SIZE	RATING	COUPON	PRICE
Rule 144A	$	90,000,000	A2 (sf)	3.00%	100%
IAI	$	0	A2 (sf)	3.00%	100%
Reg S	$	0	A2 (sf)	3.00%	100%

EXHIBIT 31.1

CERTIFICATION PURSUANT TO EXCHANGE ACT RULES 13a-14 AND 15d-14, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

CHIEF EXECUTIVE OFFICER CERTIFICATION

I, Robert D. Pomeroy, Jr., as Chairman of the Board of Directors and Chief Executive Officer of Horizon Technology Finance Corporation, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Horizon Technology Finance Corporation and its consolidated subsidiaries;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared; and

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; and

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2013

By: /s/ Robert D. Pomeroy, Jr.
Chief Executive Officer and
Chairman of the Board of Directors

EXHIBIT 31.2

CERTIFICATION PURSUANT TO EXCHANGE ACT RULES 13a-14 AND 15d-14, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

CHIEF FINANCIAL OFFICER CERTIFICATION

I, Christopher M. Mathieu, Chief Financial Officer of Horizon Technology Finance Corporation, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Horizon Technology Finance Corporation and its consolidated subsidiaries;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared; and

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; and

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2013

By: /s/ Christopher M. Mathieu
Christopher M. Mathieu
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350)

In connection with the Quarterly Report on Form 10-Q of Horizon Technology Finance Corporation and its consolidated subsidiaries (collectively, the "Company") for the quarterly period ended June 30, 2013 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert D. Pomeroy, Jr., as Chief Executive Officer and Chairman of the Board of Directors of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

/s/ Robert D. Pomeroy, Jr.
Name: **Robert D. Pomeroy, Jr.**
Title: **Chief Executive Officer and**
Chairman of the Board of Directors

Date: August 6, 2013

EXHIBIT 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350)

In connection with the Quarterly Report on Form 10-Q of Horizon Technology Finance Corporation and its consolidated subsidiaries (collectively, the "Company") for the quarterly period ended June 30, 2013 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Christopher M. Mathieu, as Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company as of the dates and for the periods expressed in the Report.

/s/ Christopher M. Mathieu
Name: **Christopher M. Mathieu**
Title: **Chief Financial Officer**

Date: August 6, 2013