As filed with the Securities and Exchange Commission on June 4, 2010

Securities Act Registration No. 333-165570

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

Form N-2

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

Pre-Effective Amendment No. 1 ☒
Post-Effective Amendment No. o

Horizon Technology Finance Corporation

(Exact name of Registrant as specified in its charter)

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

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

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

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

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

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

o When declared effective pursuant to section 8(c)

If appropriate, check the following box:

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

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

CALCULATION OF REGISTRATION FEE UNDER THE SECURITIES ACT OF 1933

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

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

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

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

PROSPECTUS (Subject to Completion)
Preliminary Prospectus dated June 4, 2010

Shares

Horizon Technology Finance Corporation

COMMON STOCK

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

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

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

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

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

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

PRICE $ A SHARE

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

(1) We estimate that we will incur expenses of approximately $1.5 million in connection with this offering. Stockholders will indirectly bear such expenses as investors in Horizon Technology Finance Corporation.
(2) We will pay all offering expenses incident to the offer and sale of shares of our common stock in this offering by the selling stockholder (excluding underwriting discounts and commissions). We estimate that we will incur approximately $ of such expenses.

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

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

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

MORGAN STANLEY UBS INVESTMENT BANK

, 2010

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

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PROSPECTUS SUMMARY

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

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

Our Company

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

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

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

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

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

Pipeline

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

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

Our Advisor and Its Personnel

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

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

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

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

Our Strategy

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

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

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

Target Industries, comparable industry valuation metrics, and sophisticated financial analysis related to development-stage companies. Our Advisor's due diligence on investment prospects includes obtaining and evaluating information on the prospective portfolio company's technology, market opportunity, management team, fund raising history, investor support, valuation considerations, financial condition and projections. We seek to balance our investment portfolio to reduce the risk of down market cycles associated with any particular industry or sector, development-stage or geographic area. Our Advisor employs a "hands on" approach to portfolio management requiring private portfolio companies to provide monthly financial information and to participate in regular updates on performance and future plans.

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

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

Market Opportunity

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

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

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

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

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

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

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

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

Competitive Strengths

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

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

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

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

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

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

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

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

Investment Summary

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

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

Distribution and Share Exchange

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

Risk Factors

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

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

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

Company Information

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

THE OFFERING

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

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

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

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

See "Where You Can Find More Information."

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

FEES AND EXPENSES

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

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

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

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

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

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

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

The incentive fee consists of two parts:

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

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

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

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

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

Example

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

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

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

RISK FACTORS

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

Risks Related to our Business and Structure

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We may not realize gains from our equity investments.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Risks Related to our Investments

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

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

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

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

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

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

generally entails a higher risk of loss than investing in companies that do not have significant incremental capital raising requirements.

Economic recessions or downturns could adversely affect our business and that of our portfolio companies which may have an adverse effect on our business, results of operations and financial condition.

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

A portfolio company's failure to satisfy financial or operating covenants imposed by us or other lenders could lead to defaults and, potentially, termination of its loans and foreclosure on its secured assets, which could trigger cross-defaults under other agreements and jeopardize the portfolio company's ability to meet its obligations under the loans that we hold. We may incur expenses to the extent necessary to recover our investment upon default or to negotiate new terms with a defaulting portfolio company. These events could harm our financial condition and operating results.

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

We intend to invest, under normal circumstances, most of the value of our total assets (including the amount of any borrowings for investment purposes) in development-stage companies, which may have relatively limited operating histories, in our Target Industries. Many of these companies may have narrow product lines and small market shares, compared to larger established publicly-owned firms, which tend to render them more vulnerable to competitors' actions and market conditions, as well as general economic downturns. The revenues, income (or losses) and valuations of development-stage companies in our Target Industries can and often do fluctuate suddenly and dramatically. These companies may also have more limited access to capital and higher funding costs. In addition, development-stage technology markets are generally characterized by abrupt business cycles and intense competition, and the competitive environment can change abruptly due to rapidly evolving technology. Therefore, our portfolio companies may face considerably more risk than companies in other industry sectors. Accordingly, these factors could impair their cash flow or result in other events, such as bankruptcy, which could limit their ability to repay their obligations to us and may materially adversely affect the return on, or the recovery of, our investments in these businesses.

Because of rapid technological change, the average selling prices of products and some services provided by development-stage companies in our Target Industries have historically decreased over their productive lives. These decreases could adversely affect their operating results and cash flow, their ability to meet obligations under their debt securities and the value of their equity securities. This could, in turn, materially adversely affect our business, financial condition and results of operations.

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

As a business development company, we will be required to carry our investments at fair value which shall be the market value of our investments or, if no market value is ascertainable, at the fair value as determined in good faith pursuant to procedures approved by our board of directors in accordance with our valuation policy. We are not permitted to maintain a reserve for loan losses. Decreases in the fair values of our investments will be recorded as

unrealized depreciation. Any unrealized depreciation in our loan portfolio could be an indication of a portfolio company's inability to meet its repayment obligations to us with respect to the affected loans. This could result in realized losses in the future and ultimately reduces our income available for distribution in future periods.

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

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

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

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

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

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

We plan to invest primarily in loans issued by our portfolio companies. Some of our portfolio companies will be permitted to have other debt that ranks equally with, or senior to, our loans in the portfolio company. By their

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

There may be circumstances where our loans could be subordinated to claims of other creditors or we could be subject to lender liability claims.

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

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

We plan to invest primarily in privately held companies. Generally, very little public information exists about these companies, and we will be required to rely on the ability of our Advisor to obtain adequate information to evaluate the potential returns from investing in these companies. If we are unable to uncover all material information about these companies, we may not make a fully informed investment decision, and we may lose money on our investments. Also, privately held companies frequently have less diverse product lines and a smaller market presence than larger competitors. They are thus generally more vulnerable to economic downturns and may experience substantial variations in operating results. These factors could affect our investment returns.

In addition, our success depends, in large part, upon the abilities of the key management personnel of our portfolio companies, who are responsible for the day-to-day operations of our portfolio companies. Competition for qualified personnel is intense at any stage of a company's development. The loss of one or more key managers can hinder or delay a company's implementation of its business plan and harm its financial condition. Our portfolio companies may not be able to attract and retain qualified managers and personnel. Any inability to do so may negatively affect our investment returns.

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

We will be subject to the risk that the investments we make in our portfolio companies may be repaid prior to maturity. For example, most of our debt investments have, historically, been repaid prior to maturity by our portfolio companies. At the time of a liquidity event, such as a sale of the business, refinancing or public offering, many of our portfolio companies have availed themselves of the opportunity to repay our loans prior to maturity. Our investments generally allow for repayment at any time subject to certain penalties. When this occurs, we will generally reinvest these proceeds in temporary investments, pending their future investment in new portfolio companies. These temporary investments will typically have substantially lower yields than the debt being prepaid, and we could experience significant delays in reinvesting these amounts. Any future investment in a new portfolio company may also be at lower yields than the debt that was repaid. As a result, our results of operations could be materially adversely affected if one or more of our portfolio companies elects to prepay amounts owed to us. Additionally, prepayments could negatively impact our return on equity, which could result in a decline in the market price of our common stock.

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

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

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

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

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

The value of our investments in our portfolio companies may decline if they are not able to commercialize their technology, products, business concepts or services. Additionally, although some of our portfolio companies may already have a commercially successful product or product line at the time of our investment, technology-related products and services often have a more limited market or life span than products in other industries. Thus, the ultimate success of these companies often depends on their ability to continually innovate in increasingly competitive markets. If they are unable to do so, our investment returns could be adversely affected and their ability to service their debt obligations to us over the life of the loan could be impaired. Our portfolio companies may be unable to successfully acquire or develop any new technologies and the intellectual property they currently hold may not remain viable. Even if our portfolio companies are able to develop commercially viable products, the market for new products and services is highly competitive and rapidly changing. Neither our portfolio companies nor we will have any control over the pace of technology development. Commercial success is difficult to predict, and the marketing efforts of our portfolio companies may not be successful.

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

Our future success and competitive position will depend in part upon the ability of our portfolio companies to obtain, maintain and protect proprietary technology used in their products and services. The intellectual property held by our portfolio companies often represents a substantial portion of the collateral securing our investments and/or constitutes a significant portion of the portfolio companies' value that may be available in a downside scenario to repay our loans. Our portfolio companies will rely, in part, on patent, trade secret and trademark law to protect that technology, but competitors may misappropriate their intellectual property, and disputes as to ownership of intellectual property may arise. Portfolio companies may, from time to time, be required to institute litigation to enforce their patents, copyrights or other intellectual property rights, protect their trade secrets, determine the validity and scope of the proprietary rights of others or defend against claims of infringement. Such

litigation could result in substantial costs and diversion of resources. Similarly, if a portfolio company is found to infringe or misappropriate a third party's patent or other proprietary rights, it could be required to pay damages to the third party, alter its products or processes, obtain a license from the third party and/or cease activities utilizing the proprietary rights, including making or selling products utilizing the proprietary rights. Any of the foregoing events could negatively affect both the portfolio company's ability to service our debt investment and the value of any related debt and equity securities that we own, as well as any collateral securing our investment.

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

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

Risks Related to this Offering and our Common Stock

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

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

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

Upon consummation of this offering, we will have shares of common stock outstanding (or shares of common stock if the over-allotment option is fully exercised). Of these shares, the shares sold in this offering will be freely tradeable and approximately shares of our common stock will have been issued to our officers, directors and existing stockholders. Approximately % of the shares of our common stock issued to the selling stockholder in the Share Exchange are included in the offering. We and our executive officers and directors and our other stockholders, including the selling stockholder, will be subject to agreements with the underwriters that restrict our and their ability to transfer our stock for a period of 180 days from the date of this prospectus. Approximately one out of every publicly issued shares outstanding upon completion of the offering will be subject to such agreements. In the event that either (a) during the last 17 days of the 180-day restricted period, we issue an earnings release or material news or a material event relating to us occurs

or (b) prior to the expiration of the 180-day restricted period, we announce that we will release earnings results during the 16-day period beginning on the last day of the 180-day period, the "lock-up" restrictions will continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event. See "Underwriters." The shares sold by the selling stockholder will not be subject to this lock-up agreement. After the lock-up agreements expire, an aggregate of additional shares of our common stock will be eligible for sale in the public market in accordance with Rule 144 under the Securities Act. Sales of substantial amounts of our common stock or the availability of such shares for sale, including by insiders, could adversely affect the prevailing market prices for our common stock. If this occurs and continues, our ability to raise additional capital through the sale of equity securities could be impaired should we desire to do so.

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

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

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

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

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

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

limited to the extent that net proceeds of this offering, pending full investment, are used to pay operating or other expenses.

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

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

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

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

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

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

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

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

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

- provide for a classified board of directors, which may delay the ability of our stockholders to change the membership of a majority of our board of directors;
- authorize the issuance of "blank check" preferred stock that could be issued by our board of directors to thwart a takeover attempt;
- do not provide for cumulative voting;
- provide that vacancies on the board of directors, including newly created directorships, may be filled only by a majority vote of directors then in office;
- limit the calling of special meetings of stockholders;
- provide that our directors may be removed only for cause;

- require supermajority voting to effect certain amendments to our certificate of incorporation and our bylaws; and
- require stockholders to provide advance notice of new business proposals and director nominations under specific procedures.

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

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

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

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

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

BUSINESS DEVELOPMENT COMPANY AND REGULATED INVESTMENT COMPANY ELECTIONS

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

Investment Reporting

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

Income Tax Expense

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

Use of Leverage

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

Distribution Policy

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

THE EXCHANGE TRANSACTION

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

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

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

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

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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

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

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

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

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

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

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

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

See notes to unaudited pro forma condensed consolidated financial information

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

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

See notes to unaudited pro forma condensed consolidated financial information

Notes to 2010 Unaudited Pro Forma Condensed Consolidated Financial Information

Pro Forma Adjustments:

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

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

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

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

Pre-IPO distribution to Members:	
Common stock	
Members Interest exchange for Common Stock:	
Member interest	
Par value of common stock issued	
Paid-in capital	
Represents estimated net proceeds from common stock offering:	
Common stock	
Offering price	
Estimated gross proceeds	
Estimated fees and expenses	
Net proceeds	
Less: Par value of common stock issued	
Paid-in capital	

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

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

See notes to unaudited pro forma condensed consolidated financial information

Notes to 2009 Unaudited Pro Forma Condensed Consolidated Statement of Operations

Pro Forma Adjustments:

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

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

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

USE OF PROCEEDS

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

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

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

DISTRIBUTIONS

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

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

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

CAPITALIZATION

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

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

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

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

DILUTION

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

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

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

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

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

SELECTED FINANCIAL AND OTHER DATA

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

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

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

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

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

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

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

Overview

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

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

Critical Accounting Policies

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

We have identified the following items as critical accounting policies.

Allowance for Loan Losses

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

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

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

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

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

Warrant Valuation

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

We value the warrant assets incorporating the following material assumptions:

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

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

Income Recognition

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

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

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

Portfolio Composition and Investment Activity

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

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

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

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

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

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

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

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

Portfolio Asset Quality

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

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

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

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

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

Interest and Other Loan Income

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

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

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

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

Expenses

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

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

Net Unrealized Gain on Warrants

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

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

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

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

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

Interest and Other Loan Income

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

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

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

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

Expenses

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

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

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

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

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

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

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

Liquidity and Capital Resources

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

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

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

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

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

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

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

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

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

Borrowings

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

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

The Credit Facility is collateralized by loans held by Credit I and permits an advance rate of up to 75% of eligible loans. The Credit Facility contains certain customary affirmative and negative covenants, including covenants that restrict certain of our subsidiaries' ability to make loans to, or investments in, third parties (other than technology loans and warrants or other equity participation rights), pay dividends and distributions, incur additional indebtedness and engage in mergers or consolidations. The Credit Facility also restricts certain of our subsidiaries' and our Advisor's ability to create liens on the collateral securing the Credit Facility, permit additional negative pledges on such collateral and change the business currently conducted by them. The Credit Facility contains events of default, including upon the occurrence of a change of control, and contains certain financial covenants that among other things, require Compass Horizon to maintain a minimum net worth, for fiscal year 2010 and after, equal to the minimum net worth amount for 2009 plus 50% of Compass Horizon's cumulative positive net income for fiscal year 2010 on and after December 31, 2010, and require our Advisor to maintain a minimum net worth, for

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

Interest Rate Swaps and Hedging Activities

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

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

Off-Balance Sheet Arrangements

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

Contractual Obligations

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

Quantitative and Qualitative Disclosures about Market Risk

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

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

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

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

Income Taxes

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

Recent Accounting Pronouncements

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

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

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

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

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

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

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

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

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

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

BUSINESS

General

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

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

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

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

Our Strategy

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

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

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

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

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

Target Industries, comparable industry valuation metrics, and sophisticated financial analysis related to development-stage companies. Our Advisor's due diligence on investment prospects includes obtaining and evaluating information on the prospective portfolio company's technology, market opportunity, management team, fund raising history, investor support, valuation considerations, financial condition and projections. We seek to balance our investment portfolio to reduce the risk of down market cycles associated with any particular industry or sector, development-stage or geographic area. Our Advisor employs a "hands on" approach to portfolio management requiring private portfolio companies to provide monthly financial information and to participate in regular updates on performance and future plans.

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

Market Opportunity

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

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

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

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

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

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

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

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

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

Competitive Strengths

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

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

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

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

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

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

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

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

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

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

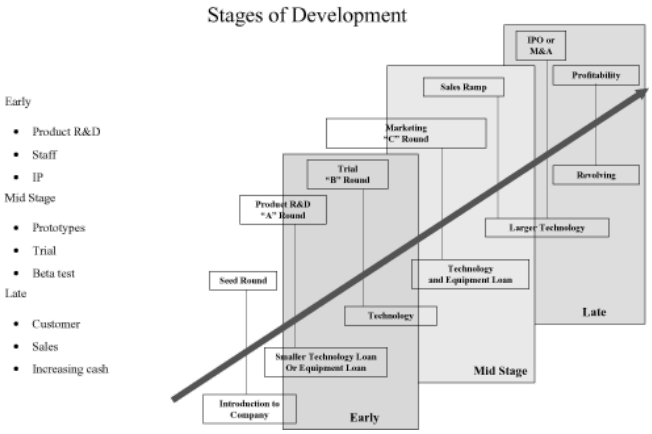
Disciplined underwriting and monitoring process with focus on preservation of capital. Our Advisor's investment process focuses first on capital preservation. The investment process for each proposed transaction involves conducting in depth due diligence, including meeting with the prospective portfolio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

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

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

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

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



Investment Criteria

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

Portfolio Composition. We invest in venture capital and private equity-backed development-stage companies in our Target Industries. We have made, and plan to make, investments which will result in a portfolio of investments in companies that are diversified by their stage of development, their Target Industries and sectors of Target Industries, and their geographical location, as well as by the venture capital and private equity sponsors that support our portfolio companies.

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

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

Company Stage of Development. While we invest in companies at various stages of development, we require that prospective portfolio companies be beyond the seed stage of development and have received at least their first round of venture capital or private equity financing. We expect a prospective portfolio company to demonstrate its ability to advance technology and increase its revenue and operating cash flow over time. The anticipated growth rate of a prospective portfolio company will be a key factor in determining the value that we ascribe to any warrants that we may acquire in connection with making debt investments.

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

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

Terms. Although terms vary based on the portfolio company and other conditions, the typical repayment term is between 24 and 48 months. The amortization schedule will vary, but there is typically some form of an interest only period and, in some cases, there is a balloon payment at the end of the term.

Warrants and Equity Participation Rights. We generally receive warrants having terms consistent with the most recent or next round of venture capital and private equity capital financing. We do not view the upside appreciation potential of warrants as a means to mitigate risk, but rather to ensure that the compensation we receive is appropriate for the level of risk being undertaken. We also may seek to receive equity participation rights to invest in a future round of a portfolio company's equity capital financing through direct capital investments in our portfolio companies. These opportunities to invest are at our option and we are not obligated to make such investments. Other than one investment for $100,000, we have not elected to exercise any equity participation rights.

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

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

Investment Process

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

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

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

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

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

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

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

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

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

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

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

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

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

The investment memorandum generally includes:

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

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

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

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

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

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

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

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

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

The table below describes each rating level:

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

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

Managerial Assistance

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

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

Competition

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

Portfolio Turnover

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

Employees

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

Properties

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

Legal Proceedings

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

PORTFOLIO COMPANIES

The following table sets forth certain information for each portfolio company in which we had an investment as of March 31 2010. All of the investments listed below are currently direct or indirect assets of Compass Horizon and will become assets of the Company following the Share Exchange. Additionally, all of the loans listed below are currently performing and are unimpaired. Other than these investments, our only formal relationships with our portfolio companies are the managerial assistance that we may provide upon request and the board observer or participation rights we may receive in connection with our investment. We do not "control" and are not an "affiliate" of any of our portfolio companies, each as defined in the 1940 Act. In general, under the 1940 Act, we would "control" a portfolio company if we owned more than 25% of its voting securities and would be an "affiliate" of a portfolio company if we owned 5% or more of its voting securities.

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

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

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

(1) Debt and warrant investments have been pledged as collateral under the Credit Facility.
(2) All investments are less than 5% ownership of the class and ownership of the portfolio company.
(3) All interest is payable in cash due monthly in arrears, unless otherwise indicated and applies only to our debt investments. Amount is the annual interest rate on the debt investment and does not include any additional fees related to the investment such as commitment fees or prepayment fees. The majority of the debt investments are at fixed rates for the term of the loan. For each debt investment we have provided the current interest rate in effect as of December 31, 2009. For variable rate debt investments we have also provided the reference index plus the applicable spread which resets monthly.
(4) Portfolio company is a public company.

SENIOR SECURITIES

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

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

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

MANAGEMENT

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

Board of Directors and Executive Officers

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

Directors

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

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

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

Independent Directors	Age	Position	Director Since	Expiration of Term
		Director	2010	2011
		Director	2010	2012
		Director	2010	2012
		Director	2010	2013

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

Executive Officers Who Are Not Directors

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

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

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

Biographical Information

Interested Directors

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

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

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

Independent Directors

We intend to elect independent directors prior to the completion of this offering.

Executive Officers who are not Directors

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

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

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

Committees of the Board of Directors

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

Audit Committee. The initial members of the audit committee will be , and , each of whom will be independent for purposes of the 1940 Act and The NASDAQ Global Market corporate governance listing standards. will serve as the chairman of the audit committee and will be an "audit

committee financial expert" as defined under the SEC rules. The audit committee will operate pursuant to a written charter approved by our board of directors that sets forth the responsibilities of the audit committee. The audit committee will be responsible for selecting our independent accountants, reviewing the plans, scope and results of the audit engagement with our independent accountants, approving professional services provided by our independent accountants, reviewing the independence of our independent accountants and reviewing the adequacy of our internal accounting controls.

Nominating and Corporate Governance Committee. The initial members of the nominating and corporate governance committee will be , and , each of whom will be independent for purposes of the 1940 Act and The NASDAQ Global Market corporate governance listing standards. will serve as the chairman of the nominating and corporate governance committee. The nominating and corporate governance committee will operate pursuant to a written charter approved by our board of directors. The nominating and corporate governance committee will be responsible for identifying, researching and nominating directors for election by our stockholders, selecting nominees to fill vacancies on our board of directors or a committee of the board, developing and recommending to the board of directors a set of corporate governance principles and overseeing the evaluation of the board of directors and our management. Our procedures for stockholder nominees for director are described under "Description of Capital Stock — Anti-takeover Effects of Provisions of Our Certificate of Incorporation, Bylaws, Delaware Law and Other Arrangements."

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

Compensation of Directors

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

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

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

There are a number of significant risks facing us which are described under the heading "Risk Factors" included in this prospectus. We expect that our board of directors will use its judgment to create and maintain policies and practices designed to limit or manage the risks we face, including: (1) the establishment of board-approved policies and procedures designed serve our interests, (2) the application of these policies uniformly to directors, management and third-party service providers, (3) the establishment of independent board committees

with clearly defined risk oversight functions and (4) review and analysis by the board of reports by management and certain third-party service providers. Accordingly, our board of directors has approved a Code of Ethics to promote ethical conduct and prohibit certain transactions that could pose significant risks to us. Our board of directors has established a related party transaction review policy, under which it monitors the risks related to certain transactions that present a conflict of interest on a quarterly basis. Our board of directors has also established and approved an investment valuation process to manage risks relating to the valuations of our investments and to ensure that our financial statements appropriately reflect the performance of our portfolio of assets. Additionally, through the delegated authority of our board of directors, the audit committee has primary oversight over risks relating to our internal controls over financial reporting and audit-related risks, while the nominating and corporate governance committee has primary oversight over risks relating to corporate governance and oversees the evaluation of our board of directors and our management. Under this oversight structure, our management team manages the risks facing us in our day-to-day operations. We caution you, however, that although our board of directors believes it has established an effective system of oversight, no risk management system can eliminate risks or ensure that particular events do not adversely affect our business.

Directors Qualifications and Review of Director Nominees

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

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

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

In addition to fulfilling the above criteria, four of the seven directors named above are considered independent under NASDAQ rules (Mr. Pomeroy, Mr. Michaud and Mr. Swanson being the exception as Mr. Pomeroy and Mr. Michaud are employees of the Company and Mr. Swanson is a partner of an affiliate of the selling shareholder in

this offering and such affiliate will remain a significant shareholder after the completion of the Exchange Transaction), and the nominating and corporate governance committee believes that all seven nominees are independent of the influence of any particular stockholder or group of stockholders whose interests may diverge from the interests of our stockholders as a whole.

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

Mr. Pomeroy has more than 35 years of experience in diversified lending and leasing, including positions in sales, marketing, and senior management. He has held the positions as chief executive officer or general manager of each organization which he has led since 1996. His responsibilities have included: accountability for the overall profit and loss of the organization, credit authority and credit committee oversight, strategic planning, human resource oversight including hiring, termination and compensation, reporting compliance for his business unit, investor relations, fund raising and all aspect of corporate governance. Mr. Pomeroy founded and has operated our Advisor, a Technology Lending management company. Prior to founding our Advisor, Mr. Pomeroy was the Senior Vice President of Financing for Science International, Inc., Executive Vice President of Transamerica Business Credit and the General Manager of its Technology Finance Division and President of GATX Ventures, Inc.. This experience has provided him with the extensive judgment, experience, skills and knowledge to make a significant contribution as our Chairman of our board of directors' and supporting its ability to govern our affairs and business.

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

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

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

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

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

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

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

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

OUR ADVISOR

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

Portfolio Management

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

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

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

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

Historical Performance of Our Advisor

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

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

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

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

Average Annual Total Returns

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

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

Footnotes:
(1) The fees and expenses for these funds differ from the fees and expenses to be paid by us to our Advisor. See "Fees and Expenses."
(2) Horizon Technology Funding Company I and Horizon Technology Funding Company IV were names reserved for investment funds that were never funded and no investments were made by these entities.
(3) HTF II and HTF III co-invested in transactions during the period March 2004 to December 2006. HTF V and Compass Horizon co-invested in transactions from March 2008 to December 31, 2008.

INVESTMENT MANAGEMENT AND ADMINISTRATION AGREEMENTS

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

Investment Management Agreement

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

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

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

Management Fee

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

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

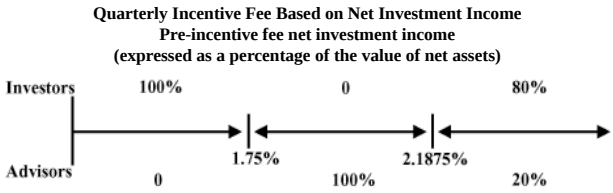
Incentive Fee. The incentive fee will have two parts, as follows:

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

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

to calculate this part of the incentive fee is also included in the amount of our gross assets used to calculate the 2.00% base management fee. These calculations will be appropriately pro rated for any period of less than three months and adjusted for any share issuances or repurchases during the current quarter.

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



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

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

Examples of Incentive Fee Calculation

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

Alternative 1

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

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

Alternative 2

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

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

Alternative 3

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

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

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

Catch up = 2.1875% − 1.75%
= 0.4375%

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

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

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

Example 2: Capital Gains Portion of Incentive Fee

Alternative 1

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

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

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

Year 4: Investment B sold for $31 million

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

Year 1: None (No sales transaction)

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

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

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

Alternative 2

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

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

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

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

Year 5: Investment B sold for $20 million

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

Year 1: None (no sales transaction)

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

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

Year 4: None (no sales transaction)

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

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

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

Payment of our expenses

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

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

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

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

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

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

Limitation of liability and indemnification

The investment management agreement provides that our Advisor and its officers, directors, employees and affiliates are not liable to us or any of our stockholders for any act or omission by it or its employees in the supervision or management of our investment activities or for any loss sustained by us or our stockholders, except for acts or omissions constituting willful misfeasance, bad faith, gross negligence or reckless disregard of its obligations under the investment management agreement. The investment management agreement also provides for indemnification by us of our Advisor's members, directors, officers, employees, agents and control persons for liabilities incurred by it in connection with their services to us, subject to the same limitations and to certain conditions.

Board approval of the investment management agreement

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

from their relationships with us and the profitability of those relationships; (e) information about the services to be performed and the personnel performing such services under the investment management agreement; (f) the organizational capability and financial condition of our Advisor and its affiliates; (g) our Advisor's practices regarding the selection and compensation of brokers that may execute our portfolio transactions and the brokers' provision of brokerage and research services to our Advisor; and (h) the possibility of obtaining similar services from other third party service providers or through an internally managed structure.

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

Duration and termination

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

Administration Agreement

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

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

License Agreement

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

CONTROL PERSONS, PRINCIPAL STOCKHOLDERS AND THE SELLING STOCKHOLDER

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

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

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

(1) Assumes the sale of shares of our common stock by the selling stockholder and the issuance of shares of our common stock in this offering.
(2) Concorde Horizon Holdings LP. is the limited partner of Compass Horizon Partners, LP and Navco Management Ltd. is the general partner. Concorde Horizon Holdings LP. and Navco Management Ltd. are controlled by Kattegat Trust, a Bermudian charitable trust, the trustee of which is Kattegat Private Trustees (Bermuda) Limited, a Bermudian trust company with its principal offices at 2 Reid Street, Hamilton HM 11, Bermuda.
(3) Messrs. Pomeroy, Michaud, Mathieu, Bombara and Devorsetz each own 33%, 33%, 15.5%, 9.3% and 6.2% of HTF-CHF Holdings LLC, respectively. The address for HTF-CHF Holdings LLC is 76 Batterson Park Road, Farmington, Connecticut 06032.

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

Name	Dollar Range of Equity Securities in the Company[1]	Aggregate Dollar Range of Equity Securities in all Registered Investment Companies Overseen by Director in Family of Investment Companies
Independent Directors		
Interested Directors		
Robert D. Pomeroy, Jr.		
Gerald A. Michaud		
David P. Swanson		
Portfolio Management Employees		
Christopher M. Mathieu		
John C. Bombara		
Daniel S. Devorsetz		

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

DETERMINATION OF NET ASSET VALUE

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

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

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

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

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

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

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

Determinations in connection with offerings

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

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

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

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

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

DIVIDEND REINVESTMENT PLAN

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

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

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

We intend to use primarily newly issued shares to implement the plan, whether our shares are trading at a premium or at a discount to net asset value. However, we reserve the right to purchase shares in the open market in connection with our implementation of the plan. If we declare a distribution to stockholders, the plan administrator may be instructed not to credit accounts with newly-issued shares and instead to buy shares in the market if (i) the price at which newly-issued shares are to be credited does not exceed 110% of the last determined net asset value of the shares or (ii) we have advised the plan administrator that since such net asset value was last determined, we have become aware of events that indicate the possibility of a material change in per share net asset value as a result of which the net asset value of the shares on the payment date might be higher than the price at which the plan administrator would credit newly-issued shares to stockholders. The number of shares to be issued to a stockholder is determined by dividing the total dollar amount of the dividend payable to such stockholder by the market price per share of our common stock at the close of regular trading on The NASDAQ Global Market on the valuation date, which date shall be as close as practicable to the dividend payment date for such dividend. Market price per share on that date will be the closing price for such shares on The NASDAQ Global Market or, if no sale is reported for such day, at the average of their reported bid and asked prices. The number of shares of our common stock to be outstanding after giving effect to payment of the dividend cannot be established until the value per share at which additional shares will be issued has been determined and elections of our stockholders have been tabulated. Stockholders who do not elect to receive distributions in shares of common stock may experience accretion to the net asset value of their shares if our shares are trading at a premium at the time we issue new shares under the plan and dilution if our shares are trading at a discount. The level of accretion or discount would depend on various factors, including the proportion of our stockholders who participate in the plan, the level of premium or discount at which our shares are trading and the amount of the dividend payable to a stockholder.

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

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

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

The plan may be terminated by us upon notice in writing mailed to each participant at least 30 days prior to any record date for the payment of any distribution by us. All correspondence concerning the plan should be directed to the plan administrator by mail at .

If you withdraw or the plan is terminated, you will receive a certificate for each whole share in your account under the plan and you will receive a cash payment for any fraction of a share in your account.

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

DESCRIPTION OF CAPITAL STOCK

General

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

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

Common stock

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

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

Preferred stock

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

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

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

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

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

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

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

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

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

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

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

Approval of Certain Transactions. Our certificate of incorporation requires the favorable vote of a majority of our board of directors followed by the favorable vote of the holders of at least 75% of our outstanding shares of each affected class or series, voting separately as a class or series, to approve, adopt or authorize certain transactions with 5% or greater holders of a class or series of shares and their associates, unless the transaction has been approved by at least 80% of our directors, in which case "a majority of the outstanding voting securities" (as defined in the 1940 Act) will be required. For purposes of these provisions, a 5% or greater holder of a class or series of shares, or a principal stockholder, refers to any person who, whether directly or indirectly and whether alone or together with its affiliates and associates, beneficially owns 5% or more of the outstanding shares of our voting securities.

The 5% holder transactions subject to these special approval requirements are: the merger or consolidation of us or any subsidiary of ours with or into any principal stockholder; the issuance of any of our securities to any principal stockholder for cash, except pursuant to any automatic dividend reinvestment plan or rights offering in which the holder does not increase its percentage of voting securities; the sale, lease or exchange of all or any substantial part of our assets to any principal stockholder, except assets having an aggregate fair market value of less than 5% of our total assets, aggregating for the purpose of such computation all assets sold, leased or exchanged in any series of similar transactions within a twelve-month period; or the sale, lease or exchange to us or any subsidiary of ours, in exchange for our securities, of any assets of any principal stockholder, except assets having an aggregate fair market value of less than 5% of our total assets, aggregating for purposes of such computation all assets sold, leased or exchanged in any series of similar transactions within a twelve-month period.

To convert us to an open-end investment company, to merge or consolidate us with any entity or sell all or substantially all of our assets to any entity in a transaction as a result of which the governing documents of the surviving entity do not contain substantially the same anti-takeover provisions as are provided in our certificate of incorporation, to liquidate and dissolve us other than in connection with a qualifying merger, consolidation or sale of assets or to amend any of the provisions discussed herein, our certificate of incorporation requires the favorable vote of a majority of our board of directors followed by the favorable vote of the holders of at least 75% of our outstanding shares of each affected class or series of our shares, voting separately as a class or series, unless such amendment has been approved by at least 80% of our directors, in which case "a majority of the outstanding voting securities" (as defined in the 1940 Act) shall be required. If approved in the foregoing manner, our conversion to an open-end investment company could not occur until 90 days after the stockholders meeting at which such conversion was approved and would also require at least 30 days prior notice to all stockholders. As part of any such conversion to an open-end investment company, substantially all of our investment policies and strategies and

portfolio would have to be modified to assure the degree of portfolio liquidity required for open-end investment companies. In the event of conversion, the common shares would cease to be listed on any national securities exchange or market system. Stockholders of an open-end investment company may require the company to redeem their shares at any time, except in certain circumstances as authorized by or under the 1940 Act, at their net asset value, less such redemption charge, if any, as might be in effect at the time of a redemption. You should assume that it is not likely that our board of directors would vote to convert us to an open-end fund.

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

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

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

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

Limitations of liability and indemnification

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

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

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

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

We have obtained liability insurance for our officers and directors.

SHARES ELIGIBLE FOR FUTURE SALE

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

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

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

Rule 144

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

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

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

Lock-up Agreements

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

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

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

REGULATION

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

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

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

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

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

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

Qualifying assets

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

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

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

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

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

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

Managerial assistance to portfolio companies

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

Issuance of Additional Shares

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

Temporary investments

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

Senior securities; Derivative securities

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

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

Code of ethics

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

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

Proxy voting policies and procedures

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

Introduction

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

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

Proxy policies

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

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

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

Proxy voting records

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

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

Sarbanes-Oxley Act of 2002

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

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

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

Small Business Investment Company Regulations

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

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

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

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

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

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

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

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

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

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

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

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

NASDAQ Global Market Corporate Governance Regulations

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

Privacy Principles

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

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

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

BROKERAGE ALLOCATIONS AND OTHER PRACTICES

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

MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS

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

For purposes of this discussion:

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

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

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

Taxation of the company

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

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

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

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

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

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

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

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

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

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

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

Failure to qualify as a RIC

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

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

Company investments

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

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

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

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

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

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

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

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

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

Taxation of U.S. stockholders

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Taxation of non-U.S. stockholders

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

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

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

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

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

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

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

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

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

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

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

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

Proposed Legislation

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

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

UNDERWRITERS

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

Name	Number of Shares
Morgan Stanley & Co. Incorporated	
UBS Securities LLC	
Total	

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

price of the common stock. Any of these activities may stabilize or maintain the market price of our common stock above independent market levels. The underwriters are not required to engage in these activities, and may end any of these activities at any time.

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

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

The principal business address of Morgan Stanley & Co. Incorporated is 1585 Broadway, New York, NY 10036. The principal business address of UBS Securities LLC is 299 Park Avenue, New York, NY 10171. The principal business address of is .

European Economic Area

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

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

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

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

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

United Kingdom

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

Switzerland

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

Australia

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

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

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

Hong Kong

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

Japan

Our securities have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (the Financial Instruments and Exchange Law) and our securities will not be offered or sold, directly or indirectly, in Japan, or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan, or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

Singapore

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

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

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

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

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

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

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

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

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

Pricing of the Offering

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

CUSTODIAN, TRANSFER AGENT, DIVIDEND PAYING AGENT AND REGISTRAR

, which we refer to as our "Custodian," will provide administrative and accounting services to us under a sub-administration and accounting services agreement. Our securities are held by the Custodian pursuant to a custodian services agreement. The Custodian will also act as our transfer agent, dividend paying agent and registrar pursuant to a transfer agency agreement and will provide compliance support services to us pursuant to a compliance support services agreement. For the services provided to us by the Custodian and its affiliates, the Custodian will be entitled to an annual fee equal to a percentage of our average net assets plus reimbursement of reasonable expenses, and a base fee, payable monthly. The principal business address of the Custodian is .

LEGAL MATTERS

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

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

WHERE YOU CAN FIND MORE INFORMATION

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

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

INDEX TO FINANCIAL STATEMENTS

Compass Horizon Funding Company LLC

Consolidated Balance Sheets (Unaudited)

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

See Notes to Unaudited Consolidated Financial Statements

Compass Horizon Funding Company LLC

Consolidated Statements of Operations (Unaudited)

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

See Notes to Unaudited Consolidated Financial Statements

Compass Horizon Funding Company LLC

Consolidated Statements of Members' Capital (Unaudited)

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

See Notes to Unaudited Consolidated Financial Statements

Compass Horizon Funding Company LLC

Consolidated Statements of Cash Flows (Unaudited)

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

See Notes to Unaudited Consolidated Financial Statements

Note 1. Organization

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

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

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

Note 2. Summary of Significant Accounting Policies

Basis of Financial Statement Presentation

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

In preparing the consolidated financial statements in accordance with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities, as of the date of the balance sheet and income and expenses for the period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses, and the valuation of warrants and interest rate swaps.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of CHF and Credit I. All inter-company accounts and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

Cash and cash equivalents as presented in the consolidated balance sheets and the consolidated statements of cash flows include bank checking accounts and money market funds with an original maturity of less than 90 days.

Loans

Loans receivable are stated at current unpaid principal balances adjusted for the allowance for loan losses, unearned income and any unamortized deferred fees or costs. The Company has the ability and intent to hold its loans for the foreseeable future or until maturity or payoff.

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

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

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

Allowance for Loan Losses

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

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

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

Warrants

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

The Company values the warrant assets incorporating the following material assumptions:

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

Debt Issuance Costs

Debt issuance costs are fees and other direct incremental costs incurred by the Company in obtaining debt financing from its lender and are recognized as assets and are amortized as interest expense over the term of the related Credit Facility. The unamortized balance of debt issuance costs as of March 31, 2010 and December 31, 2009 was $1,064,947 and $1,355,386, respectively, and the amortization expense relating to debt issuance costs during the three months ended March 31, 2010 and March 31, 2009 was $290,439 and $286,000, respectively.

Income Taxes

The Company is a limited liability company treated as a partnership for U.S. federal income tax purposes and, as a result, all items of income and expense are passed through to, and are generally reportable on, the tax returns of the respective members of each limited liability company. Therefore, no federal or state income tax provision has been recorded.

The FASB issued new guidance on accounting for uncertainty in income taxes. The Company adopted this new guidance for the year ended December 31, 2009. Management evaluated the Company's tax positions and

concluded that the Company had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

Interest Rate Swaps and Hedging Activities

The Company recognizes its interest rate swap derivatives on the balance sheet as either an asset or liability measured at fair value. Changes in the derivatives' fair value are recognized currently in income unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the statement of operations and requires the Company to formally document, designate and assess effectiveness of transactions that receive hedge accounting. Derivatives that are not hedges are adjusted to fair value through earnings. If the derivative qualifies as a hedge, depending on the nature of the hedge, changes in the fair value of derivatives are either offset against the change in fair value of hedged assets, liabilities, or firm commitments through earnings, or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value, if any, is immediately recognized as interest expense.

Comprehensive Income

Accounting principles generally require that recognized income, expenses, gains and losses be included in net income. Certain changes in assets and liabilities, such as unrealized appreciation or depreciation on interest rate swaps, are reported as a separate component of members' capital in the consolidated balance sheet, and such items, along with net income, are components of comprehensive income.

Fair Value

The Company uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in certain instances, there are no quoted market prices for certain assets or liabilities. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the asset or liability.

Fair value measurements focus on exit prices in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment.

The Company's fair value measurements are classified into a fair value hierarchy based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. The three categories within the hierarchy are as follows:

Level 1 Quoted prices in active markets for identical assets and liabilities.

Level 2 Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities in active markets, quoted prices in markets that are not active, and model-based valuation techniques for which all significant inputs are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

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

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

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

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

The new disclosures and clarifications of existing disclosures are effective for the Company's interim and annual reporting periods beginning after December 15, 2009, except for the disclosures included in the roll forward of activity for Level 3 fair value measurements, for which the effective date is for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years.

See Note 10 for additional information regarding fair value.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales, when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Company — put presumptively beyond the reach of the transferor and its creditors, even in bankruptcy or other receivership, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the transferor does not maintain effective control over the transferred assets through either (a) an agreement that both entitles and obligates the transferor to repurchase or redeem the assets before maturity or (b) the ability to unilaterally cause the holder to return specific assets, other than through a cleanup call.

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

Subsequent Events

The Company has evaluated the subsequent events through June 4, 2010, the date on which the financial statements were issued.

Note 3. Loans Receivable

Loans receivable consist of term loans and revolving loans. The loans are payable in installments with final maturities ranging from 24 to 48 months and are generally collateralized by all assets of the borrower. As of March 31, 2010 and December 31, 2009, 98.0% and 96.7%, respectively, of the Company's loans are at fixed rates for their term. The weighted average interest rate of the loan portfolio was 12.71% and 12.64% as of March 31, 2010 and December 31, 2009, respectively. All loans were made to companies based in the United States of America.

The following is a summary of the changes in the allowance for loan losses:

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
Balance at beginning of period	$ 1,924,034	$ 1,649,653
(Credit) provision for loan losses	(303,224)	36,413
Charge offs, net of recoveries	—	—
Balance at end of period	$ 1,620,810	$ 1,686,066

Note 4. Borrowings

Credit I entered into a $150,000,000 Revolving Credit Facility (the "Credit Facility") with WestLB AG ("WestLB") effective March 4, 2008. The Credit Facility has a three year initial revolving term and is renewable on March 3, 2011, subject to agreement between the Company and WestLB. If the revolving term is not renewed, the balance will be allowed to amortize over an additional four year term. The interest rate is based upon the one-month LIBOR (0.25% and 0.23% as of March 31, 2010 and December 31, 2009, respectively) plus a spread of 2.50%.

The Credit Facility is collateralized by loans held by Credit I and permits an advance rate of up to 75% of eligible loans held by Credit I. The Credit Facility contains covenants that, among other things, require the Company to maintain a minimum net worth and to restrict the loans securing the Credit Facility to certain criteria for qualified loans and includes portfolio company concentration limits as defined in the related loan agreement. At March 31, 2010 and December 31, 2009, based on assets of Credit I, the Company had borrowing capacity of approximately $75,800,000 million and $72,160,000 million, respectively, and had actual borrowings outstanding of $75,230,251 and $64,166,412, respectively, on the Credit Facility.

Note 5. Financial Instruments with Off-Balance-Sheet Risk

In the normal course of business, the Company is party to financial instruments with off-balance-sheet risk to meet the financing needs of its borrowers. These financial instruments include commitments to extend credit and involve, to varying degrees, elements of credit risk in excess of the amount recognized in the consolidated balance sheet. The Company attempts to limit its credit risk by conducting extensive due diligence and obtaining collateral where appropriate.

The balance of unfunded commitments to extend credit was approximately $16,700,000 and $5,400,000 as of March 31, 2010 and December 31, 2009, respectively. Commitments to extend credit consist principally of the unused portions of commitments that obligate CHF to extend credit, such as revolving credit arrangements or similar transactions. Commitments may also include a financial or nonfinancial milestone that has to be achieved before the commitment can be drawn. Commitments generally have fixed expiration dates or other termination clauses. Since commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

Note 6. Concentrations of Credit Risk

The Company's loan portfolio consists primarily of loans to development-stage companies at various stages of development in the information technology and life science industries. Many of these companies may have relatively limited operating histories and also may experience variation in operating results. Many of these companies do business in regulated industries and could be affected by changes in government regulations. Most of the Company's borrowers will need additional capital to satisfy their continuing working capital needs and other requirements, and in many instances to service the interest and principal payments on the loans.

The largest loans may vary from year to year as new loans are recorded and repaid. The Company's five largest loans represented approximately 29% and 28% of total loans outstanding as of March 31, 2010 and December 31, 2009, respectively. No single loan represents more than 10% of the total loans as of March 31, 2010 and December 31, 2009. Loan income, consisting of interest and fees, can fluctuate significantly upon repayment of large loans. Interest income from the five largest loans accounted for approximately 18% and 25% of total loan interest and fee income for the three months ended March 31, 2010 and March 31, 2009, respectively.

Note 7: Warrants

The Company receives warrants from borrowers in connection with the loans receivable. These warrants generally do not produce a current cash return, but are held for potential investment appreciation and capital gains. For the three months ended March 31, 2010 and March 31, 2009, the Company did not recognize any realized gains, and recognized net unrealized appreciation of $201,765 and $444,777, respectively, on the warrants.

Note 8: Interest Rate Swaps and Hedging Activities

On October 14, 2008, the Company entered into two interest rate swap agreements (collectively, the "Swap") with WestLB, fixing the rate of $10 million at 3.58% and $15 million at 3.20% on the first advances of a like amount of variable rate Credit Facility borrowings. The interest rate swaps expire in October 2011 and October 2010, respectively. The Swap is designated as a cash flow hedge and is anticipated to be highly effective.

The Company utilizes the Swap to manage risks related to interest rates on the first $25 million of borrowings on the Company's Credit Facility. Accounting for derivatives as hedges requires that, at inception and over the term of the arrangement, the hedged item and related derivative meet the requirements for hedge accounting.

The objective of the Swap is to hedge the risk of changes in cash flows associated with the future interest payments on the first $25 million of the variable rate Credit Facility debt with a combined notional amount of $25 million. This is a hedge of future specified cash flows. As a result, these interest rate swaps are derivatives and were designated as hedging instruments at the inception of the Swap, and the Company has applied cash flow hedge accounting. The Swap is recorded in the consolidated balance sheet at fair value, and any related increases or decreases in the fair value are recognized on the Company's consolidated balance sheet within accumulated other comprehensive income.

At March 31, 2010 and December 31, 2009, the Swap has been recorded as a liability on the consolidated balance sheet and the corresponding unrealized loss on the Swap is recorded in accumulated other comprehensive loss, totaling $668,247 and $767,877, respectively. The Swap does not contain any credit risk related contingent features.

The Company assesses the effectiveness of its Swap on a quarterly basis. The Company has considered the impact of the current credit crisis in the United States in assessing the risk of counterparty default. The Company believes that it is still likely that the counterparty for the Swap will continue to perform throughout the contract period, and as a result continues to deem the Swap an effective hedging instrument. As most of the critical terms of the hedging instruments and hedged items match, the hedging relationship is considered to be highly effective. Prospective and retrospective assessments of the ineffectiveness of the hedge have been and will be made at the end

of each fiscal quarter. No ineffectiveness on the Swap was recognized during the three months end March 31, 2010 and March 31, 2009. During the three months ended March 31, 2010, $0.2 million was reclassified from accumulated other comprehensive loss into interest expense, and at March 31, 2010, $0.6 million is expected to be reclassified in the next twelve months.

Note 9. Members' Capital

On March 4, 2008, $50,000,000 of capital was contributed to CHF. Since inception, there have been no distributions to members.

Note 10. Fair Value

As described in Note 1, the Company uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. A description of the valuation methodologies used for assets and liabilities recorded at fair value, and for estimating fair value for financial and non-financial instruments not recorded at fair value, is set forth below.

Cash and cash equivalents and accrued interest receivable: The carrying amount is a reasonable estimate of fair value. These financial instruments are not recorded at fair value on a recurring basis.

Loans: For variable rate loans which re-price frequently and have no significant change in credit risk, carrying values are a reasonable estimate of fair values, adjusted for credit losses inherent in the portfolio. The fair value of fixed rate loans is estimated by discounting the future cash flows using the year end rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities, adjusted for credit losses inherent in the portfolio. The Company does not record loans at fair value on a recurring basis. However, from time to time, nonrecurring fair value adjustments to collateral-dependent impaired loans may be recorded to reflect partial write-downs based on the observable market price or current appraised value of collateral.

Warrants: The Company values its warrants using the Black-Scholes valuation model. The fair value of the Company's warrants held in publicly traded companies are determined based on inputs that are readily available in public markets or can be derived from information available in public markets. Therefore, the Company has categorized these warrants as Level 2 within the fair value hierarchy described in Note 2. The fair value of the Company's warrants held in private companies are determined using both observable and unobservable inputs and represents management's best estimate of what market participants would use in pricing the warrants at the measurement date. Therefore, the Company has categorized these warrants as Level 3 within the fair value hierarchy described in Note 2. These financial instruments are recorded at fair value on a recurring basis.

Borrowings: The carrying amount of borrowings under the revolving credit facility approximates its fair value due to the short duration and variable interest rate of this debt. These financial instruments are not recorded at fair value on a recurring basis. Additionally, the Company considers its creditworthiness in determining the fair value of such borrowings.

Interest rate swap derivatives: The fair value of the Company's interest rate swap derivative instruments is the estimated as the amount the Company would pay to terminate its swaps at the balance sheet date, taking into account current interest rates and the creditworthiness of the counterparty for assets and the credit worthiness of the Company for liabilities. The Company has categorized these derivative instruments as Level 2 within the fair value hierarchy described in Note 2. These financial instruments are recorded at fair value on a recurring basis.

Off-balance-sheet instruments: Fair values for off-balance-sheet lending commitments are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the

agreements and the counterparties' credit standings. Off-balance-sheet instruments are not recorded at fair value on a recurring basis.

The following table details the financial instruments that are carried at fair value and measured at fair value on a recurring basis as of March 31, 2010 and December 31, 2009, respectively, and indicates the fair value hierarchy of the valuation techniques utilized by the Company to determine the fair value:

	March 31, 2010			
	Balance as of March 31, 2010	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Warrant Assets	$ 2,935,154	$ —	$ 712,654	$ 2,222,500
Interest Rate Swap Liability	$ 668,247	$ —	$ 668,247	$ —

	December 31, 2009			
	Balance as of December 31, 2009	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Warrant Assets	$ 2,457,680	$ —	$ 447,417	$ 2,010,263
Interest Rate Swap Liability	$ 767,877	$ —	$ 767,877	$ —

The following table shows a reconciliation of the beginning and ending balances for Level 3 assets:

	The Three Months Ended March 31, 2010	**The Three Months Ended March 31, 2009**
Level 3 assets, beginning of period	$ 2,010,263	$ 556,753
Warrants received and classified as Level 3	275,709	135,670
Unrealized (loss) gains included in earnings	(63,472)	490,847
Level 3 assets, end of period	$ 2,222,500	$ 1,183,270

The Company discloses fair value information about financial instruments, whether or not recognized in the balance sheet, for which it is practicable to estimate that value. Certain financial instruments are excluded from the disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Company.

The estimated fair value amounts for 2010 and 2009 have been measured as of the year-end date, and have not been reevaluated or updated for purposes of these financial statements subsequent to that date. As such, the estimated fair values of these financial instruments subsequent to the reporting date may be different than amounts reported at year-end.

The information presented should not be interpreted as an estimate of the fair value of the entire Company since a fair value calculation is only required for a limited portion of the Company's assets and liabilities. Due to the wide range of valuation techniques and the degree of subjectivity used in making the estimates, comparisons between the Company's disclosures and those of other companies may not be meaningful.

As of March 31, 2010 and December 31, 2009, the recorded book balances and estimated fair values of the Company's financial instruments were as follows:

	March 31, 2010		December 31, 2009	
	Recorded Book Balance	Estimated Fair Value	Recorded Book Balance	Estimated Fair Value
Financial Assets:				
Cash & cash equivalents	$ 19,148,952	$ 19,148,952	$ 9,892,048	$ 9,892,048
Loans receivable, net	$113,365,123	$114,650,546	$109,496,205	$110,654,287
Warrants	$ 2,935,154	$ 2,935,154	$ 2,457,680	$ 2,457,680
Accrued interest receivable	$ 1,716,182	$ 1,716,182	$ 1,451,963	$ 1,451,963
Financial Liabilities:				
Borrowings	$ 75,230,251	$ 75,230,251	$ 64,166,412	$ 64,166,412
Interest rate swap liability	$ 668,247	$ 668,247	$ 767,877	$ 767,877

Off-balance-sheet instruments

The Company assumes interest rate risk (the risk that general interest rate levels will change) as a result of its normal operations. As a result, the fair values of the Company's financial instruments will change when interest rate levels change and that change may be either favorable or unfavorable to the Company. Management attempts to match maturities of assets and liabilities to the extent believed necessary to minimize interest rate risk. Management monitors rates and maturities of assets and liabilities and attempts to minimize interest rate risk by adjusting terms of new loans and by investing in securities with terms that mitigate the Company's overall interest rate risk.

Note 11: Related Party Transactions

Horizon Technology Finance Management LLC serves as Advisor for the Company under a Management and Services Agreement which provides for management fees payable monthly to the Advisor at a rate of 2.0% per annum of the gross assets of the Company. The Advisor also generates substantially all investment opportunities for the Company. Total management fee expense was $547,151 and $507,453 for the three months ended March 31, 2010 and March 31, 2009, respectively. Accrued management fees were $183,149 and $181,561 as of March 31, 2010 and December 31, 2009, respectively.

On March 3, 2010, the Company entered into a certain Indemnity Agreement with the Advisor whereby the Advisor agreed to indemnify the Company, solely in the event that the planned IPO (see Note 12) is not completed prior to June 30, 2011, for certain costs and expenses incurred by the Company in connection with the preparations for the IPO, up to a maximum amount of $1.2 million plus 8% annual interest accruing from the date the Company paid any indemnified amounts. Pursuant to an agreement among the members of the Advisor, each member agreed to make its proportional capital contributions to the Advisor, to the extent necessary, to fund payments required under the Indemnity Agreement.

Note 12: Subsequent Events

In 2010, the members of the Company intend to exchange their membership interests in the Company for shares of common stock of an entity formed by the Company and expected to be named Horizon Technology Finance Corporation (the "Share Exchange"). In conjunction with the Share Exchange, Horizon Technology Finance Corporation plans on completing an initial public offering ("IPO"). Immediately prior to the completion of an IPO, the Company, to the extent there is available cash on hand at the Company, expects to make a cash distribution ("Pre-IPO Distribution") to its Class A Member from net income and as a return of capital. After the Pre-IPO Distribution and immediately prior to the completion of the IPO, all owners of the Company would exchange their membership interests in the Company for shares of common stock of Horizon Technology Finance Corporation. Horizon Technology Finance Corporation is expected to become the public corporation upon the completion of the IPO. Upon the completion of the Share Exchange and the IPO, the Company would become a wholly owned subsidiary of Horizon Technology Finance Corporation.

McGladrey & Pullen
Certified Public Accountants

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Members
Compass Horizon Funding Company LLC and Subsidiary
Farmington, Connecticut

We have audited the accompanying consolidated balance sheets of Compass Horizon Funding Company LLC and Subsidiary (the "Company") as of December 31, 2009 and 2008, and the related consolidated statements of operations, members' equity and cash flows for the year ended December 31, 2009 and the period from March 4, 2008 (inception) to December 31, 2008. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Compass Horizon Funding Company LLC and Subsidiary as of December 31, 2009 and 2008, and the results of their operations and their cash flows for the year ended December 31, 2009 and the period from March 4, 2008 (inception) to December 31, 2008, in conformity with accounting principles generally accepted in the United States of America.

/s/ McGladrey & Pullen, LLP

New Haven, Connecticut
March 19, 2010

Compass Horizon Funding Company LLC

Consolidated Balance Sheets

	December 31, 2009	December 31, 2008
ASSETS		
Cash and cash equivalents	$ 9,892,048	$ 20,024,408
Loans receivable (Note 3)		
Venture loans (net of unearned income of:		
2009 $1,134,146 and 2008 $773,125)	107,755,693	77,724,006
Revolving loans (net of unearned income of:		
2009 $17,323 and 2008 $120,541)	3,664,546	15,405,685
Allowance for loan losses	(1,924,034)	(1,649,653)
Loans receivable, net	109,496,205	91,480,038
Warrants (Note 7)	2,457,680	693,644
Accrued interest receivable	1,451,963	502,915
Debt issuance costs (net of accumulated amortization of:		
2009 $2,129,889 and 2008 $953,331)	1,355,386	2,478,667
Other assets	214,731	35,216
TOTAL ASSETS	$ 124,868,013	$ 115,214,888
LIABILITIES AND MEMBERS' CAPITAL		
Borrowings (Note 4)	$ 64,166,412	$ 63,673,016
Interest rate swap liability (Note 8)	767,877	1,162,563
Accrued management fees	181,561	159,594
Other accrued expenses	259,494	434,907
TOTAL LIABILITIES	65,375,344	65,430,080
Commitments and Contingencies (Notes 5 and 6)		
MEMBERS' CAPITAL		
Members' capital (Note 9)	60,260,546	50,947,371
Accumulated other comprehensive loss — Unrealized loss on interest rate swaps	(767,877)	(1,162,563)
TOTAL MEMBERS' CAPITAL	59,492,669	49,784,808
TOTAL LIABILITIES AND MEMBERS' CAPITAL	$ 124,868,013	$ 115,214,888

See Notes to Consolidated Financial Statements

Compass Horizon Funding Company LLC

Consolidated Statements of Operations

	Year Ended December 31, 2009	March 4, 2008 (Inception) through December 31, 2008
INCOME		
Interest income on loans	$ 14,987,322	$ 6,530,464
Other interest income	67,282	358,820
Net realized gains on warrants (Note 7)	137,696	21,571
Net unrealized gain (loss) on warrants (Note 7)	892,130	(72,641)
Other income	271,704	131,768
Total income	16,356,134	6,969,982
Provision for loan losses (Note 3)	(274,381)	(1,649,653)
Income after provision for loan losses	16,081,753	5,320,329
EXPENSES		
Management fee expense	2,202,268	1,073,083
Interest expense	4,244,804	2,747,540
Professional fees	131,234	61,008
General and administrative	190,272	150,184
Total expenses	6,768,578	4,031,815
NET INCOME	$ 9,313,175	$ 1,288,514

See Notes to Consolidated Financial Statements

Compass Horizon Funding Company LLC

Consolidated Statements of Members' Capital

	Members' Capital	Accumulated Other Comprehensive Loss	Total
Balance at March 4, 2008	$ —	$ —	$ —
Comprehensive income			
Net income	1,288,514		1,288,514
Unrealized loss on interest rate swaps (Note 8)		(1,162,563)	(1,162,563)
Total comprehensive income			125,951
Capital contribution (net of direct costs of $341,143)	49,658,857	—	49,658,857
Balance at December 31, 2008	$ 50,947,371	$ (1,162,563)	$ 49,784,808
Comprehensive income			
Net income	9,313,175		9,313,175
Unrealized gain on interest rate swaps (Note 8)		394,686	394,686
Total comprehensive income			9,707,861
Balance at December 31, 2009	$ 60,260,546	$ (767,877)	$ 59,492,669

See Notes to Consolidated Financial Statements

Compass Horizon Funding Company LLC

Consolidated Statements of Cash Flows

	Year Ended December 31, 2009	March 4, 2008 (Inception) through December 31, 2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 9,313,175	$ 1,288,514
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	274,381	1,649,653
Amortization of debt issuance costs	1,123,281	953,331
Net realized gain on settlement of warrants during the period	(137,696)	(21,571)
Net unrealized (appreciation) depreciation of warrants during the period	(892,130)	72,641
Changes in assets and liabilities:		
Increase in accrued interest receivable	(949,048)	(502,915)
(Decrease) increase in unearned loan income	(617,893)	117,455
Decrease (increase) in other assets	18,754	(35,216)
(Decrease) increase in other accrued expenses	(175,413)	434,907
Increase in accrued management fees	21,967	159,594
Net cash provided by operating activities	7,979,378	4,116,393
CASH FLOWS FROM INVESTING ACTIVITIES:		
Loans funded	(49,936,243)	(112,177,596)
Principal repayments on loans	31,189,623	18,154,236
Proceeds from settlement of warrants	141,486	31,500
Net cash used in investing activities	(18,605,134)	(93,991,860)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Capital contributions, net	—	49,658,857
Net increase in revolving borrowings	493,396	63,673,016
Debt issuance costs	—	(3,431,998)
Net cash provided by financing activities	493,396	109,899,875
Net (decrease) increase in cash and cash equivalents	(10,132,360)	20,024,408
CASH AND CASH EQUIVALENTS:		
Beginning of period	20,024,408	—
End of period	$ 9,892,048	$ 20,024,408
Cash paid for interest	$ 4,244,804	$ 2,747,540
Supplemental non-cash investing and financing activities:		
Warrants received & recorded as unearned loan income	$ 875,696	$ 776,215
Stock received in settlement of loan	$ 198,269	—
(Decrease) increase in interest rate swap liability	$ (394,686)	$ 1,162,563

See Notes to Consolidated Financial Statements

Note 1. Organization

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

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

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

Note 2. Summary of Significant Accounting Policies

Basis of Financial Statement Presentation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. In preparing the consolidated financial statements in accordance with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities, as of the date of the balance sheet and income and expenses for the period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses, and the valuation of warrants and interest rate swaps.

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

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of CHF and Credit I. All inter-company accounts and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

Cash and cash equivalents as presented in the consolidated balance sheets and the consolidated statements of cash flows includes bank checking accounts and money market funds with an original maturity of less than 90 days.

Loans

Loans receivable are stated at current unpaid principal balances adjusted for the allowance for loan losses, unearned income and any unamortized deferred fees or costs. The Company has the ability and intent to hold its loans for the foreseeable future or until maturity or payoff.

Interest on loans is accrued and included in income based on contractual rates applied to principal amounts outstanding. Interest income on loans is determined using a method that results in a level rate of return on principal amounts outstanding. When a loan becomes 90 days or more past due, or if the Company otherwise does not expect to receive interest and principal repayments, the loan is placed on non-accrual status and the recognition of interest income is discontinued. Interest payments received on loans that are on non-accrual status are treated as reductions of principal until the principal is repaid. No loans were on non-accrual status as of December 31, 2009 and 2008.

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

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

Allowance for Loan Losses

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

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

Impaired loans also include loans modified in troubled debt restructurings where concessions have been granted to borrowers experiencing financial difficulties. These concessions could include a reduction in the interest rate on the loan, payment extensions, forgiveness of principal, forbearance or other actions intended to maximize collection. There have been no troubled debt restructurings during 2009 and 2008.

Warrants

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

The Company values the warrant assets incorporating the following material assumptions:

- Underlying asset value of the issuer is estimated based on information available, including any information regarding the most recent rounds of borrower funding.
- Volatility, or the amount of uncertainty or risk about the size of the changes in the warrant price, is based on guideline publicly traded companies within indices similar in nature to the underlying company issuing the warrant. A total of seven such indices were used. The weighted average volatility assumptions used for the warrant valuation at December 31, 2009 and 2008 were 29% and 25%, respectively.
- The risk-free interest rates are derived from the U.S. Treasury yield curve. The risk-free interest rates are calculated based on a weighted average of the risk-free interest rates that correspond closest to the expected remaining life of the warrant.
- Other adjustments, including a marketability discount, are estimated based on management's judgment about the general industry environment.

Debt Issuance Costs

Debt issuance costs are fees and other direct incremental costs incurred by the Company in obtaining debt financing from its lender and are recognized as assets and are amortized as interest expense over the term of the related Credit Facility. The Company paid total debt issuance costs of $3,431,998 during the period ended December 31, 2008. The unamortized balance of debt issuance costs as of December 31, 2009 and 2008 was $1,355,386 and $2,478,667, respectively, and the amortization expense relating to debt issuance costs during the year ended December 31, 2009 and period ended December 31, 2008 was $1,123,281 and $953,331, respectively.

Income Taxes

The Company is a limited liability company treated as a partnership for U.S. federal income tax purposes and, as a result, all items of income and expense are passed through to, and are generally reportable on, the tax returns of the respective members of each limited liability company. Therefore, no federal or state income tax provision has been recorded.

The FASB issued new guidance on accounting for uncertainty in income taxes. The Company adopted this new guidance for the year ended December 31, 2009. Management evaluated the Company's tax positions and

concluded that the Company had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

Interest Rate Swaps and Hedging Activities

The Company recognizes its interest rate swap derivatives on the balance sheet as either an asset or liability measured at fair value. Changes in the derivatives' fair value are recognized currently in income unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the statement of operations and requires the Company to formally document, designate and assess effectiveness of transactions that receive hedge accounting. Derivatives that are not hedges are adjusted to fair value through earnings. If the derivative qualifies as a hedge, depending on the nature of the hedge, changes in the fair value of derivatives are either offset against the change in fair value of hedged assets, liabilities, or firm commitments through earnings, or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value, if any, is immediately recognized as interest expense.

In March 2008, the FASB issued guidance related to disclosures about derivative instruments and hedging activities. This guidance requires enhanced disclosures of an entity's derivative instruments and hedging activities and their effects on the entity's financial position, financial performance and cash flows. The Company adopted this guidance in 2009. See Note 8 for the enhanced disclosures required by this statement.

Comprehensive Income

Accounting principles generally require that recognized income, expenses, gains and losses be included in net income. Certain changes in assets and liabilities, such as unrealized appreciation or depreciation on interest rate swaps, are reported as a separate component of members' capital in the consolidated balance sheet, and such items, along with net income, are components of comprehensive income.

Fair Value

The Company uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in certain instances, there are no quoted market prices for certain assets or liabilities. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the asset or liability.

Fair value measurements focus on exit prices in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment.

The Company's fair value measurements are classified into a fair value hierarchy based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. The three categories within the hierarchy are as follows:

Level 1 Quoted prices in active markets for identical assets and liabilities.

Level 2 Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities in active markets, quoted prices in markets that are not active, and model-based valuation techniques for which all significant inputs are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

Prior to 2009, the fair value guidance only pertained to financial assets and liabilities. On January 1, 2009, the provisions of the fair value accounting guidance became effective for non-financial assets and liabilities. The Company adopted these provisions in 2009, and there was no impact on the financial statements as there were no non-financial assets or liabilities measured at fair value.

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

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

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

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

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

The new disclosures and clarifications of existing disclosures are effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures included in the roll forward of activity for Level 3 fair value measurements, for which the effective date is for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years.

See Note 10 for additional information regarding fair value.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales, when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Company — put presumptively beyond the reach of the transferor and its creditors, even in bankruptcy or other receivership, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that

right) to pledge or exchange the transferred assets, and (3) the transferor does not maintain effective control over the transferred assets through either (a) an agreement that both entitles and obligates the transferor to repurchase or redeem the assets before maturity or (b) the ability to unilaterally cause the holder to return specific assets, other than through a cleanup call.

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

Subsequent Events

In May 2009, the FASB issued guidance relating to accounting for, and disclosure of, events that occur after the balance sheet date but before financial statements are issued or available to be issued. This guidance defines (i) the period after the balance sheet date during which a reporting entity's management should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, (ii) the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements, and (iii) the disclosures an entity should make about events or transactions that occurred after the balance sheet date. The guidance became effective for the Company during the year ended December 31, 2009.

The Company has evaluated the subsequent events through March 19, 2010, the date on which the financial statements were issued.

Note 3. Loans Receivable

Loans receivable consist of term loans and revolving loans. The loans are payable in installments with final maturities ranging from 24 to 48 months and are generally collateralized by all assets of the borrower. As of December 31, 2009 and 2008, 96.7% and 83.4%, respectively, of the Company's loans are at fixed rates for their term. The weighted average interest rate of the loan portfolio was 12.64% and 12.04% as of December 31, 2009 and 2008, respectively. All loans were made to companies based in the United States of America.

The following is a summary of the changes in the allowance for loan losses:

	Year Ended December 31, 2009	March 4, 2008 (inception) through December 31, 2008
Balance at beginning of period	$ 1,649,653	$ —
Provision for loan losses	274,381	1,649,653
Charge offs, net of recoveries	—	—
Balance at end of period	$ 1,924,034	$ 1,649,653

Note 4. Borrowings

Credit I entered into a $150,000,000 Revolving Credit Facility (the "Credit Facility") with WestLB AG ("WestLB") effective March 4, 2008. The Credit Facility has a three year initial revolving term and is renewable on March 3, 2011, subject to agreement between the Company and WestLB. If the revolving term is not renewed, the

balance will be allowed to amortize over an additional four year term. The interest rate is based upon the one-month LIBOR (0.23% and 0.44% as of December 31, 2009 and 2008, respectively) plus a spread of 2.50%.

The Credit Facility is collateralized by loans held by Credit I and permits an advance rate of up to 75% of eligible loans held by Credit I. The Credit Facility contains covenants that, among other things, require the Company to maintain a minimum net worth and to restrict the loans securing the Credit Facility to certain criteria for qualified loans and includes portfolio company concentration limits as defined in the related loan agreement. At December 31, 2009 and 2008, based on assets of Credit I, the Company had borrowing capacity of approximately $72,160,000 and $65,800,000, respectively, and had actual borrowings outstanding of $64,166,412 and $63,673,016, respectively, on the Credit Facility.

Note 5. Financial Instruments with Off-Balance-Sheet Risk

In the normal course of business, the Company is party to financial instruments with off-balance-sheet risk to meet the financing needs of its borrowers. These financial instruments include commitments to extend credit and involve, to varying degrees, elements of credit risk in excess of the amount recognized in the consolidated balance sheet. The Company attempts to limit its credit risk by conducting extensive due diligence and obtaining collateral where appropriate.

The balance of unfunded commitments to extend credit was $5,400,000 and $18,200,000 at December 31, 2009 and 2008, respectively. Commitments to extend credit consist principally of the unused portions of commitments that obligate CHF to extend credit, such as revolving credit arrangements or similar transactions. Commitments may also include a financial or nonfinancial milestone that has to be achieved before the commitment can be drawn. Commitments generally have fixed expiration dates or other termination clauses. Since commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

Note 6. Concentrations of Credit Risk

The Company’s loan portfolio consists primarily of loans to development-stage companies at various stages of development in the information technology and life science industries. Many of these companies may have relatively limited operating histories and also may experience variation in operating results. Many of these companies do business in regulated industries and could be affected by changes in government regulations. Most of the Company’s borrowers will need additional capital to satisfy their continuing working capital needs and other requirements, and in many instances to service the interest and principal payments on the loans.

The largest loans may vary from year to year as new loans are recorded and repaid. The Company’s five largest loans represented approximately 28% and 29% of total loans outstanding as of December 31, 2009 and 2008, respectively. No single loan represents more than 10% of the total loans as of December 31, 2009 and 2008. Loan income, consisting of interest and fees, can fluctuate significantly upon repayment of large loans. Interest income from the five largest loans accounted for approximately 23% and 21% of total loan interest and fee income for the year ended December 31, 2009 and the period from March 4, 2008 (inception) to December 31, 2008, respectively.

Note 7: Warrants

The Company receives warrants from borrowers in connection with the loans receivable. These warrants generally do not produce a current cash return, but are held for potential investment appreciation and capital gains. For the year ended December 31, 2009 and the period ended December 31, 2008, the Company reported realized gains of $137,696 and $21,571, respectively, and net unrealized appreciation and depreciation of $892,130 and $72,641, respectively, on the warrants.

Note 8: Interest Rate Swaps and Hedging Activities

On October 14, 2008, the Company entered into two interest rate swap agreements (collectively, the "Swap") with WestLB, fixing the rate of $10 million at 3.58% and $15 million at 3.2% on the first advances of a like amount of variable rate Credit Facility borrowings. The interest rate swaps expire in October 2011 and October 2010, respectively. The Swap is designated as a cash flow hedge and is anticipated to be highly effective.

The Company utilizes the Swap to manage risks related to interest rates on the first $25 million of borrowings on the Company's Credit Facility. Accounting for derivatives as hedges requires that, at inception and over the term of the arrangement, the hedged item and related derivative meet the requirements for hedge accounting.

The objective of the Swap is to hedge the risk of changes in cash flows associated with the future interest payments on the first $25 million of the variable rate Credit Facility debt with a combined notional amount of $25 million. This is a hedge of future specified cash flows. As a result, these interest rate swaps are derivatives and were designated as hedging instruments at the inception of the Swap, and the Company has applied cash flow hedge accounting. The Swap is recorded in the consolidated balance sheet at fair value, and any related increases or decreases in the fair value are recognized on the Company's consolidated balance sheet within accumulated other comprehensive income.

At December 31, 2009 and 2008, the Swap has been recorded as a liability on the consolidated balance sheet and the corresponding unrealized loss on the Swap is recorded in accumulated other comprehensive loss, totaling $767,877 and $1,162,563, respectively. The Swap does not contain any credit risk related contingent features.

The Company assesses the effectiveness of its Swap on a quarterly basis. The Company has considered the impact of the current credit crisis in the United States in assessing the risk of counterparty default. The Company believes that it is still likely that the counterparty for the Swap will continue to perform throughout the contract period, and as a result continues to deem the Swap an effective hedging instrument. As most of the critical terms of the hedging instruments and hedged items match, the hedging relationship is considered to be highly effective. Prospective and retrospective assessments of the ineffectiveness of the hedge have been and will be made at the end of each fiscal quarter.

No ineffectiveness on the Swap was recognized during the year ended December 31, 2009 and period ended December 31, 2008. During the year ended December 31, 2009, $756,038 was reclassified from accumulated other comprehensive loss into interest expense, and $571,293 is expected to be reclassified in the next twelve months.

Note 9. Members' Capital

On March 4, 2008, $50,000,000 of capital was contributed to CHF. Since inception, there have been no distributions to members.

Note 10. Fair Value

As described in Note 1, the Company uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. A description of the valuation methodologies used for assets and liabilities recorded at fair value, and for estimating fair value for financial and non-financial instruments not recorded at fair value, is set forth below.

Cash and cash equivalents and accrued interest receivable: The carrying amount is a reasonable estimate of fair value. These financial instruments are not recorded at fair value on a recurring basis.

Loans: For variable rate loans which re-price frequently and have no significant change in credit risk, carrying values are a reasonable estimate of fair values, adjusted for credit losses inherent in the portfolio. The fair value of fixed rate loans is estimated by discounting the future cash flows using the year end rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities,

adjusted for credit losses inherent in the portfolio. The Company does not record loans at fair value on a recurring basis. However, from time to time, nonrecurring fair value adjustments to collateral-dependent impaired loans may be recorded to reflect partial write-downs based on the observable market price or current appraised value of collateral.

Warrants: The Company values its warrants using the Black-Scholes valuation model. The fair value of the Company's warrants held in publicly traded companies are determined based on inputs that are readily available in public markets or can be derived from information available in public markets. Therefore, the Company has categorized these warrants as Level 2 within the fair value hierarchy described in Note 2. The fair value of the Company's warrants held in private companies are determined using both observable and unobservable inputs and represents management's best estimate of what market participants would use in pricing the warrants at the measurement date. Therefore, the Company has categorized these warrants as Level 3 within the fair value hierarchy described in Note 2. These financial instruments are recorded at fair value on a recurring basis.

Borrowings: The carrying amount of borrowings under the revolving credit facility approximates its fair value due to the short duration and variable interest rate of this debt. These financial instruments are not recorded at fair value on a recurring basis. Additionally, the Company considers its creditworthiness in determining the fair value of such borrowings.

Interest rate swap derivatives: The fair value of the Company's interest rate swap derivative instruments is the estimated as the amount the Company would pay to terminate its swaps at the balance sheet date, taking into account current interest rates and the creditworthiness of the counterparty for assets and the credit worthiness of the Company for liabilities. The Company has categorized these derivative instruments as Level 2 within the fair value hierarchy described in Note 2. These financial instruments are recorded at fair value on a recurring basis.

Off-balance-sheet instruments: Fair values for off-balance-sheet lending commitments are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties' credit standings. Off-balance-sheet instruments are not recorded at fair value on a recurring basis.

The following table details the financial instruments that are carried at fair value and measured at fair value on a recurring basis as of December 31, 2009 and 2008, respectively, and indicates the fair value hierarchy of the valuation techniques utilized by the Company to determine the fair value:

	December 31, 2009			
	Balance as of December 31, 2009	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Warrant Assets	$ 2,457,680	$ —	$ 447,417	$ 2,010,263
Interest Rate Swap Liability	$ 767,877	$ —	$ 767,877	$ —

	December 31, 2008			
	Balance as of December 31, 2008	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Warrant Assets	$ 693,644	$ —	$ 136,891	$ 556,753
Interest Rate Swap Liability	$ 1,162,563	$ —	$ 1,162,563	$ —

The following table shows a reconciliation of the beginning and ending balances for Level 3 assets:

	Year Ended December 31, 2009	**March 4, 2008 through December 31, 2008**
Level 3 assets, beginning of period	$ 556,753	$ —
Warrants received and classified as Level 3	535,034	515,037
Unrealized gains included in earnings	918,476	41,716
Level 3 assets, end of period	$ 2,010,263	$ 556,753

The Company discloses fair value information about financial instruments, whether or not recognized in the balance sheet, for which it is practicable to estimate that value. Certain financial instruments are excluded from the disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Company.

The estimated fair value amounts for 2009 and 2008 have been measured as of the year-end date, and have not been reevaluated or updated for purposes of these financial statements subsequent to that date. As such, the estimated fair values of these financial instruments subsequent to the reporting date may be different than amounts reported at year-end.

The information presented should not be interpreted as an estimate of the fair value of the entire Company since a fair value calculation is only required for a limited portion of the Company's assets and liabilities. Due to the wide range of valuation techniques and the degree of subjectivity used in making the estimates, comparisons between the Company's disclosures and those of other companies may not be meaningful.

As of December 31, 2009 and 2008, the recorded book balances and estimated fair values of the Company's financial instruments were as follows:

	December 31, 2009		December 31, 2008	
	Recorded Book Balance	Estimated Fair Value	Recorded Book Balance	Estimated Fair Value
Financial Assets:				
Cash & cash equivalents	$ 9,892,048	$ 9,892,048	$ 20,024,408	$ 20,024,408
Loans receivable, net	$ 109,496,205	$ 110,654,287	$ 91,480,038	$ 92,100,589
Warrants	$ 2,457,680	$ 2,457,680	$ 693,644	$ 693,644
Accrued interest receivable	$ 1,451,963	$ 1,451,963	$ 502,915	$ 502,915
Financial Liabilities:				
Borrowings	$ 64,166,412	$ 64,166,412	$ 63,673,016	$ 63,673,016
Interest rate swap liability	$ 767,877	$ 767,877	$ 1,162,563	$ 1,162,563

Off-balance-sheet instruments

The Company assumes interest rate risk (the risk that general interest rate levels will change) as a result of its normal operations. As a result, the fair values of the Company's financial instruments will change when interest rate levels change and that change may be either favorable or unfavorable to the Company. Management attempts to match maturities of assets and liabilities to the extent believed necessary to minimize interest rate risk. Management monitors rates and maturities of assets and liabilities and attempts to minimize interest rate risk by adjusting terms of new loans and by investing in securities with terms that mitigate the Company's overall interest rate risk.

Note 11: Related Party Transactions

Horizon Technology Finance Management LLC serves as Advisor for the Company under a Management and Services Agreement which provides for management fees payable monthly to the Advisor at a rate of 2.0% per annum of the gross assets of the Company. The Advisor also generates substantially all investment opportunities for the Company. Total management fee expense was $2,202,268 and $1,073,083 for the year ended December 31, 2009 and the period from March 4, 2008 to December 31, 2008, respectively. Accrued management fees were $181,561 and $159,594 as of December 31, 2009 and 2008, respectively.

Note 12: Subsequent Events

In 2010, the members of the Company intend to exchange their membership interests in the Company for shares of common stock of an entity formed by the Company and expected to be named Horizon Technology Finance Corporation (the "Share Exchange"). In conjunction with the Share Exchange, Horizon Technology Finance Corporation plans on completing an initial public offering ("IPO"). Immediately prior to the completion of an IPO, the Company, to the extent there is available cash on hand at the Company, expects to make a cash distribution ("Pre-IPO Distribution") to its Class A Member from net income and as a return of capital. After the Pre-IPO Distribution and immediately prior to the completion of the IPO, all owners of the Company would exchange their membership interests in the Company for shares of common stock of Horizon Technology Finance Corporation. Horizon Technology Finance Corporation is expected to become the public corporation upon the completion of the IPO. Upon the completion of the Share Exchange and the IPO, the Company would become a wholly owned subsidiary of Horizon Technology Finance Corporation.

Through and including , 2010 (the 25th day after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscription.

Part C

OTHER INFORMATION

Item 25. ***Financial statements and exhibits***

1. *Financial Statements*

The following financial statements of Horizon Technology Finance Corporation (the "Registrant" or the "Company") are included in Part A of this Registration Statement.

INDEX TO FINANCIAL STATEMENTS

2. *Exhibits*

Exhibit No.	Description
(a)	Amended and Restated Certificate of Incorporation(1)
(b)	Amended and Restated Bylaws(1)
(d)	Form of Specimen Certificate(1)
(e)	Dividend Reinvestment Plan(1)
(f)(1)	Credit and Security Agreement by and among Horizon Credit I LLC, WestLB AG, New York Branch, U.S. Bank National Association, as custodian and paying agent, and WestLB AG, New York Branch, as agent, dated as of March 4, 2008(2)
(f)(2)	First Amendment of Transaction Documents by and among Horizon Credit I LLC, West LB AG, New York Branch, U.S. Bank National Association, as custodian and paying agent, West LB AG, New York Branch, as agent, Horizon Technology Finance Management LLC, and Lyon Financial Services, Inc., dated as of September 30, 2008.(2)

Exhibit No.	Description
(f)(3)	Second Amendment of Transaction Documents by and among Horizon Credit I LLC, West LB AG, New York Branch, as the lender and agent, and U.S. Bank National Association, as custodian, dated as of October 7, 2008.(2)
(f)(4)	Sale and Contribution Agreement by and between Compass Horizon Funding Company LLC and Horizon Credit I LLC, dated as of March 4, 2008(1)
(g)	Investment Management Agreement(1)
(h)	Form of Underwriting Agreement(1)
(j)(1)	Custody Agreement(1)
(j)(2)	Form of Foreign Custody Manager Agreement(1)
(k)(1)	Form of Stock Transfer Agency Agreement(1)
(k)(2)	Form of Administration Agreement(1)
(k)(3)	Form of Sub-Administration and Accounting Services Agreement(1)
(k)(4)	Trademark License Agreement by and between the Registrant and Horizon Technology Finance Management LLC(1)
(k)(5)	Form of Registration Rights Agreement among Compass Horizon Partners, LP, HTF-CHF Holdings LLC and the Company(1)
(l)	Opinion and Consent of Counsel to the Company(1)
(n)	Consent of Independent Registered Public Accounting Firm(2)
(r)(1)	Code of Ethics of the Company(1)
(r)(2)	Code of Ethics of our Advisor(1)

(1) To be filed by amendment.

(2) Filed herewith.

Item 26. ***Marketing arrangements***

The information contained under the heading “Underwriters” in this Registration Statement is incorporated herein by reference.

Item 27. ***Other expenses of issuance and distribution***

The following table sets forth the estimated expenses to be incurred in connection with the offering described in this registration statement:

SEC registration fee	$ 8,912.50
FINRA filing fee	13,000
NASDAQ Global Market listing fee	125,000
Printing (other than certificates)	*
Engraving and printing certificates	*
Accounting fees and expenses	*
Legal fees and expenses	*
Transfer agent fees	*
Miscellaneous fees and expenses	*
Total	$ *

* To be furnished by amendment.

All of the expenses set forth above shall be borne by the Registrant.

Item 28. ***Persons controlled by or under common control with the registrant***

Immediately following the completion of the Share Exchange, we will own 100% of the outstanding equity interests of Compass Horizon Funding Company LLC, a Delaware limited liability company.

Item 29. ***Number of holders of shares***

The following table sets forth the approximate number of record holders of the Company's common stock as of , 2010:

Title of Class	Number of Record Holders
Common Stock, $0.001 par value	

Item 30. ***Indemnification***

The information contained under the heading "Description of Capital Stock" is incorporated herein by reference.

Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended, which we refer to as the "Securities Act," may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is again public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The Registrant carries liability insurance for the benefit of its directors and officers (other than with respect to claims resulting from the willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his or her office) on a claims-made basis.

The Registrant has agreed to indemnify the underwriters against specified liabilities for actions taken in their capacities as such, including liabilities under the Securities Act.

Item 31. ***Business and Other Connections of Investment Advisor***

A description of any other business, profession, vocation or employment of a substantial nature in which Horizon Technology Finance Management LLC, which we refer to as our "Advisor," and each managing director, director or executive officer of our Advisor, is or has been during the past two fiscal years, engaged in for his or her own account or in the capacity of director, officer, employee, partner or trustee, is set forth in Part A of this Registration Statement in the section entitled "Our Advisor." Additional information regarding our Advisor and its executive officers and directors is set forth in its Form ADV, as filed with the Securities and Exchange Commission (SEC File No. 801-71141), and is incorporated herein by reference. See "Management."

Item 32. ***Location of accounts and records***

The Registrant's accounts, books and other documents are currently located at the offices of the Registrant, c/o Advisor, 76 Batterson Park Road, Farmington, Connecticut 06032, and at the offices of the Registrant's Custodian and Transfer Agent, .

Item 33. ***Management services***

Not Applicable.

Item 34. ***Undertakings***

(1) The Registrant hereby undertakes to suspend the offering of its common stock until it amends its prospectus if (a) subsequent to the effective date of its Registration Statement, the net asset value declines more than 10% from its net asset value as of the effective date of the Registration Statement or (b) the net asset value increases to an amount greater than its net proceeds as stated in the prospectus.

(2) Not applicable.

(3) Not applicable.

(4) Not applicable.

(5) (a) For the purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of a registration statement in reliance upon Rule 430A and contained in the form of prospectus filed by the Registrant under Rule 497(h) under the Securities Act of 1933 shall be deemed to be part of the Registration Statement as of the time it was declared effective.

(b) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of the securities at that time shall be deemed to be the initial bona fide offering thereof.

(6) Not applicable.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Farmington, and State of Connecticut, on the 4th day of June, 2010.

HORIZON TECHNOLOGY FINANCE CORPORATION

By: /s/ Robert D. Pomeroy, Jr.
Name: Robert D. Pomeroy, Jr.
Title: Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities set forth below on June 4, 2010. This document may be executed by the signatories hereto on any number of counterparts, all of which constitute one and the same instrument.

Name	Title
/s/ Robert D. Pomeroy, Jr. Robert D. Pomeroy, Jr.	Chief Executive Officer and Chairman of the Board of Directors
* Gerald A. Michaud	President and Director
* David P. Swanson	Director
/s/ Christopher M. Mathieu Christopher M. Mathieu	Senior Vice President and Chief Financial Officer

*By: /s/ Robert D. Pomeroy, Jr.
Attorney-in-fact

Exhibit (f)(1)

EXECUTION VERSION

HORIZON CREDIT I LLC

as Borrower

and

WESTLB AG, NEW YORK BRANCH,

as Lender

and

U.S. BANK NATIONAL ASSOCIATION,

as Custodian and Paying Agent

and

WESTLB AG, NEW YORK BRANCH,

as Agent

CREDIT AND SECURITY AGREEMENT

Dated as of March 4, 2008

CREDIT AND SECURITY AGREEMENT

THIS CREDIT AND SECURITY AGREEMENT, dated as of March 4, 2008 is entered into by and among:

(a) HORIZON CREDIT I LLC, a Delaware limited liability company ("Borrower"),

(b) WESTLB AG, NEW YORK BRANCH (together with its successors and permitted assigns hereunder, the "Lender"),

(c) U.S. BANK NATIONAL ASSOCIATION, as the Custodian (the "Custodian") and the Paying Agent ("the Paying Agent"), and

(d) WESTLB AG, NEW YORK BRANCH, as agent for the Lender hereunder or any successor agent hereunder (together with its successors and assigns hereunder, the "Agent").

Unless defined elsewhere herein, capitalized terms used in this Agreement shall have the meanings assigned to such terms in Exhibit I hereto.

PRELIMINARY STATEMENTS

WHEREAS, the Borrower desires to borrow from the Lender from time to time amounts up to the Facility Limit, subject to the terms and conditions set forth herein (the "Loan").

WHEREAS, in order to secure the Loan and the Borrower's obligations under this Agreement, the Borrower will grant the Agent on behalf of the Lender a first priority security interest in the Collateral.

WHEREAS, WestLB AG, New York Branch has been requested and is willing to act as the Agent on behalf of the Lender in accordance with the terms hereof.

ARTICLE I

THE LOAN

Section 1.1 Credit Facility.

(a) Upon the terms and subject to the conditions hereof and subject to the fulfillment of the conditions precedent in Section 4.1, the Lender shall advance to the Borrower on the dates and in the amounts specified in the initial Advance Request (the "Initial Advance") and thereafter, from time to time during the Revolving Period, upon the terms and subject to the fulfillment of the conditions precedent in Section 4.2, the Lender shall make additional advances to the Borrower (each, a "Subsequent Advance", and together with the Initial Advance, each an "Advance").

(b) Notwithstanding anything herein or in any Transaction Document to the contrary, in no event shall any Advance be made:

(1) if the Aggregate Loan Balance at the time of such Advance exceeds the lesser of (x) the Borrowing Base and (y) the Facility Limit;

(2) if the making of such Advance would cause the Aggregate Loan Balance outstanding at the time of such Advance to exceed the lesser of (i) the Borrowing Base and (ii) the Facility Limit; or

(3) if the Revolving Period shall have terminated.

(c) The Loan and all other Obligations shall be secured by the Collateral as provided in Article X.

Section 1.2 Accrual of Interest.

Until the Borrower has paid in full, the Aggregate Loan Balance and any other amounts owed to the Lender pursuant to the Transaction Documents, Interest shall accrue on a daily basis from the date of the Initial Advance, at a rate per annum equal to the applicable Interest Rate, as calculated pursuant to the terms set forth herein.

Section 1.3 Transfer Funds.

Subject to the fulfillment of the conditions precedent specified in Section 4.1 with respect to the Initial Advance and the fulfillment of the conditions precedent specified in Section 4.2 with respect to any Subsequent Advance, the Lender shall wire transfer the principal amount of the applicable Advance to the account specified by the Borrower in the applicable Advance Request not later than 2:00 p.m. (New York City time) on the date specified in the Advance Request with respect to the applicable Advance.

ARTICLE II

PAYMENTS AND AVAILABLE FUNDS

Section 2.1 Payments.

(a) The Borrower hereby promises to pay:

(i) to the Agent on behalf of the Lender, the principal amount of the Loan on each date and in such amounts required to be distributed out of Available Funds pursuant to Section 2.3 hereof;

(ii) to the related Persons, the fees set forth in the Fee Letter in the amounts and on the dates specified therein;

(iii) to the Agent on behalf of the Lender, all accrued and unpaid Interest on the Aggregate Loan Balance on each Monthly Remittance Date out of Available Funds pursuant to Section 2.3 hereof; and

(iv) to the Agent on behalf of the Lender, in full, any remaining Aggregate Loan Balance plus accrued and unpaid Interest on the earlier of the Termination Date and the Monthly Remittance Date in the month following the month in which the balance of the Venture Loans has been reduced to zero.

(b) The Borrower agrees to pay to the Agent on behalf of the Lender, Interest at the applicable Interest Rate on all amounts which are past due from the date such amount was due (after expiry of any applicable grace period) through the date of payment.

(c) All amounts to be paid or deposited by the Borrower pursuant to any provision of this Agreement or any other Transaction Document shall be paid or deposited in accordance with the terms hereof no later than 2:00 p.m. (New York City time) on the day when due in United States dollars and immediately available funds, and if not received before 2:00 p.m. (New York City time) shall be deemed to be received on the next succeeding Business Day. If such amounts are payable to the Lender they shall be paid to the Agent's account, for the account of the Lender, at Chase Manhattan Bank, ABA #021000021, under the account name of "WestLB, NY" and with an account number of 920-1-060663 (and with a reference to "Horizon Credit I LLC, Attention: Loan Administration"), until otherwise notified by the Agent in writing.

(d) All payments (including without limitation prepayments under Section 2.2, but excluding any Weekly Distribution Amount, or any partial prepayment thereunder, paid separately pursuant to the terms of this Agreement) made by the Borrower to the Lender under any provision of this Agreement shall be applied to amounts then due and payable in the following order and priority: (i) to any fees, expenses and indemnities payable by the Borrower, the Seller or the Servicer to the Agent and the Lender under any provision of this Agreement or any other Transaction Document, (ii) to any accrued and unpaid interest due under any provision of this Agreement other than with respect to any Weekly Distribution Amount under Section 2.6(d), or any partial prepayment under Section 2.2(a), and (iii) to principal payments on the Aggregate Loan Balance.

(e) To the extent permitted by law, all payments made by the Borrower under any provision of this Agreement or any other Transaction Document must be made without set-off or counterclaim. If a payment under any provision of this Agreement or any other Transaction Document is due on a day which is not a Business Day, the due date for that payment will instead be the next succeeding Business Day. If this Agreement or any other Transaction Document does not provide for when a particular payment is due, that payment will be due within five (5) Business Days of written demand of the Borrower by the Agent.

(f) All payments made by or on behalf of the Borrower to or for the account of the Agent or Lender with respect to any Advance shall be made in such amounts as may be necessary in order to compensate the Agent and Lender for any additional cost or reduced amount receivable in respect of such payments as a result of any present or future taxes, levies or other similar charges of whatsoever nature imposed by any government or any political subdivision or taxing authority hereof, other than any (i) franchise (and similar) taxes or (ii) taxes on or measured by the net income or gross income (including branch profits) of the Lender or Agent, in each case imposed by the jurisdiction (or any political subdivision thereof), as a result of the Agent or Lender, as the case may be, being organized or having its principal office or offices or lending office or

offices located in such jurisdiction (or withholding requirements in respect of any of the foregoing), or as a result of a present or former connection between the Agent or Lender and the jurisdiction (other than a connection arising solely as a result of the Lender or Agent having performed its obligations or received payment hereunder).

(g) If the Lender or Agent is not a United States person within the meaning of Tax Code Section 7701(a)(30) (a "Non-U.S. Participant"), it shall deliver to the Borrower on or prior to the Closing Date (or in the case of a Lender that is an assignee, on the date of such assignment to such Lender) two accurate and complete original signed copies of IRS Form W-8BEN, W-8ECI, or W-8IMY (or any successor or other applicable form prescribed by the IRS) certifying to the Lender's or Agent's entitlement to a complete exemption from United States withholding tax on interest payments to be made hereunder or under any Loan. If the Lender or Agent is a Non-U.S. Participant and is claiming a complete exemption from withholding on interest pursuant to Tax Code Sections 871(h) or 881(c), the Lender or Agent shall deliver (along with two accurate and complete original signed copies of IRS Form W-8BEN) a certificate in form and substance reasonably acceptable to the Borrower (any such certificate, a "Withholding Certificate") certifying to the effect that the Lender or Agent is not (A) a "bank" within the meaning of Section 881(c)(3)(A) of the Tax Code, (B) a "10 percent shareholder" of the Borrower within the meaning of Section 881(c)(3)(B) of the Tax Code, or (C) a controlled foreign corporation receiving interest from a related person within the meaning of Section 881(c)(3)(C) of the Tax Code.

(h) In addition, if the Lender or Agent is a Non-U.S. Participant, it agrees that from time to time after the Closing Date, (or in the case of a Lender that is an assignee, after the date of the assignment to such Lender), when a lapse in time (or change in circumstances occurs) renders the prior certificates hereunder obsolete or inaccurate in any material respect, the Lender or Agent shall, to the extent permitted under applicable law, deliver to the Borrower two new and accurate and complete original signed copies of an IRS Form W-8BEN, W-8ECI, or W-8IMY (or any successor or other applicable forms prescribed by the IRS), and if applicable, a new Withholding Certificate, to confirm or establish the entitlement of the Lender or Agent to an exemption from United States withholding tax on interest payments to be made hereunder or under any Loan.

(i) If the Lender or Agent is not a Non-U.S. Participant, it shall provide two properly completed and duly executed copies of IRS Form W-9 (or any successor or other applicable form) to the Borrower certifying that the Lender or Agent is exempt from United States backup withholding tax. To the extent that a form provided pursuant to this section is rendered obsolete or inaccurate in any material respects as result of change in circumstances with respect to the status of the Lender or Agent, the Lender or Agent shall, to the extent permitted by applicable law, deliver to the Borrower revised forms necessary to confirm or establish the entitlement to such Lender's or Agent's exemption from United States backup withholding tax.

(j) The Borrower shall not be required to compensate the Agent or Lender pursuant to Section 2.1(f) or indemnify the Lender or Agent pursuant to Section 8.1 for any taxes, and Borrower may withhold any taxes as it deems necessary and advisable, to the extent that (i) such obligations would not have arisen but for the failure of the Lender or Agent to comply with Sections 2.1(g), (h), or (i), as applicable, (ii) the form or forms and/or Withholding Certificate delivered by the Lender or Agent pursuant to Section 2.1(g), (h) or (i) do not establish a complete

exemption from U.S. federal withholding tax or the information or certifications made therein by the Lender or Agent are untrue or inaccurate on the date delivered in any material respect, or (iii) the Lender or Agent designates a successor lending office at which it maintains the Advances which has the effect of causing such Lender or Agent to become obligated for tax payments in excess of those in effect immediately prior to such designation.

(k) In the event the Borrower (i)(A) compensates the Lender or Agent for any taxes pursuant to Section 2.1(f) above or (B) makes an indemnification payment for taxes pursuant to Section 8.1 and (ii) makes a written request to the Lender or Agent for its cooperation, the Lender or Agent shall cooperate with the Borrower in challenging such taxes, provided that (x) the Lender or Agent reasonably determines in good faith that it will not suffer any adverse effect as a result thereof, (y) all costs of such challenge are at the expense of the Borrower and (z) the Borrower determines in good faith that there is reasonable basis to prevail in a challenge of such taxes.

(l) If the Lender or its Agent determines that it has received a refund in respect of any taxes for which the Borrower has compensated it pursuant to Section 2.1(f) or indemnified it pursuant to Section 8.1, it shall promptly remit the gross portion of such refund (whether in cash or as a tax credit) in cash to the Borrower; *provided* that the Borrower, upon the request of the Lender or the Agent, as the case may be, agrees promptly to return such refund to such party in the event such party is required to repay such refund to the relevant taxing authority (including any interest or penalties).

(m) All computations of per annum fees hereunder and per annum fees under the Fee Letter shall be made on the basis of a year of 360 days for the actual number of days (including the first day but excluding the last day) elapsed in the period for which such fees are payable.

Section 2.2 Prepayments.

(a) The Borrower may, upon delivery to the Agent and the Paying Agent of a written notice, substantially in the form of Exhibit VI hereto (a "Prepayment Notice"), not later than 12:00 p.m. (New York City time) on the Business Day prior to the related Prepayment Date designated in such Prepayment Notice, instruct the Paying Agent to prepay a portion of the Aggregate Loan Balance or the entire Aggregate Loan Balance (as set forth in the related Prepayment Notice) on the related Prepayment Date, from the Prepayment Available Funds on deposit in the Collection Account on the related Prepayment Date. Such Prepayment Notice shall designate the proposed Prepayment Date upon which any such prepayment shall occur, and the amount of the related prepayment; provided, that any such prepayment shall (i) only be made in a minimum amount of One Million Dollars ($1,000,000) and integral multiples of One Thousand Dollars ($1,000) in excess of that amount, unless such Prepayment Notice shall specify that the entire outstanding Aggregate Loan Balance is to be so prepaid, (ii) in the event that the entire outstanding Aggregate Loan Balance is to be so prepaid, be preceded or accompanied by the payment to the Agent of an amount equal to the accrued interest (calculated as set forth in Section 1.2) on the principal amount of the Aggregate Loan Balance, (iii) be applied in the manner described in Section 2.1(d), (iv) be preceded or accompanied by the payment to the Agent, no later than 12:00 p.m. (New York City time) on the Prepayment Date, of an amount sufficient to compensate the Lender and the Agent for all Prepayment Costs incurred by the Lender and the

Agent as a result of such prepayment, (v) include any breakage costs incurred under any Interest Rate Hedge transaction required to be terminated early in order to make such prepayment, and (vi) be made (x) from the Collection Account, only to the extent of Prepayment Available Funds on deposit in the Collection Account on such Prepayment Date or (y) from equity contributions made to the Borrower.

(b) Notice of a voluntary prepayment having been given as aforesaid, the principal amount of the Aggregate Loan Balance specified in such notice shall become due and payable on the related Prepayment Date.

Section 2.3 Application of Available Funds.

In accordance with the Monthly Report delivered to the Paying Agent by the Servicer on or before the third Business Day preceding the related Monthly Remittance Date (as set forth in Section 4.01 of the Servicing Agreement), all Available Funds shall be distributed on each Monthly Remittance Date by the Paying Agent from the Collection Account as follows:

first, concurrently (A) to the Back-up Servicer, the Back-up Servicer Fee and (as applicable) the Transition Expenses, (B) to the Custodian, the Custodian Fee, (C) to the Paying Agent, the Paying Agent Fee, and (D) to the Back-up Servicer, the Custodian, and the Paying Agent, *pro rata*, all other out-of-pocket costs, expenses, indemnities and reimbursements (including without limitation, attorneys' fees) then due and owing to such Person pursuant to this Agreement or any other Transaction Document ("Extraordinary Expenses"); provided, however, that such Extraordinary Expenses of this section *first* shall not exceed Fifty Thousand U.S. Dollars ($50,000) per annum. Any additional expenses shall be subject to subsection *tenth* below;

second, to the Servicer, the related Servicing Fee with respect to any such Monthly Remittance and if the Servicer is the Back-up Servicer acting as Successor Servicer, all reasonable costs, expenses, indemnities and reimbursements due and owing to such person pursuant to this Agreement and the Transaction Documents;

third, to the Hedge Counterparty (if any) amounts owed under any Interest Rate Hedge (excluding breakage fees);

fourth, to the Agent for the account of the Lender, accrued and unpaid Interest on the Aggregate Loan Balance calculated in accordance with Section 1.2;

fifth, to the Agent for the account of the Lender, any accrued and unpaid Non-Use Fee for the Collection Period;

sixth, to the Agent for the account of the Lender, all fees then due and owing to the Lender pursuant to this Agreement or any other Transaction Document;

seventh, to the Agent for the account of the Lender, in reduction of the Aggregate Loan Balance, the amount necessary to reduce the Borrowing Base Deficit to zero;

eighth, to the Hedge Counterparty, unpaid breakage fees due under any Interest Rate Hedge;

ninth, upon the occurrence of an Early Amortization Event, to the Agent for the account of the Lender, all remaining funds until such time as the Aggregate Loan Balance has been reduced to zero;

tenth, concurrently and on a *pari passu* basis, to the Agent, the Lender, the Servicer, the Back-up Servicer, if any, the Custodian, the Lockbox Bank, Paying Agent, or any other Indemnified Party pursuant to the terms of this Agreement or any other Transaction Document, an amount equal to all reasonable costs, expenses, indemnities and reimbursements then due and owing to such Person pursuant to this Agreement or any other Transaction Document in excess of any stated limitations above; and

eleventh, to the Borrower or to such other Person as the Borrower shall direct the Paying Agent in writing, all remaining funds, for retention or, in its discretion for distribution.

Notwithstanding anything herein or in any other Transaction Document to the contrary, no distributions shall be made pursuant to clause *eleventh* of this Section 2.3 at any time following the occurrence and during the continuance of an Early Amortization Event, Event of Default or Unmatured Event of Default, until such time as all Obligations of the Borrower has been paid in full.

Section 2.4 Evidence of Debt.

The Agent shall maintain a ledger evidencing the Loan and each Advance owing to the Lender from time to time, including the amounts of principal and interest payable and paid to the Lender from time to time hereunder. The entries made in such ledger shall be conclusive and binding for all purposes, absent manifest error.

Section 2.5 Payment Rescission.

No payment of any of the Obligations shall be considered paid or applied hereunder to the extent that, at any time, all or any portion of such payment or application is rescinded by application of law or judicial authority, or must otherwise be returned or refunded for any reason. The Borrower shall remain obligated for the amount of any payment or application so rescinded, returned or refunded, and shall promptly pay to the Agent (for application to the Person or Persons who suffered such rescission, return or refund) the full amount thereof, plus Interest on such amount at the applicable Interest Rate from the date of any such rescission, return or refunding to the date of such payment.

Section 2.6 Collection Account.

(a) On or prior to the Initial Funding Date, the Paying Agent shall establish and maintain, in trust for the Agent for the benefit of the Lender, an account which shall be titled “Horizon Credit I LLC Collection Account, WestLB AG, New York Branch as the Agent for the benefit of WestLB AG, New York Branch, as the Lender” and into which proceeds from the Collateral will be deposited (the “Collection Account”).

(b) All amounts deposited into the Collection Account shall be held by the Paying Agent in the name of the Agent in trust for the benefit of the Lender in accordance with the terms and provisions of this Agreement, and the Paying Agent shall not commingle any funds on deposit in the Collection Account with any funds held by it on its behalf or on behalf of any other Person.

(c) The amount at any time credited to the Collection Account shall, if invested, be invested in such Eligible Investments as directed by the Servicer in writing. If Servicer has not selected Eligible Investment or provided written instructions with respect to such investments of funds, such amounts shall be invested in investments described in clause (iv) of the definition of Eligible Investments. All Eligible Investments shall mature or be subject to redemption or withdrawal on or before, and shall be held until, the Business Day preceding the related Monthly Remittance Date or Weekly Distribution Date (whichever is earlier). All investment earnings from Eligible Investments in the Collection Account from time to time shall be credited to the Collection Account and included as Available Funds on the next succeeding Monthly Remittance Date and included in the calculation of Prepayment Available Funds on the related Monthly Remittance Date or Weekly Distribution Date or Prepayment Date (as the case may be). If there is any loss on an Eligible Investment or demand deposit, the Borrower shall ensure that the Parent shall promptly remit the amount of the loss to the Paying Agent to credit the Collection Account no later than the Business Day preceding the next following Monthly Remittance Date or Weekly Distribution Date (whichever is earlier). The Paying Agent shall have no liability for any loss incurred as a result of any investment or lack of investment hereunder.

(d) The Paying Agent shall withdraw funds from the Collection Account as follows, subject to timely receipt by the Paying Agent of the Monthly Report or Weekly Distribution Request, as applicable:

(i) subject to the provisions of Section 2.6(e), on each Weekly Distribution Date, upon delivery to the Agent and Paying Agent of a written notice, substantially in the form of Exhibit VIII hereto (a "Weekly Distribution Request") not later than 3:00 p.m. (New York City time) on the Business Day prior to the related Weekly Distribution, the Paying Agent shall (A) distribute to the Agent the Weekly Distribution Amount relating to such Weekly Distribution Date then on deposit in the Collection Account, for application to reduce the outstanding principal balance of the Loan, and (B) provide a written notice to the Agent and the Borrower as to the amount of (1) the Weekly Distribution Amount being distributed to the Agent on such Weekly Distribution Date and (2) the Required Holdback Amount being retained on deposit in the Collection Account on such Weekly Distribution Date;

(ii) on each Monthly Remittance Date, the Paying Agent shall distribute the Available Funds relating to such Monthly Remittance Date on deposit in the Collection Account on such Monthly Remittance Date in accordance with Section 2.3;

(iii) on each Prepayment Date, the Paying Agent shall distribute the Prepayment Available Funds relating to such Prepayment Date on deposit in the Collection Account on such Prepayment Date, in accordance with (and following the satisfaction of the conditions relating thereto set forth in) Section 2.2, subject to retention in the Collection Account of the Required Holdback Amount in connection with any partial prepayment;

(iv) on any date, to withdraw amounts (i) deposited therein in error, (ii) relating to Excluded Amounts, and (iii) required to be distributed pursuant to the terms of any Participation Agreement, intercreditor agreement or other subordination agreement; and

(v) on and after the Termination Date, to clear and terminate the Collection Account and deliver to the Borrower any amounts remaining after all Obligations of the Borrower hereunder (other than contingent obligations which expressly survive the termination of this Agreement) and under any Transaction Document have been completely and indefeasibly paid in full.

(e) A distribution of Weekly Distribution Amounts pursuant to Section 2.6(d)(i) above shall not be made on any Weekly Distribution Date unless the amount of such Weekly Distribution Amount shall exceed Two Hundred Fifty Thousand Dollars ($250,000).

Section 2.7 Back-up Servicer; Back-up Servicer Trigger Events.

The Back-up Servicer shall receive such reports and perform such functions as are set out in the Servicing Agreement as of the Closing Date. At any time following the occurrence and during the continuation of any Back-up Servicer Trigger Event, and prior to its becoming a successor Servicer, the Back-up Servicer shall, in addition to the Servicer, perform certain additional duties and functions with respect to the Venture Loans and Warrants owned by the Borrower as set out in the Servicing Agreement.

Upon the Back-up Servicer becoming the successor Servicer, the Back-up Servicer, the Agent, and any other parties to the Servicing Agreement may supplement the duties set out in the Servicing Agreement by a separate servicing agreement to include the minimum Servicer functions currently set out in the Servicing Agreement as well as such other functions as may be agreed by the parties thereto.

Section 2.8 Lockbox Account.

Following the establishment of the Lockbox Account on and as of the Closing Date pursuant to the Lockbox Agreement, the Borrower shall at all times bear the cost of maintaining the Lockbox Account (including the Lockbox Bank's customary fees for acting as lockbox bank), and shall instruct all Persons required to, or otherwise making, any payment on or with respect to a Venture Loan, any other Purchased Asset and any other Collateral to remit all such payments to the Lockbox Account. All amounts (other than any Excluded Amounts) deposited into the Lockbox Account are and at all times shall be subject to the Lender's security interest therein immediately upon receipt and, pursuant to the terms of the Lockbox Agreement, shall be transferred by the Lockbox Bank to the Collection Account as provided in the Servicing Agreement. If the Agent, the Lender or the Paying Agent shall receive from any source any amounts or proceeds with respect to any Excluded Amounts, the Agent, the Lender or the Paying Agent (as applicable) shall hold such amounts in trust for the Seller and shall promptly remit such amount or proceeds to the Seller without setoff or deduction for any reason and in any event within one (1) Business Day of receipt thereof.

ARTICLE III

REPRESENTATIONS AND WARRANTIES

Section 3.1 Representations and Warranties of the Borrower.

The Borrower hereby represents and warrants to the Agent and the Lender as of the date hereof and as of each Advance Date:

(a) Existence and Power. The Borrower's jurisdiction of organization is correctly set forth in the preamble to this Agreement. The Borrower is duly organized under the laws of that jurisdiction and no other state or jurisdiction. The Borrower is validly existing and in good standing under the laws of its state of organization. The Borrower is duly qualified to do business and is in good standing as a foreign entity, and has and holds all organizational power and all licenses, authorizations, consents and approvals of Governmental Authorities and tax, accounting, regulatory and licensing bodies required to carry on its business in each jurisdiction in which its business is conducted except where the failure to so qualify or so hold individually or in the aggregate could not reasonably be expected to have a Material Adverse Effect.

(b) Power and Authority; Due Authorization, Execution and Delivery. The execution and delivery by the Borrower of this Agreement and each other Transaction Document to which it is a party, and the performance of its obligations hereunder and thereunder and the Borrower's use of the proceeds of the Loan made hereunder, and the grant to the Agent, for the benefit of the Lender, of a first priority security interest (subject only to Permitted Liens) in the Collateral on the terms and conditions of this Agreement, are within its powers and authority and have been duly authorized by all necessary organizational action on its part. This Agreement and each other Transaction Document to which the Borrower is a party have been duly executed and delivered by the Borrower.

(c) No Conflict. The execution and delivery by the Borrower of this Agreement and each other Transaction Document to which it is a party, and the performance of its obligations hereunder and thereunder, do not contravene or violate (i) any of its organizational documents, (ii) any law, rule or regulation applicable to it, (iii) any restrictions under any material agreement, contract or instrument to which it is a party or by which it or any of its property is bound, or (iv) any order, writ, judgment, award, injunction or decree binding on or affecting it or its property, and do not result in the creation or imposition of any Adverse Claim on the Collateral, other assets of the Borrower or assets of any of its Affiliates (except as created hereunder).

(d) Governmental Authorization. Other than the filing of the financing statements required hereunder and except as set forth on Schedule 3.1(d), no authorization or approval or other action by, and no notice to or filing with, any Governmental Authority or regulatory, tax, licensing or accounting body or any Person is required for the due execution and delivery by the Borrower of this Agreement and each other Transaction Document to which it is a party or the performance of its obligations hereunder and thereunder or the enforceability or validity of this Agreement or any other Transaction Document, except for such authorizations, approvals, notices or filings, if any, that have been obtained prior to the date hereof.

(e) Actions, Suits. There are no actions, suits or proceedings pending, or to the Borrower's knowledge, threatened in writing, against or affecting the Borrower, or any of its properties, in or before any court, arbitrator, tribunal or other body that have had, or could reasonably be expected to have, a Material Adverse Effect. The Borrower is not in default with respect to any order of any court, arbitrator or Governmental Authority or any regulatory, tax, licensing or accounting body to the extent that any such default has had, or could reasonably be expected to have, a Material Adverse Effect.

(f) Binding Effect. This Agreement and each other Transaction Document to which the Borrower is a party constitute the legal, valid and binding obligations of the Borrower, enforceable against the Borrower in accordance with their respective terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally, subject to general principles of equity (regardless of whether consider in a proceeding in equity or at law), and subject to state laws that restrict the enforcement of remedies.

(g) Accuracy of Information. All information heretofore furnished in writing by the Borrower or any of its Affiliates to the Agent or the Lender for purposes of or in connection with this Agreement, any of the other Transaction Documents or any transaction contemplated hereby or thereby is, and all such written information (including any report delivered by the Borrower or any of its Affiliates) hereafter furnished by the Borrower (or any of its Affiliates, managers, employees or officers) to the Agent or the Lender will be, true and accurate in all material respects on the date such information is stated or certified and does not and will not contain any untrue statement of a material fact or be otherwise misleading in light of the circumstances under which such information was furnished. There is no material fact that the Borrower has not disclosed to the Agent in writing which could reasonably be expected to have a Material Adverse Effect.

(h) Good Title. The Borrower is the legal and beneficial owner of the Venture Loans (subject to the rights of the related Participant under a Permitted Participation Arrangement), and the Venture Loans, the Warrants, and the other Collateral are free and clear of any Adverse Claim. There have been duly filed all financing statements or other similar instruments or documents necessary under the UCC (or any comparable law) of all appropriate jurisdictions to perfect by filing the Borrower's ownership interest in each Venture Loan, Warrant and the other Collateral.

(i) Perfection. This Agreement is effective to create in favor of the Agent for the benefit of the Secured Parties, and following the execution of the Transaction Documents the Agent shall have, a valid security interest in the Collateral to secure payment of the Obligations, free and clear of any Adverse Claim except as created by the Transaction Documents. There have been duly filed all financing statements or other similar instruments or documents necessary under the UCC (or any comparable law) of all appropriate jurisdictions to perfect by filing the first priority security interest (subject only to Permitted Liens) of the Agent (for the benefit of the Secured Parties) in the Collateral. The delivery of the documents required to be included in the related Loan Files to the Custodian under the Custodial Agreement and Section 6.1 of this Agreement is sufficient, under the UCC (or any comparable law) of all appropriate jurisdictions, to perfect by possession the first priority security interest (subject only to Permitted Liens) of the

Agent (for the benefit of the Secured Parties) in such documents that may be perfected by possession under the UCC.

(j) Places of Business and Locations of Records. The principal places of business and chief executive office of the Borrower and the offices where it keeps all of its records are located at the address(es) listed on Exhibit II or such other locations of which the Agent has been notified in accordance with Section 5.2(a). The Borrower's Federal Employer Identification Number and state organizational identification number are correctly set forth on Exhibit II.

(k) Names. The name in which the Borrower has executed this Agreement is identical to the name of the Borrower as indicated on the public record of its state of organization which shows the Borrower to have been organized. Since the date of its organization, the Borrower has not changed its form of organization or its jurisdiction of organization, nor has it used any corporate names, trade names, fictitious names, "doing business as" names or assumed names other than the name in which it has executed this Agreement.

(l) Not an Investment Company. The Borrower is not an "investment company" or an "affiliated person" of or "promoter" or "principal underwriter" for an "investment company" within the meaning of the Investment Company Act of 1940, as amended, or any successor statute, nor is the Borrower otherwise subject to regulation thereunder.

(m) Taxes. The Borrower has filed (on a consolidated basis or otherwise) on a timely basis all tax returns (including, without limitation, all foreign, federal, state, local and other tax returns) required to be filed, is not liable for taxes payable by any other Person and has paid or made adequate provisions for the payment of all taxes, assessments, fees and other governmental charges due from the Borrower except for (a) those taxes being contested in good faith by appropriate proceedings and in respect of which it has established proper reserves on its books and (b) any taxes with respect to which the Borrower complies with the payment terms of Section 5.1(k). No tax lien or similar adverse claim has been filed, and no claim is being asserted, with respect to any such tax, assessment, fee or other governmental charge. Any taxes, assessments, fees and other governmental charges payable by the Borrower, as applicable, in connection with the execution and delivery of this Agreement and the other Transaction Documents and the transactions contemplated hereby or thereby have been paid except for taxes not yet due. There is no agreement or understanding among any of or all of the Servicer, the Borrower and the Seller (other than as expressly set forth herein), providing for the allocation or sharing of obligations to make payments or otherwise in respect of any taxes, fees, assessments or other governmental charges, except (i) as provided under the Transaction Documents, and (ii) tax sharing agreements among any or all of the Servicer, the Borrower, the Seller and any of the Seller's Affiliates, under which appropriate and customary allocation of tax sharing responsibilities has been made which reflects economic realities.

(n) Compliance with Law. The Borrower has complied in all material respects with all applicable laws, rules, regulations, orders, writs, judgments, injunctions, decrees or awards to which it may be subject other than to the extent that any such non-compliance has not had, and could not reasonably be expected to have, a Material Adverse Effect.

(o) Payments to the Seller. With respect to each Venture Loan transferred to the Borrower under the Purchase Agreement and (as applicable) the related Subsequent Transfer Instrument, the Borrower has given reasonably equivalent value to the Seller in consideration therefor and such transfer was not made for or on account of an antecedent debt.

(p) Accounting. The manner in which the Borrower accounts for the transactions contemplated by this Agreement and the other Transaction Documents is consistent with the assumptions set forth in the true sale and substantive non-consolidation analyses set forth in the legal opinions of Morrison & Cohen LLP, counsel to the Borrower, the Seller and the Servicer, dated the Closing Date and delivered to the Borrower and the Agent on the Closing Date.

(q) Margin Stock. The Borrower is not engaged in the business of extending credit for the purpose of purchasing or carrying Margin Stock. Neither the Borrower nor any Person acting on behalf of the Borrower has taken or will take any action which might cause any Transaction Document to violate Regulation T, U or X or any other regulation of the Board of Governors of the Federal Reserve System or to violate Section 7 of the Securities Exchange Act, in each case as now in effect or as the same may hereafter be in effect. The Loan will not be secured at any time by, and the Collateral in which the Borrower has granted to the Agent, for the benefit of the Secured Parties, a security interest and lien pursuant to the Transaction Documents will not contain at any time, any Margin Stock.

(r) Material Adverse Effect. No event has occurred since December 31, 2007, as to the Initial Advance hereunder, or since the most recent Advance Date, in the case of a Subsequent Advance, that could reasonably be expected to have a Material Adverse Effect.

(s) Eligible Venture Loans. Each Venture Loan included in the Borrowing Base is an Eligible Venture Loan.

(t) No Business Activity. The Borrower has been formed solely for the purpose of engaging in the transactions of the types contemplated by this Agreement and the other Transaction Documents to which it is a party or by which it is bound, and has not engaged in any business activity other than the negotiation, execution and, to the extent applicable, performance of this Agreement and the Transaction Documents.

(u) Ordinary Course. The grant of the security interest in the Collateral by the Borrower to the Agent, for the benefit of the Secured Parties, pursuant to this Agreement is in the ordinary course of business for the Borrower and is not subject to the bulk transfer or any similar statutory provisions in effect in any applicable jurisdiction. No such Collateral (other than a Participation Interest under a Permitted Participation Arrangement) has been sold, transferred, assigned or pledged by the Borrower to any Person, other than the pledge of such Collateral to the Agent, for the benefit of the Secured Parties, pursuant to the terms of this Agreement. Each of the Venture Loans pledged to the Agent for the benefit of the Secured Parties hereunder is free and clear of any Adverse Claim, and the Agent has acquired, for the benefit of the Secured Parties, a first priority perfected security interest (subject only to Permitted Liens) in the Collateral.

(v) No Indebtedness. The Borrower has no Indebtedness that in the aggregate exceeds $10,000, other than Indebtedness incurred under the terms of the Transaction Documents.

(w) Solvency. The Borrower is solvent and will not become insolvent after giving effect to the transactions contemplated on each Transfer Date by this Agreement and the other Transaction Documents; the Borrower is able to pay its debts as they become due; and the Borrower, after giving effect to the transactions contemplated on each Transfer Date by this Agreement and the other Transaction Documents, will have adequate capital to conduct its business.

(x) No Subsidiaries. The Borrower has no subsidiaries.

(y) No Agreements. There are no agreements in effect to which Borrower or Parent is a party that materially adversely affect the rights of the Borrower to make, or cause to be made, the grant of the security interest in the Collateral contemplated by this Agreement.

(z) Events of Default. No Early Amortization Event, Event of Default or Unmatured Event of Default has occurred and is continuing.

(aa) ERISA. The Borrower is in compliance with ERISA and has not incurred and does not expect to incur any liabilities (except for premium payments arising in the ordinary course of business) to the PBGC under ERISA.

ARTICLE IV

CLOSING AND PROCEDURES FOR REQUEST AND MAKING OF ADVANCES

Section 4.1 Conditions Precedent to the Closing Date

The Closing Date under this Agreement is subject to the conditions precedent that:

(i) the fees, costs, indemnities, reimbursements and expenses required to be paid to any Person on the Closing Date pursuant to the terms of this Agreement (including without limitation pursuant to Section 8.3) and the Fee Letter and the Engagement Letter shall have been paid in full to such Persons on or prior to the Closing Date;

(ii) the Agent shall have received on or before the Closing Date, those documents listed on Schedule A-1 to this Agreement, each in form and substance reasonably satisfactory to the Agent and the Lender, unless otherwise noted as required for delivery on the Initial Funding Date;

(iii) the representations and warranties set forth in Section 3.1 and in Schedule C hereto are true and correct on the Closing Date (except for any representations and warranties that speak of an earlier date, which such representations and warranties shall be true and correct as of such earlier date); and

(iv) all other acts and conditions (including, without limitation, the obtaining of any necessary regulatory approvals and the making of any required filings, recordings or registrations) required to be done and performed and to have happened prior to the execution, delivery and performance of this Agreement, the other Transaction Documents

and all documents related hereto and thereto and to constitute the same legal, valid and binding obligations, enforceable in accordance with their respective terms, shall have been done and performed and shall have happened in compliance with all applicable laws.

Section 4.2 Conditions Precedent to the Initial Advance.

The Initial Advance under this Agreement is subject to the conditions precedent that:

(i) the Agent shall have received on or before the Initial Funding Date an Advance Request relating to the Initial Advance, and those documents listed on Schedule A-1 to this Agreement as required to be delivered on the Initial Funding Date, each in form and substance reasonably satisfactory to the Agent and the Lender;

(ii) the representations and warranties set forth in Section 3.1 and in Schedule C hereto are true and correct on the Closing Date and on the Initial Funding Date (except for any representations and warranties that speak of an earlier date, which such representations and warranties shall be true and correct as of such earlier date), before and after giving effect to the making of the Initial Advance and to the application of proceeds therefrom;

(iii) no Material Adverse Effect shall have occurred and be continuing or would result from the making of the Initial Advance;

(iv) the Custodian shall have received on or before the Initial Funding Date all of the documents required to be included in the related Loan Files and other documents required to be delivered to it on or before the Initial Funding Date pursuant to the terms of this Agreement and the Custodial Agreement, and the Custodian shall have delivered to the Agent on or prior to the Initial Funding Date a certification as to such receipt;

(v) the Seller shall have contributed Eligible Venture Loans to the Borrower on the Initial Funding Date with a Venture Loan Principal Balance of at least Thirty-Five Million Dollars ($35,000,000);

(vi) all other acts and conditions (including, without limitation, the obtaining of any necessary regulatory approvals and the making of any required filings, recordings or registrations) required to be done and performed and to have happened prior to the execution, delivery and performance of this Agreement, the other Transaction Documents and all documents related hereto and thereto and to constitute the same legal, valid and binding obligations, enforceable in accordance with their respective terms, shall have been done and performed and shall have happened in compliance with all applicable laws;

(vii) no law or regulation applicable to Lender shall prohibit, and no order, judgment or decree of any federal, state or local court or Governmental Authority or any tax, licensing, accounting or regulatory body shall prohibit or enjoin, the making of the Initial Advance by the Lender in accordance with the provisions hereof;

(viii) no event has occurred and is continuing, or would result from the making of the Initial Advance, that would constitute an Early Amortization Event, an Event of Default or an Unmatured Event of Default; and

(ix) the proposed amount of such Advance is less than or equal to the amount of the Available Commitment and is in a minimum amount of Two Hundred Fifty Thousand Dollars ($250,000), or if the Available Commitment is less than Two Hundred Fifty Thousand Dollars ($250,000), the Available Commitment.

Section 4.3 Conditions Precedent to Subsequent Advances.

A Subsequent Advance shall be made by the Lender to the Borrower if:

(i) the Agent shall have received on or before the related Advance Date those documents listed on Schedule A-2 to this Agreement and the documents required to be delivered to the Agent from the Closing Date and through the related Subsequent Transfer Date pursuant to Section 5.1(a), each in form and substance satisfactory to the Agent;

(ii) all fees, costs, reimbursements, indemnities and expenses required to be paid by Borrower or Servicer to any Person from the Closing Date and through the related Subsequent Transfer Date pursuant to the terms of this Agreement (including, without limitation pursuant to Section 8.3) and the Fee Letter shall have been paid in full to all such Persons;

(iii) no event has occurred and is continuing, or would result from the making of the proposed Subsequent Advance, that will constitute an Early Amortization Event, an Event of Default or an Unmatured Event of Default;

(iv) no later than 12:00 noon (New York City) time on a day which is not less than two (2) Business Days before the related Advance Date, each of the Agent and the Paying Agent has received from the Borrower an Advance Request relating to such proposed Subsequent Advance;

(v) the Custodian shall have received all of the documents required to be included in the related Loan Files and other documents required to be delivered to it pursuant to the terms of this Agreement, the related Subsequent Transfer Instrument and the Custodial Agreement, and the Custodian shall have delivered to the Agent a certification as to such receipt;

(vi) the Advance Date is a Business Day falling within the Revolving Period;

(vii) no Material Adverse Effect shall have occurred and be continuing or would result from the making of the related Subsequent Advance;

(viii) the representations and warranties of the Borrower set forth in Section 3.1 and Schedule C attached hereto are true and correct in all material respects, provided that representations and warranties containing materiality qualifiers shall be true and correct in all respects, before and after giving effect to the related Advance to take place on the related

Advance Date and to the application of proceeds therefrom, on and as of the proposed date for the making of that Advance as though made on and as of such date;

(ix) by 12:00 noon (New York City time) on the related Advance Date, the Borrower shall have delivered to the Agent, in form and substance satisfactory to the Agent, a certificate signed by an Authorized Officer of the Borrower (A) confirming that no Borrowing Base Deficit exists prior to the making of such proposed Advance and (B) which shall demonstrate that, after giving effect to such Advance requested by the Borrower, the Aggregate Loan Balance will not exceed the Borrowing Base on such Advance Date;

(x) all terms and conditions of the Purchase Agreement and the related Subsequent Transfer Instrument required to be satisfied in connection with the assignment of each Venture Loan being pledged hereunder on such Advance Date, including, without limitation, the perfection of the Agent's interests therein to the extent required herein, shall have been satisfied in full, and all filings (including, without limitation, UCC filings) required to be made by any Person and all actions required to be taken or performed by any Person in any jurisdiction to give the Agent, for the benefit of the Secured Parties, a first priority perfected security interest (subject only to Permitted Liens) in such Collateral and the proceeds thereof shall have been made, taken or performed;

(xi) no law or regulation shall prohibit, and no order, judgment or decree of any federal, state or local court or Governmental Authority or tax, regulatory, accounting or licensing body, agency or instrumentality shall prohibit or enjoin, the making of the related Subsequent Advance by the Lender in accordance with the provisions hereof;

(xii) the Back-up Servicer and the Agent shall have received from the Servicer a Data Report, as such term is defined in the Servicing Agreement, containing such information as is ordinarily included in a servicer data report and relating to the Subsequent Venture Loans and Warrants to be transferred to the Borrower on the related Subsequent Transfer Date;

(xiii) the proposed amount of such Advance is less than or equal to the amount of the Available Commitment and is in a minimum amount of Two Hundred Fifty Thousand ($250,000), or if the Available Commitment is less than Two Hundred Fifty Thousand Dollars ($250,000), the Available Commitment;

(xiv) each of Robert D. Pomeroy, Jr. and Gerald A. Michaud (A) are employed in a senior management position of Horizon Technology Finance Management LLC, (B) are involved in the day-to-day operations of Horizon Technology Finance Management LLC, and (C) are able to perform substantially all of their respective duties as an employee or officer of Horizon Technology Finance Management LLC, *unless*, their replacements have been approved by the Agent and employed by Horizon Technology Finance Management LLC and fulfill the requirements of (A), (B) and (C) herein; and

(xv) there has been no Change of Control of Seller, or, if there has been a Change of Control of the Seller, Agent had given its prior written consent to it.

By accepting the related Subsequent Advance, the Borrower shall be deemed to have certified to the Agent on the related Subsequent Transfer Date as to the truth and correctness of the statements set forth in clauses (iii), (vii), (viii), (x), and (xiv) above.

Section 4.4 Breakage Costs.

If the Borrower fails to borrow an Advance after the Borrower has submitted an Advance Request in connection with such borrowing, the Borrower shall pay and reimburse the Agent and the Lender for any Breakage Costs incurred by such Person in connection thereto.

Section 4.5 Satisfaction of Conditions. The making of any Advance prior to or without the fulfillment by the Borrower of all the conditions precedent thereto, whether or not known to the Agent or the Lender, shall not constitute a waiver by the Agent or the Lender of the requirements that all conditions, including the non-performed conditions, shall be required to be satisfied with respect to all Advances. All conditions precedent hereunder are imposed solely and exclusively for the benefit of the Agent and the Lender and may be freely waived or modified in whole or in part by the Agent or the Lender. Any such waiver or modification must be in writing. Neither the Agent nor the Lender shall be liable to the Borrower for any costs, losses or damages arising from the Lender's determination in accordance with the terms and conditions hereof that the Borrower has not satisfactorily complied with any applicable condition precedent with respect thereto.

ARTICLE V

COVENANTS

Section 5.1 Affirmative Covenants of the Borrower.

Until the Final Payout Date, the Borrower hereby covenants that:

(a) Reporting. The Borrower will maintain, for itself, a system of accounting established and administered in accordance with GAAP, and furnish or cause to be furnished to the Agent:

(i) Annual Reporting. As soon as available and in any case no later than one hundred eighty (180) days after the close of each of its fiscal years occurring during the term of this Agreement, audited, unqualified financial statements (which shall include consolidated and consolidating balance sheets of the Parent and its consolidated Subsidiaries (including the Borrower) as of the end of such fiscal year, and statements of income, stockholders' equity and cash flow of the Parent and its consolidated Subsidiaries as part of a consolidated audit (providing consolidated schedules) (including the Borrower)), setting forth in comparative form the figures for the related previous fiscal year and accompanied by an opinion of (i) Grant Thornton LLP or (ii) another firm of independent certified public accountants of nationally recognized standing reasonably acceptable to the Agent, in each instance stating that such financial statements present fairly the financial condition of each of the Parent and the Borrower, and have been prepared in accordance with GAAP consistently applied.

(ii) Quarterly Reporting. As soon as available and in any case no later than forty-five (45) days after the close of the first three (3) quarterly periods of each of its fiscal years occurring during the term of this Agreement, balance sheets and statement of cash flows of the Parent and the balance sheets of its consolidated Subsidiaries (including the Borrower) as at the close of each such period and statements of income and retained earnings for the period from the beginning of such fiscal year to the end of such quarter, setting forth in comparative form the corresponding figures for the comparable period one year prior thereto, which balance sheets and statements shall be prepared and presented in accordance with, and provide all necessary disclosure required by, GAAP (but without footnotes, and subject to normal year-end audit adjustments) and shall be accompanied by a certificate signed by an Authorized Officer of the applicable party, stating that such balance sheets and statements present fairly the financial condition and results of operations of such party and have been prepared in accordance with GAAP consistently applied (but without footnotes, and subject to normal year-end audit adjustments).

(iii) Compliance Certificate. Together with the financial statements required hereunder, a compliance certificate in substantially the form of Exhibit III attached hereto, signed by the Borrower's Authorized Officer and dated the date of such annual financial statement or such quarterly financial statement, as the case may be.

(iv) Monthly Loan Portfolio Report. No later than three (3) Business Days prior to each Monthly Remittance Date, a loan portfolio report of portfolio activity, segmenting the portfolio by type of Venture Loan and loan status (and other criteria), in substantially the form attached hereto as Exhibit IV.

(v) Portfolio Performance Test. The tests required pursuant to Section 5.1(r) of this Agreement shall be conducted, and the results reported to the Lender, the Servicer, and the Agent, no later than (x) the date which is forty-five (45) days following each anniversary of the Closing Date (provided that, to the extent such 45th day is not a Business Day, then the immediately following Business Day, and provided, further, that no extension of this report date shall be permitted without the prior written consent of the Agent) (the "Annual Portfolio Performance Test"), and (y) the date which is thirty (30) days following the occurrence of any Level II Loss Trigger Event or Level III Loss Trigger Event (provided that, to the extent such 30th day is not a Business Day, then the immediately following Business Day and provided, further, that no extension of this report date shall be permitted without the prior written consent of the Agent)(the "Loss Trigger Event Test").

(vi) Copies of Notices. Promptly upon its receipt of (A) any management letter submitted to the Borrower, the Seller or the Servicer by its accountants, to the extent such letter relates to a Venture Loan, (B) any notice, request for consent, financial statements, certification, report or other material communication under or in connection with any Transaction Document from any Person other than the Agent or the Lender, and (C) any notice of any threatened or actual litigation or claim that could reasonably be expected to have a Material Adverse Effect, copies of the same.

(vii) Audit Procedures Report. Within six (6) months of the Closing Date, or such later date as Agent may agree, and on, or prior to, each anniversary of such date

thereafter, an “agreed upon procedures” report to be performed by a firm of independent certified public accountants of nationally recognized standing reasonably acceptable to Agent, with respect to the Venture Loans and Warrants owned by the Borrower.

(viii) Other Information. Promptly, from time to time, such other information, documents, records or reports relating to the Venture Loans or the condition or operations, financial or otherwise, of the Borrower, the Seller and the Servicer as the Agent may from time to time reasonably request in order to protect the interests of the Agent and the Lender under or as contemplated by this Agreement.

(ix) Search Reports. On each anniversary of the date of this Agreement, following the Lender’s or the Agent’s written request with respect thereto, a UCC search report against the Borrower, issued by the state of its organization.

(b) Notices. The Borrower will notify the Agent and the Back-up Servicer in writing of any of the following promptly upon (and in any event no later than five (5) days after) an Authorized Officer of the Borrower obtaining actual knowledge of the occurrence thereof, describing the same and, if applicable, the steps being taken with respect thereto:

(i) Certain Events. The occurrence of each Early Amortization Event, each Event of Default and each Unmatured Event of Default.

(ii) Judgments and Proceedings. The entry of any judgment or decree or the institution of any litigation, arbitration proceeding or governmental proceeding by or against the Borrower, or by or against the Seller or the Servicer to the extent the same has had or could reasonably be expected to have a Material Adverse Effect.

(iii) Material Adverse Effect. The occurrence of any event or condition that has had, or could reasonably be expected to have, a Material Adverse Effect.

(iv) Defaults Under Other Agreements. The occurrence of a default or an event of default under any other financing arrangement for borrowed money and pursuant to which the Seller or the Servicer is a debtor or an obligor in a principal amount in excess of One Million Dollars ($1,000,000).

(v) Notices Under Purchase Agreement. Copies of all notices delivered to or by the Borrower under the Purchase Agreement.

(vi) Change in Accountants or Accounting Policy. Any change in the accountants of the Borrower, the Servicer or the Seller or any material change in such Person’s accounting policy.

(c) Compliance with Laws and Preservation of Corporate Existence. The Borrower will (and will cause the Seller and the Servicer to) comply in all respects with all applicable laws, rules, regulations, orders, writs, judgments, injunctions, decrees or awards to which such Person may be subject, except where the failure to so comply could not reasonably be expected to have a Material Adverse Effect. The Borrower will observe all corporate procedures required by the Borrower’s organizational documents. The Borrower will (and will cause the Seller

and the Servicer to) preserve and maintain its existence, rights, franchises and privileges in the jurisdiction of its formation, and qualify and remain qualified in good standing as a foreign company in each jurisdiction where its business is conducted, except where the failure to so preserve and maintain or qualify could not reasonably be expected to have a Material Adverse Effect.

(d) Special Purpose Entity/Separateness.

(i) Until all of the Obligations have been paid in full, the Borrower hereby represents, warrants and covenants that the Borrower is, shall be and shall continue to be a Special Purpose Entity, separate from the Seller.

(ii) The representations, warranties and covenants set forth in this Section 5.1(d) shall survive for so long as any amount remains payable to the Agent or the Lender under this Agreement or any other Transaction Document.

(iii) All of the assumptions made in the substantive non-consolidation opinion, dated the Closing Date, of Morrison Cohen LLP, counsel to the Borrower, required to be delivered by the Borrower on the Closing Date in connection with the execution of this Agreement, including, but not limited to, any exhibits attached thereto, are true and correct in all respects and will have been and shall be true and correct in all respects. The Borrower has complied and will comply with all such assumptions made with respect to the Borrower.

(e) Audits. The Borrower will furnish to the Agent from time to time such information with respect to the Borrower, the Seller or the Servicer and the Venture Loans and Warrants as the Agent may reasonably request. The Borrower will, from time to time during regular business hours as reasonably requested by the Agent upon written notice, at reasonable intervals and at the Borrower's expense (***provided*** that if there is no Early Amortization Event (x) such audit shall only occur on an annual basis and shall be at the same time as any audit performed pursuant to the Purchase Agreement or Servicing Agreement and (y) that any expenses of the Agent under all Transaction Documents associated with such audit, except as otherwise provided herein, shall not exceed $20,000 in the aggregate), permit the Agent, or its agents or representatives (and shall cause the Seller and the Servicer to permit the Agent, or its agents or representatives): (i) to examine and make copies of and abstracts from all Records in the possession or under the control of such Person relating to the Collateral, including, without limitation, the documents included in the related Loan Files, (ii) to examine the systems used in the processing, administration and servicing of such Venture Loans, including, without limitation, the Borrower's, the Seller's and the Servicer's, if the initial Servicer, record-keeping, accounting, auditing and other internal control systems related thereto, and (iii) to visit the offices and properties of the Borrower, the Seller and the Servicer, if the initial Servicer, for the purpose of examining such materials and systems described above, and to discuss matters relating to such Person's financial condition or the Collateral or any Person's performance under any of the Transaction Documents or any Person's performance under the documents included in the related Loan Files and, in each case, with any of the officers or employees of such Person having knowledge of such matters. The Borrower will provide its accountants and auditors with (and will cause the Seller and the Servicer to provide to their respective accountants and auditors) a copy of this Agreement promptly after the execution hereof and will instruct its accountants and auditors (and will cause the Seller and the Servicer to

instruct their respective accountants and auditors) to cooperate in good faith in answering any and all questions that any authorized representative of the Agent or the Lender may address to them in reference to the financial condition or affairs of the Borrower, the Seller or the Servicer. Notwithstanding the foregoing, the audits carried out under this Section 5.1(e), and the expenses incurred in the performance thereof, shall be a supplement to, and not a replacement or performance of and costs associated with the "agreed upon procedures" report, to be carried out by a firm of independent certified public accountants of nationally recognized standing reasonably acceptable to the Agent, as described in Section 5(a)(vii) above.

(f) Keeping and Marking of Records and Books. The Borrower will (and will cause the Servicer and the Seller to) on or prior to the related Transfer Date, mark its master data processing records, or identify in its computer systems and other books and records, relating to the related Venture Loans with a legend which shall read: "The loan evidenced by the documents listed herein has been sold to Horizon Credit I LLC and is subject to a security interest in favor of WestLB AG, New York Branch, as Agent under that certain Credit and Security Agreement, dated as of March 4, 2008, by and among, Horizon Credit I , LLC, as Borrower, WestLB AG, New York Branch, as Lender and Agent, and U.S. Bank National Association, as Custodian and Paying Agent thereunder," or such other legend as is reasonably acceptable to the Agent, describing the security interest of the Agent for the benefit of the Secured Parties in the related Collateral.

(g) Financing Statements. On or prior to the related Transfer Date, the Servicer (if the initial Servicer) or the Borrower shall, if necessary to perfect or maintain the perfection of the first priority security interest (subject to Permitted Liens) in the Collateral in favor of Agent for the benefit of the Secured Parties, file or cause to be filed with the Secretary of State of the State of Delaware a UCC-1 financing statement evidencing the security interest of the Agent for the benefit of the Secured Parties in the Collateral (which financing statement shall be in proper form for filing in such jurisdiction and shall be in form and substance reasonably acceptable to the Agent). The Borrower shall file continuation statements and take any other actions that may be required to be taken periodically under the UCC or other applicable law in order to cause a valid, subsisting and enforceable first priority perfected security interest in the Collateral in favor of the Agent for the benefit of the Secured Parties and in order to maintain the effectiveness of the financing statements referred to in the preceding sentence to perfect the first priority perfected security interest (subject only to Permitted Liens) of the Agent for the benefit of the Secured Parties in the related Collateral. Each UCC-1 financing statement filed evidencing the security interest of the Agent for the benefit of the Secured Parties in the related Collateral shall contain the following statement: "A purchase of, or security interest in, the collateral described in this financing statement shall violate the rights of the Agent for the benefit of the Secured Parties" or such other similar language or phrasing providing for the same effect.

(h) Compliance with Loan File Documents. The Borrower will timely and fully perform and comply with all material provisions, covenants and other promises required to be observed by it under the documents included in the related Loan Files.

(i) Performance and Enforcement of Purchase Agreement. The Borrower will perform its obligations and undertakings under and pursuant to the Purchase Agreement, and will purchase Venture Loans and Warrants thereunder in strict compliance with the terms thereof. The Borrower will take all actions to perfect and enforce its rights and interests (and the rights and

interests of the Agent and the Lender as collateral assignees of the Borrower) under the Purchase Agreement as the Agent may from time to time reasonably request, including, without limitation, making claims to which it may be entitled under any indemnity, reimbursement or similar provision contained in the Purchase Agreement. The Borrower will diligently enforce the rights and remedies accorded to the Borrower with respect to the Seller and the Servicer, pursuant to the Purchase Agreement and the other Transaction Documents.

(j) Ownership. The Borrower will (and will require and cause the Seller and the initial Servicer to) take all necessary action to (i) vest legal and equitable title to the Collateral purchased under the Purchase Agreement irrevocably in the Borrower, free and clear of any Adverse Claims including, without limitation, the filing of all financing statements or other similar instruments or documents necessary under the UCC (or any comparable law) of all appropriate jurisdictions to perfect the Borrower's interest in such Collateral and such other action to perfect, protect or more fully evidence the interest of the Borrower therein as the Agent may reasonably request, and (ii) establish and maintain, in favor of the Agent, for the benefit of the Secured Parties, a valid and perfected first priority security interest (subject only to Permitted Liens) in all of the Borrower's rights, titles and interests in the Collateral, free and clear of any Adverse Claims, including, without limitation, the filing of all financing statements or other similar instruments or documents, and delivering the documents required to be included in the related Loan Files to the Custodian under the Custodial Agreement and Section 6.1 of this Agreement, necessary under the UCC (or any comparable law) of all appropriate jurisdictions to perfect the first priority security interest of the Agent (for the benefit of the Secured Parties) in all of the Borrower's rights, titles and interests in the Collateral and such other action to perfect, protect or more fully evidence the interest of the Agent for the benefit of the Secured Parties in all of the Borrower's rights, titles and interests in the Collateral and under the Transaction Documents as the Agent may reasonably request.

(k) Taxes. The Borrower will file all tax returns and reports required by law to be filed by it and will promptly pay when due all taxes and governmental charges at any time owing, provided that the foregoing shall not require the Borrower to pay any such tax or charge so long as it contests such tax or charge in good faith by appropriate proceedings and has, with respect to such tax or charge, set aside on its books for adequate reserves in accordance with GAAP. Subject to the immediately preceding sentence, the Borrower will pay when due any taxes payable in connection with the Venture Loans and Warrants, exclusive of taxes on or measured by income or gross receipts of the Agent or the Lender. The Borrower will file or will cause to be filed all information returns, including, but not limited to, Form 1099-INT in connection with the Lender. At no time will Borrower enter into any agreement or understanding among any or all of the Servicer, the Purchaser, and the Seller, providing for the allocations or sharing of obligations to make payment or otherwise in respect of any taxes, fees, assessments, or other governmental charges, except as provided in the Transaction Documents.

(l) Payment to the Seller. With respect to any Venture Loan or related Warrant purchased by the Borrower from the Seller, such sale shall be effected under, and in compliance with the terms of, the Purchase Agreement, including, without limitation, the terms relating to the amount and timing of payments to be made to the Seller in respect of the purchase price for such Venture Loan and related Warrants.

(m) Proper Conduct of Business. The Borrower shall conduct its business in the ordinary course and in accordance with customary and usual procedures of institutions which originate and service loans, including without limitation material compliance with the Underwriting Guidelines and the Collection Policy.

(n) Disclosure. The Borrower shall disclose in appropriate regulatory filings and public announcements to the extent required by applicable law, all material transactions associated with this transaction. The annual financial statements of the Parent provided pursuant to Section 5.1(a)(i) (including any consolidated financial statements) shall disclose the effects of the transactions contemplated by the Purchase Agreement in accordance with GAAP as a sale of the related Venture Loans and Warrants to the Borrower, and the annual financial statements of the Borrower shall disclose the effects of the transactions contemplated by this Agreement as a loan to the extent required by and in accordance with GAAP. Such financial statements will include disclosure that the Borrower is a separate entity from the Seller and will include a footnote indicating that the Purchased Assets have been conveyed to the Borrower and are not available for creditors of the Seller or any other entity. Neither the accounting records of the Borrower nor the financial statements of the Seller shall indicate that the assets of the Borrower are available to pay creditors of the Seller or any other entity.

(o) Collections. If the Borrower, the Seller or the initial Servicer receives any collections on or proceeds of any Venture Loan, any Warrant or any other Collateral, then the Borrower will immediately remit (and will require and cause the Seller, and the initial Servicer to immediately remit) such collections and such proceeds net of any Excluded Amounts) to the Lockbox Bank for deposit into the Lockbox Account as soon as practicable (and in any case no later than one (1) Business Day) following receipt thereof.

(p) Loss Payee. The Borrower shall take all actions necessary to ensure that (i) the loss payee under each Insurance Policy, with respect to the related Venture Loan which has been procured by the related Obligor or otherwise is "Horizon Technology Finance Management LLC and/or its successors or assigns" and (ii) at all times during the term of this Agreement such Insurance Policies are in full force and effect.

(q) Protection of Security.

(A) At any time following the occurrence of an Early Amortization Event, the Borrower shall (and shall cause the Seller and the Servicer to) allow each of the Agent and the Lender, or any of its agents of any Person on its behalf, to: (i) to appear in or intervene in any proceeding or matter affecting any Venture Loan or other Collateral or the value thereof; (ii) initiate, commence, appear in and defend any foreclosure, action, bankruptcy or proceeding which could affect the security of the Collateral or the value thereof, or the rights and powers of the Agent or the Lender; (iii) contest by litigation or otherwise any lien asserted against the Venture Loans or other Collateral; and/or (iv) make payments on account of such encumbrances, charges, or liens and to service any assigned Venture Loan and take any action it may deem appropriate to collect any Collateral or any part thereof or to enforce any rights with respect thereto.

(B) All out-of-pocket costs and expenses, including reasonable attorneys' fees (including, but not limited to, those incurred on appeal), that the Agent or the Lender may incur with respect to any of the foregoing set forth in (A) and (B) above and any expenditures it may make to protect or preserve the Collateral or the rights of the Agent and the Lender, shall be for the account of the Borrower. The Borrower shall repay the same to the Agent or the Lender, as the case may be, pursuant to Section 2.3 hereof.

(r) Periodic Testing.

(i) The Borrower shall cause (1) Tillinghast Towers—Perrin to perform (A) an annual Facility Rating Model Update and Annual Portfolio Performance Test at each anniversary of the Closing Date, and (B) within 30 days of any Level II Loss Trigger Event or Level III Loss Trigger Event, a Facility Rating Model Update and a Loss Trigger Event Test and (2) the Servicer to conduct the Quarterly Portfolio Evaluation at the close of each calendar quarter.

(ii) The Borrower shall cause Tillinghast Towers-Perrin to determine the adequacy of credit enhancement available to support the Loan hereunder at an implied "investment-grade" rating level by performing the Annual Portfolio Performance Test and the Loss Trigger Event Test and reporting its results to the Agent, the Borrower, the Servicer and the Seller hereunder in compliance with Section 5.1(a)(v). The test results will be dependent upon a number of factors and assumptions, including (but not limited to): (1) the composition of the existing portfolio of Venture Loans owned by the Borrower, (2) the recent performance of the venture debt asset class taken as a whole, including future expected volatility, and (3) the current interest rate environment. The specific procedures that Tillinghast Towers-Perrin shall carry out shall be those specified in the Procedures Memorandum, attached hereto as Schedule E.

(s) Interest Rate Hedges. Upon the occurrence and continuance of a breach of the Net Excess Spread Test at any time, the Borrower shall either (i) enter into an Interest Rate Hedge, in a form reasonably acceptable to the Agent, within 30 days of such violation upon terms and with Eligible Hedge Counterparties reasonably acceptable to the Agent or (ii) accept a Type I Advance Rate Reduction. In the event the Borrower enters into an Interest Rate Hedge, the Borrower shall deliver to the Agent, within thirty (30) days of such request, copies of all agreements, documents, confirmations, and instruments evidencing any Interest Rate Hedge to which Borrower is a party and not previously delivered to the Agent, along with such other information regarding the Interest Rate Hedge agreements as the Agent may reasonably request.

Section 5.2 Negative Covenants of the Borrower.

Until the Final Payout Date, the Borrower hereby covenants, as to itself, that:

(a) Name Change, Offices and Records. The Borrower will not change its name, jurisdiction of organization or form of organization (within the meaning of Section 9-301 of the UCC), or use any tradenames, fictitious names, assumed names, "doing business as" names or other names, or relocate its chief executive office at any time while the location of its chief executive office is relevant to perfection of the security interest of the Agent for the benefit of the Secured Parties in the Collateral, unless prior to the effective date of any such change or relocation

it shall at its own expense have: (i) given the Agent at least ten (10) days' prior written notice thereof and (ii) delivered to the Agent all financing statements, instruments, opinions of counsel, and other documents reasonably requested by the Agent in connection with such change or relocation to maintain perfection of Agent's security interest in the Collateral for the benefit of the Secured Parties.

(b) Liens. Except as otherwise permitted herein and in any other Transaction Document, the Borrower shall not (and shall cause the Seller, the Servicer not to) create, incur, assume or suffer to exist any Adverse Claim upon (including, without limitation, the filing of any financing statement) or with respect to, any of the Collateral, or assign any right to receive income with respect thereto (other than, in each case, pursuant to any Transaction Document), and the Borrower will defend the right, title and interest of the Secured Parties in, to and under any of the foregoing property, against all claims of third parties claiming through or under the Borrower or the Seller.

(c) Use of Proceeds. The Borrower will not use the proceeds of the Loan for any purpose other than (1) the purchase of Venture Loans, Warrants and the other Collateral under and in accordance with the Purchase Agreement or Subsequent Transfer Instrument and (2) for proceeds received on the Initial Funding Date only, to make required payments of fees, expenses, indemnities and reimbursements pursuant to the terms of this Agreement and the other Transaction Documents.

(d) Loans and Advances. Other than the Venture Loans and related Warrants, the Borrower shall not, either directly or indirectly, make any loans or advances to, or extend any credit to, or make any investment in (other than the exercise of Warrants), any Person, including without limitation to or in any officer, employee, shareholder or Affiliate of the Seller, the Servicer or the Borrower.

(e) Payment of Dividends and Retirement of Stock. The Borrower shall not, without the prior written approval of the Agent, (i) declare or pay any dividends or distributions to its members (except in accordance with its organizational documents, the Transaction Documents, and applicable laws and from amounts received pursuant to clause *eleventh* of Section 2.3 of this Agreement, if otherwise permitted hereunder), whether in cash, property or securities, or (ii) acquire, purchase, permit the transfer of, redeem or retire any of its member interests now or hereafter outstanding for value.

(f) Borrower Indebtedness. The Borrower will not incur or permit to exist any Indebtedness or liability on account of deposits, or assume, or become or remain liable for, directly or indirectly, any Indebtedness, whether by guarantee, endorsement, agreement to purchase or repurchase, agreement to supply or advance funds, or otherwise, except (i) the Obligations and (ii) permitted under this Agreement, the Purchase Agreement or other Transaction Documents.

(g) Prohibition on Additional Negative Pledges. The Borrower will not enter into or assume (and shall cause the Seller and the Servicer not to enter into or assume) any agreement (other than this Agreement and the other Transaction Documents) permitting the creation or assumption of any Adverse Claim upon the Collateral or any other assets of the

Borrower, if any, except as contemplated by the Transaction Documents, or prohibiting or restricting any transaction contemplated hereby or by the other Transaction Documents.

(h) Character of Business. The Borrower shall not (nor shall it permit the Seller or the Servicer to) make any change in the character of the Borrower's business or in the Collection Policy that would materially impair the collectibility of the Venture Loans unless it has received the prior written consent of the Agent with respect to such change, which consent the Agent may give or withhold in its sole discretion.

(i) Payment Instructions. The Borrower shall not (nor shall it permit the Seller or the Servicer to) direct or permit any Obligor, any insurer or any other payor on or with respect to any Venture Loan or any other Collateral to make any payments relating thereto (including without limitation payments of interest and principal, Liquidation Proceeds, condemnation proceeds or Insurance Proceeds) to any account or Person other than to the Lockbox Bank (for deposit into the Lockbox Account) or the Paying Agent (for deposit in the Collection Account)(whether by check or by electronic funds transfer to such account), unless such Person has received prior written consent from the Agent with respect to the making of any such payment to any such other account or Person, which consent the Agent may give or withhold in its sole discretion.

(j) No Sale, Assignment or Merger. The Borrower will not merge or consolidate with any other Person, or convey, grant any option to, sell, assign (by operation of law or otherwise), or assign any right to receive income with respect thereto, or transfer, lease or otherwise dispose of (whether in one transaction or in a series of transactions), all or substantially all of its assets (whether now owned or hereafter acquired) or acquire all or substantially all of the assets or capital stock or other ownership interest of any Person, other than the Warrants or exercise thereof, in each case without the prior written consent of the Agent, which consent the Agent may grant or withhold in its sole discretion.

(k) True Sale. The Borrower will not (nor shall it permit the Seller or the Servicer to) account for or treat (whether in financial statements or otherwise) the transactions contemplated by the Purchase Agreement in any manner other than as a sale and absolute assignment of the Venture Loans and Warrants to the Borrower constituting a "true sale" for bankruptcy purposes.

(l) Amendment. The Borrower will not (nor shall it permit the Seller or the Servicer to) amend, modify, waive or terminate any terms or conditions of any Transaction Document or any of the Borrower's organizational documents in a manner adverse to the interests of Agent or Lender without the written consent of the Agent, which consent the Agent may grant or withhold in its sole discretion. For the avoidance of doubt, the amendment, modification or waiver of this Agreement is governed by Section 12.1.

ARTICLE VI

VENTURE LOANS

Section 6.1 Loan Files.

(a) On or prior to the Initial Funding Date or the related Subsequent Transfer Date, as the case may be, the Borrower shall cause the Seller to deliver to the Custodian each of the documents required to be delivered by the Seller to the Custodian pursuant to Article IV of this Agreement, the related Subsequent Transfer Instrument (as applicable) and the Custodial Agreement.

(b) If at any time any of the Custodian, the Borrower, the Seller, the Servicer, the Back-up Servicer, the Agent or the Lender discovers a Defective Venture Loan, the party so discovering the breach shall give prompt written notice to the other Persons set forth in this sentence. The Borrower shall exercise its rights under Sections 2.3, 2.4, or 2.5 of the Purchase Agreement to cause the Seller to correct or cure the relevant defect, repurchase such Defective Venture Loan or replace such defective Venture Loan in accordance therewith.

(c) Notwithstanding anything herein to the contrary, it is understood and agreed that the Agent and the Lender, and except as stated in the Custodial Agreement, the Custodian, shall have no responsibility for reviewing any document included in the related Loan Files, and the review by the Agent, the Custodian or the Lender of the documents included in the related Loan Files shall not constitute a waiver by the Agent or the Lender of the Borrower's and the Seller's requirement, pursuant to this Agreement or any other Transaction Document, to either correct or cure any such defect, purchase the related Venture Loan at the related Repurchase Price or replace the related Venture Loan with a Substitute Venture Loan.

(d) The Agent is hereby appointed as the attorney-in-fact of the Borrower with the power to prepare and execute endorsements to the Venture Notes in the event that the Borrower or the Seller fails to do so on a timely basis after written notice by the Agent. In addition, upon the written instruction of the Lender following the occurrence of an Event of Default and the exercise of remedies pursuant to Section 7.2 hereof, the Agent shall insert the name of the Lender, or its designee, on an allonge relating to any Venture Loan or Venture Note, and on such other relevant documentation as necessary to carry out the purposes of this paragraph. Any reasonable fees or expenses of the Agent related to such preparation, execution, or insertion shall be paid by the Borrower from Available Funds as provided in Section 2.3.

Section 6.2 Repurchase of Venture Loans.

(a) Upon receipt by the Borrower and the Agent of a certificate of an Authorized Officer of the Paying Agent confirming that the Repurchase Price for any Defective Venture Loan, or subject to the limitations in the Purchase Agreement, the purchase price for a Defaulted Venture Loan, or Delinquent Venture Loan has been remitted and deposited, or that any Venture Loan has been substituted by a new Eligible Venture Loan, the documents included in the related Loan File shall be released to the Seller (or the Servicer in the case of a Defaulted Venture Loan or a Delinquent Venture Loan), and the Agent shall execute and deliver such instruments of release, prepared by and at the expense of the Borrower, in each case without recourse, representation or warranty, as shall be necessary to release the security interest therein of the Agent for the benefit of the Secured Parties. The Borrower, promptly following the transfer of any such Defective Venture Loan, Delinquent Venture Loan or Defaulted Venture Loan from the Borrower in accordance with this Article VI, shall cause the Servicer to amend the related Venture Loan Schedule and deliver a copy of such amended Schedule to the Agent, the Lender,

the Seller and the Custodian, and the Borrower shall make appropriate entries in its general account records to reflect such transfer.

Section 6.3 Representations and Warranties Regarding the Venture Loans.

(a) The Borrower hereby makes to the parties hereto the representations and warranties set forth on Schedule C hereto.

(b) It is understood and agreed that the representations and warranties set forth in Section 4.1 of the Purchase Agreement shall survive the conveyance of the Venture Loans and related Warrants to the Borrower, the grant of a security interest in the Venture Loans and related Warrants to the Agent and the delivery of the documents required to be included in the respective Loan Files pursuant to Section 6.1.

(c) With respect to the representation and warranties set forth in Section 6.3 (a), upon any failure of a representation or warranty that relates to a particular Purchased Asset to continue to be true subsequent to the date of transfer of such Purchased Asset, then such Purchased Asset shall no longer be deemed Eligible Collateral and the value of such Purchased Asset shall not be included in the aggregate Venture Loan Principal Balances for purposes of calculating the Borrowing Base.

ARTICLE VII

EVENTS OF DEFAULT

Section 7.1 Event of Default.

The occurrence of any one or more of the following events shall constitute an Event of Default:

(i) the Borrower, the Servicer or the Seller shall fail to make any payment or deposit required to be made by it under this Agreement or any other Transaction Document when due and such default is not cured or waived within two (2) Business Days following the occurrence thereof;

(ii) any representation, warranty, certification or statement made in writing by the Borrower, the Servicer or the Seller in this Agreement or in or as required pursuant to any other Transaction Document (or any information or report delivered pursuant hereto or thereto) shall prove to have been false or incorrect in any material respect when made or deemed made and such failure, if capable of being remedied, shall continue thirty (30) days after the receipt by the Borrower, the Servicer or the Seller of written notice with respect thereto from the Agent, the Lender or the Custodian or knowledge thereof by an officer of the Borrower, the Servicer or the Seller; provided, however, that a breach of any representation or warranty regarding Venture Loans set forth in Section 6.3(a) shall not constitute an Event of Default so long as Borrower causes Seller to cure such breach in accordance with Sections 2.3, 2.4, or 2.5 of the Purchase Agreement, or purchase such Venture Loan from the Borrower at the Repurchase Price within thirty (30) days thereof or replace such Venture Loan with a Substitute Venture

Loan, as set forth in Section 6.2, or optional purchase by the Servicer of Delinquent Venture Loans or Defaulted Venture Loans pursuant to Section 4.12 of the Servicing Agreement;

(iii) the Borrower, the Servicer or the Seller shall fail to perform or observe any other covenant or agreement under this Agreement or any other Transaction Document to be performed or observed by it (other than as set forth in clause (i) above) and such failure, if capable of being remedied, shall remain unremedied for a period of thirty (30) days after the receipt by the Borrower, the Servicer or the Seller of written notice with respect thereto from the Agent, the Lender or the Custodian or knowledge thereof by an officer of the Borrower, the Servicer or the Seller;

(iv) failure of the Servicer, or the Seller to pay any Indebtedness in an amount in excess of Two Hundred Thousand Dollars ($200,000), in each case when such Indebtedness is due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) and such failure continues after the applicable notice and grace period (if any), or the default by the Borrower, the Servicer or the Seller in the performance of any term, provision or condition contained in any agreement under which any such Indebtedness in an amount in excess of Two Hundred Thousand Dollars ($200,000) was created or is governed, the effect of which is to cause such Indebtedness to become due or to be declared due prior to its stated maturity; or any such Indebtedness of the Servicer, or the Seller shall be declared to be due and payable or required to be prepaid (other than by a regularly scheduled payment) prior to the date of maturity thereof;

(v) an Event of Bankruptcy shall occur with respect to the Borrower, the Servicer or the Seller;

(vi) any Secured Party shall cease to have a valid and perfected first priority (subject to Permitted Liens) security interest in all rights, titles and interests of the Borrower in the Collateral or any portion thereof and such failure continues unremedied for more than five (5) Business Days after written notice thereof shall have been given to the Borrower by the Agent;

(vii) any of the Borrower, the Seller or the Servicer shall (A) assign or attempt to assign its rights under this Agreement or any other Transaction Document, or any interest herein or therein, in contravention of this Agreement or the related Transaction Document, (B) disavow or purport to disavow any of its obligations hereunder or under any Transaction Document to which it is a party or by which it is bound, or (C) contest the validity or enforceability of this Agreement or any Transaction Document or the security interest of the Agent for the benefit of the Secured Parties in any Venture Loan or other Collateral;

(viii) one or more final and non-appealable judgments for the payment of money in an aggregate amount of Fifty Thousand Dollars ($50,000) or more shall be entered against the Borrower; or

(ix) the Internal Revenue Service shall file notice of a lien pursuant to Section 6323 of the Tax Code with regard to any of the Collateral and such lien shall not have

been released within thirty (30) days, or the PBGC shall, or shall indicate its intention to, file notice of a lien pursuant to Section 4068 of ERISA with regard to any of the Collateral.

Section 7.2 Remedies.

(a) Upon the occurrence and during the continuation of an Event of Default, no further Advances pursuant to Section 1.1(a) and no distributions pursuant to clause *eleventh* of Section 2.3 shall be made, and the Agent, at the request of the Lender and upon notice to the Borrower, may declare (i) the occurrence of the Termination Date and that the Aggregate Loan Balance (or any portion thereof) is immediately due and payable by the Borrower, whereupon the same shall become due and payable, together with all accrued interest thereon, and the obligation of the Lender to make Advances hereunder, and the obligation of the Paying Agent to make distributions pursuant to Section 2.6(d)(i), assuming Paying Agent has notice of such Event of Default shall thereupon terminate and/or (ii) a Servicer Termination Event; provided, that, in the case of any event described in Section 7.1(v) above, the Termination Date shall be deemed to have occurred, and the Aggregate Loan Balance shall be deemed to be immediately due and payable by the Borrower, automatically upon the occurrence of such event.

(b) Upon the occurrence and during the continuance of any Event of Default, the Agent and the Lender may also:

(i) upon reasonable notice to the Borrower, enter the office(s) of the Borrower, the Seller or the Servicer and take possession of any of the Collateral in the possession of the Borrower, Seller, or Servicer, as the case may be, including any Records that pertain to the Collateral;

(ii) foreclose upon or otherwise enforce its security interest in and lien on all of the Collateral or on any portion thereof to secure all payments and performance of Obligations owed by the Borrower under this Agreement and the other Transaction Documents;

(iii) as further set forth in Section 12.3(a), communicate with and notify the related Obligors of the Venture Loans , issuers of related Warrants, and obligors under other Collateral or on any portion thereof, whether such communications and notifications are in verbal, written or electronic form, including, without limitation, communications and notifications that the Collateral has been assigned to the Lender and that all payments thereon are to be made directly to the Agent, the Lender or its designee;

(iv) settle, compromise, or release, in whole or in part, any amounts owing on the Venture Loans or other Collateral or any portion of the Collateral, on terms acceptable to the Agent and the Lender;

(v) enforce payment and prosecute any action or proceeding with respect to any and all Collateral;

(vi) where any Venture Loan or other Collateral is in default, foreclose upon and enforce security interests in such Venture Loan and such Collateral by any available judicial procedure or without judicial process, and sell property acquired as a result of any such foreclosure;

(vii) collect payments from Obligors and/or assume servicing of, or contract with a third party to service, any or all Venture Loans requiring servicing and/or perform any obligations required in connection therewith. In connection with collecting payments from Obligors and/or assuming servicing of any or all Venture Loans, each of the Agent and the Lender may take possession of and open any mail addressed to the Borrower, remove, collect and apply all payments for the Borrower or relating to the Venture Loans, execute on behalf of the Borrower any receipts, checks, notes, agreements or other instruments or letters or appoint an agent to exercise and perform any of these rights; and

(viii) exercise all rights and remedies of a secured creditor under the UCC, including but not limited to selling the Collateral at public or private sale. The Agent or the Lender shall give the Borrower ten (10) days' written notice of any such public sale or of the date after which such private sale may be held. The Borrower agrees that ten (10) days' written notice shall be reasonable notice with respect thereto. At any such sale, the Collateral may be sold as an entirety or in separate parts, as the Agent or the Lender may determine in its sole discretion. The Agent or the Lender may, without notice or publication, adjourn any public or private sale or cause the same to be adjourned from time to time by announcement at the time and place fixed for the sale, and such sale may be made at any time or place to which the same may be so adjourned. In case of any sale of all or any part of the Collateral on credit or for future delivery, the Collateral so sold may be retained by the Agent or the Lender until the selling price is paid by the purchaser thereof, and neither the Agent nor the Lender shall incur any liability in case of the failure of such purchaser to take up and pay for the Collateral so sold and, in case of any such failure, such Collateral may again be sold upon like notice. Each of the Agent and the Lender shall have the right upon any such public sale or sales, and, to the extent permitted by law, upon any such private sale or sales, to purchase the whole or any part of said Collateral so sold, free of any right or equity of redemption, which right and equity of redemption the Borrower hereby releases. Following the occurrence and during the continuance of an Event of Default, either the Lender or the Agent on its behalf may securitize or otherwise sell the Collateral, and neither the Agent nor the Lender shall incur liability as a result of such transaction. For the avoidance of doubt, either the Lender or the Agent on its behalf may, as set forth in the prior sentence, sell the Collateral as part of a pool comprised of all or part of the Collateral and other loans owned by the Lender. The Borrower hereby waives any claims it may have against the Agent or the Lender arising by reason of the fact that the price at which the Collateral may have been sold at such private sale was less than the price which might have been obtained at a public sale or was less than the aggregate amount of the outstanding Advances and the unpaid interest accrued thereon, even if the Agent or the Lender accepts the first offer received and does not offer the Collateral, or any part thereof, to more than one offeree. Each of the Agent and the Lender may, however, instead of exercising the power of sale herein conferred upon it, proceed by a suit or suits at law or in equity to collect all amounts due upon all or any portion of the Collateral or to foreclose the pledge and sell all or any portion of the Collateral under a judgment or decree of a court or courts of competent jurisdiction, or both.

The aforementioned rights and remedies shall be without limitation, and shall be in addition to all other rights and remedies of the Agent and the Lender otherwise available under any other provision of this Agreement, by operation of law, at equity or otherwise, all of which are hereby expressly preserved, including, without limitation, all rights and remedies provided under the UCC, all of which rights shall be cumulative.

Section 7.3 No Obligation to Pursue Remedy.

The Borrower waives any right to require the Agent or the Lender to (i) proceed against any Person, (ii) proceed against or exhaust all or any of the Collateral or pursue its rights and remedies as against the Collateral in any particular order, or (iii) pursue any other remedy in its power. Neither the Agent nor the Lender shall be required to take any steps necessary to preserve any rights of the Borrower against holders of security interests prior in lien to the lien of any Venture Loan included in the Collateral or to preserve rights against prior parties. No failure on the part of the Agent or the Lender to exercise, and no delay in exercising, any right, power or remedy provided hereunder, at law or in equity shall operate as a waiver thereof; nor shall any single or partial exercise by the Agent or the Lender of any right, power or remedy provided hereunder, at law or in equity, preclude any other or further exercise thereof or the exercise of any other right, power or remedy. Without intending to limit the foregoing, all defenses based on the statute of limitations are hereby waived by the Borrower. The remedies herein provided are cumulative and are not exclusive of any remedies provided at law or in equity.

Section 7.4 Reimbursement of Costs and Expenses.

The Agent or the Lender may, but shall not be obligated to, advance any sums or do any act or thing necessary to uphold and enforce the lien and priority of, or the security intended to be afforded by, any Venture Loan, including, without limitation, payment of delinquent taxes or assessments and insurance premiums. All out-of-pocket advances, charges, fees, disbursements, costs and expenses, including reasonable attorneys' fees and disbursements, incurred or paid by the Agent or the Lender in exercising any right, power or remedy conferred on it by this Agreement or any other Transaction Document, or in the enforcement hereof and thereof (together with interest thereon, at the applicable Interest Rate, from the time of payment until repaid), shall (to the extent that such amounts shall not have been reimbursed to the Agent or the Lender) become a part of the principal balance outstanding under the Loan.

Section 7.5 Application of Proceeds.

The proceeds of any sale or other enforcement of the security interest of the Agent for the benefit of the Lender in all or any part of the Collateral shall be applied by the Lender or the Agent on its behalf:

first, to the payment of the out-of-pocket costs and expenses of such sale or enforcement, including compensation to the Agent's and the Lender's agents and counsel, and all expenses, liabilities and advances made or incurred by or on behalf of the Agent and the Lender in connection therewith;

second, to the payment of any other amounts due (other than principal and interest) to the Lender, the Custodian, the Back-up Servicer, acting as such and as successor Servicer, the Paying Agent, and the Agent under this Agreement and each other Transaction Document;

third, to the payment of Interest accrued and unpaid on the Loan;

fourth, to the payment of the outstanding principal balance of the Loan as calculated hereunder;

fifth, to the payment of any amounts due (other than to the Lender, the Custodian, the Paying Agent, the Back-up Servicer, or the Agent) under this Agreement and each other Transaction Document; and

sixth, to the payment to the Borrower, or to its successors or assigns, or as a court of competent jurisdiction may direct, of any surplus then remaining from such proceeds. If the proceeds of any such sale are insufficient to cover the costs and expenses of such sale, as aforesaid, and the payment in full of the Loan and all other amounts due hereunder and under any other Transaction Document, the Borrower shall remain liable for any deficiency.

Section 7.6 Rights of Set-Off.

If any Event of Default shall have occurred and be continuing, then the Lender and the Agent on its behalf shall have the right, at any time, and from time to time, without notice, to set-off and to appropriate or apply any and all deposits of money or property or any other indebtedness at any time held or owing by the Agent or the Lender to or for the credit of the account of the Borrower against and on account of the obligations and liabilities of the Borrower under this Agreement or under any other Transaction Document, irrespective of whether or not the Agent or the Lender shall have made any demand hereunder or thereunder and whether or not said obligations and liabilities shall have matured; ***provided***, ***however***, that the aforesaid right to set-off shall not apply to any deposits of escrow monies being held on behalf of the Obligors under Venture Loans or other third parties.

Section 7.7 Responsibilities of the Borrower.

Anything herein to the contrary notwithstanding, the exercise by the Agent and the Lender of their respective rights hereunder shall not release the Servicer, the Back-up Servicer, the Seller or the Borrower from any of their respective duties or obligations with respect to any Venture Loans or other Collateral or under the documents included in the related Loan Files; provided, however, that, except as specifically provided in the Servicing Agreement, the Servicer shall be released from its duties and obligations as Servicer upon the appointment of a successor Servicer in accordance with the Servicing Agreement; provided, further, that nothing herein shall release the initial Servicer from its ongoing duty to cooperate with the Back-up Servicer acting as successor Servicer in accordance with the Servicing Agreement. Neither the Agent nor the Lender shall have any obligation or liability with respect to any Venture Loans or other Collateral or the documents included in the related Loan Files, nor shall either such Person be obligated to perform any obligations that the Borrower, the Servicer or the Seller may have thereunder.

ARTICLE VIII

INDEMNIFICATION

Section 8.1 Indemnities by the Borrower.

Without limiting any other rights that the Agent, the Lender, the Back-up Servicer, the Custodian and Paying Agent may have hereunder or under applicable law, the Borrower hereby agrees to indemnify (and immediately pay upon demand to) the Agent, the Lender, the Back-up Servicer (both as Back-Up Servicer and as successor Servicer), the Custodian, Paying Agent, and each of their respective assigns, Affiliates, officers, directors, agents, attorneys and employees (each, an "Indemnified Party") from and against any and all damages, losses, claims, liabilities, costs, expenses and for all other amounts payable, including reasonable attorneys' fees and disbursements (all of the foregoing being collectively referred to as "Indemnified Amounts"), awarded against or incurred by any of them in any claim, action or proceeding between Borrower and any Indemnified Party or between any of the Indemnified Parties and any third party, or among Indemnified Parties, or otherwise arising out of or as a result of this Agreement or any Transaction Document or incurred by any of them arising out of or as a result of this Agreement or any other Transaction Document or the acquisition, either directly or indirectly, by the Lender of an interest in the Venture Loans or other Collateral, excluding, however, in all of the foregoing instances:

(i) Indemnified Amounts to the extent such Indemnified Amounts resulted from gross negligence or willful misconduct on the part of an Indemnified Party; or

(ii) Indemnified Amounts to the extent comprising income, franchise and similar taxes levied on the related Indemnified Party;

provided, however, that nothing contained in the foregoing clauses shall limit the liability of the Borrower or limit the recourse of the Agent, the Lender, the Back-up Servicer or the Custodian to the Borrower for amounts specifically provided to be paid by the Borrower under the terms of this Agreement or the other Transaction Documents. Except as provided in the succeeding sentence, Indemnification Amounts do not include losses in respect of uncollectible Venture Loans. Without limiting the generality of the foregoing indemnification, but subject in full to the provisions thereof, the Borrower shall indemnify each Indemnified Party for Indemnified Amounts (including, without limitation, losses in respect of uncollectible Venture Loans, regardless of whether reimbursement therefor would constitute recourse to the Borrower) relating to or resulting from:

(A) any representation or warranty made by the Borrower, the Servicer or the Seller (or any manager, Affiliate, officer or employee of any such Person) under or in connection with this Agreement, any other Transaction Document or Conveyance Paper or any other written information or report delivered by any of the foregoing pursuant hereto or thereto, which shall have been false or incorrect in any material respect when made or deemed made;

(B) the failure by the Borrower, the Servicer or the Seller to comply with any applicable law, rule or regulation with respect to any Venture Loan or other Collateral or document required to be included in the Venture Loan File related thereto, or the nonconformity of any Venture Loan or other Collateral or document required to be included in the Venture Loan File with any such applicable law, rule or regulation, or any failure of the Borrower, the Servicer or the Seller to keep or perform any of its obligations, express or implied, with respect to any Collateral;

(C) any failure of the Borrower, the Servicer or the Seller to perform its duties, covenants or other obligations in accordance with the provisions of this Agreement or any other Transaction Document or Conveyance Paper;

(D) any dispute, claim, offset or defense to the payment of any Venture Loan (including, without limitation, a defense based on such Venture Loan or related document required to be included in the related Venture Loan File, or otherwise, not being a legal, valid and binding obligation of such Obligor enforceable against it in accordance with its terms);

(E) any investigation, litigation or proceeding related to or arising from this Agreement, any other Transaction Document, any Conveyance Paper, the transactions contemplated hereby and thereby, the use of the proceeds of the Loan, or any Advance, the Seller's, the Borrower's or the Servicer's administration of the Venture Loans or any other investigation, litigation or proceeding relating to the Borrower, the Seller or the Servicer in which any Indemnified Party becomes involved as a result of any of the transactions contemplated hereby or in any other Transaction Document;

(F) any inability to litigate any claim against any Obligor in respect of any Venture Loan as a result of such Obligor being immune from civil and commercial law and suit on the grounds of sovereignty or otherwise from any legal action, suit or proceeding;

(G) any Event of Default;

(H) any failure of the Borrower to acquire from the Seller and maintain legal and equitable title to, and ownership of, any of the Collateral free and clear of any Adverse Claim;

(I) any failure of the Borrower to give reasonably equivalent value to the Seller under the Purchase Agreement in consideration of the transfer by the Seller of any Venture Loan, or any attempt by any Person to void such transfer under statutory provisions or common law or equitable action, including without limitation, any provision of the Federal Bankruptcy Code;

(J) any failure to vest and maintain vested in the Agent for the benefit of the Secured Parties, or to transfer to the Agent for the benefit of the Secured Parties, a valid first priority perfected security interest (subject only to Permitted

Liens) in the Collateral, free and clear of any Adverse Claim, whether existing at the time of the related Advance or at any time thereafter;

(K) the failure to have filed, or any delay in filing, financing statements or other similar instruments or documents under the UCC of any applicable jurisdiction or other applicable laws with respect to any Collateral, and the proceeds thereof, whether at the time of the Initial Advance, any Subsequent Advance or at any other time;

(L) any action or omission by the Borrower, the Servicer, or the Seller, which reduces or impairs the rights of the Agent or the Lender with respect to any Collateral or the value of any Collateral;

(M) any attempt by any Person to void the Loan or any Advance or the security interest of the Agent for the benefit of the Secured Parties in the Collateral under statutory provisions or common law or equitable action;

(N) the commingling by the Borrower, the Servicer or the Seller of any collections of Venture Loans or other Collateral at any time with other funds;

(O) any Venture Loan represented or certified by the Borrower pursuant to the Transaction Documents to be an Eligible Loan which is not at the applicable time an Eligible Loan, unless an Early Amortization Event would not result;

(P) the failure of the Borrower to pay when due any taxes payable in connection with the Venture Loans or any Collateral related thereto to the extent the Borrower is required to pay the same hereunder;

(Q) any payment by the Agent or Lender to any Person of any amount previously distributed to the Borrower or any other amount due hereunder, in each case which amount the Agent or the Lender believes in good faith is required to be paid;

(R) any failure of the Borrower, the Seller or the Servicer or any of their respective agents or representatives to remit to the Lockbox Account or the Collection Account, payments or collections on or proceeds of or relating to any Venture Loan, any Collateral or any Purchased Asset that have been remitted to any such Person;

(S) the purchase, sale, origination, pledge or financing of any of the Collateral in violation of applicable laws by Persons other than the Agent, the Lender or any Secured Party.

Any amounts payable to an Indemnified Party pursuant to clause (ii) below shall be paid by the Borrower to the Agent on behalf of the applicable Indemnified Party within five (5) Business Days following the Agent's written demand therefor on behalf of the applicable Indemnified

Party (and the Agent shall pay such amounts to the applicable Indemnified Party after the receipt by the Agent of such amounts).

The procedure for indemnification hereunder shall be as follows:

(i) If the Indemnified Amount awarded against or incurred by an Indemnified Party in connection with a claim is $10,000 or less, the Borrower shall pay the Indemnified Party the Indemnified Amount on the next Monthly Remittance Date following receipt of the claim.

(ii) If the Indemnified Amount awarded against or incurred by an Indemnified Party in connection with a claim is more $10,000, then:

(A) An Indemnified Party shall give notice to the Borrower of any claim, whether between the parties or brought by a third party, specifying (A) the factual basis for such claim, and (B) the amount of the claim. If the claim relates to an action, suit or proceeding filed by a third party against such Indemnified Party, such notice shall be given by such Indemnified Party within fifteen (15) Business Days after written notice of such action, suit or proceeding was received by such Indemnified Party; provided, that failure to deliver notice shall not affect an Indemnified Party's right to indemnification hereunder, except if and to the extent that such failure materially and adversely affects the ability of the Borrower to defend such claim in accordance with the following paragraph.

(B) Following receipt of notice from an Indemnified Party of a claim, the Borrower shall have thirty (30) days to make such investigation of the claim as the Borrower deems necessary or desirable. For the purposes of such investigation, such Indemnified Party shall make available to the Borrower and/or its authorized representative(s) the information relied upon by such Indemnified Party to substantiate the claim. If such Indemnified Party and the Borrower agree at or prior to the expiration of said thirty (30) day period (or any mutually-agreed-upon extension thereof) to the validity and amount of such claim, then the Borrower shall immediately pay to such Indemnified Party the full amount of the claim and the Borrower shall thereupon be released from any further indemnification obligations with respect to such claim. If the Indemnified Party and the Borrower do not agree within said period (or any mutually-agreed-upon extension thereof), then the Indemnified Party may seek appropriate legal remedy against the Borrower for failure to pay such claim.

(C) With respect to any claim by a third party as to which an Indemnified Party is entitled to indemnification hereunder, the Borrower shall have the right, at its own expense, to participate in or assume control of the defense of such claim, and such Indemnified Party shall cooperate fully with the Borrower, subject to reimbursement for all expenses incurred by such Indemnified Party. If the Borrower elects to assume control of the defense of any third-party claim, an Indemnified Party shall have the right to participate in the defense of such claim at its own expense; provided, that such expense shall be the

expense of the Borrower if (A) the Borrower has authorized such expense in writing, (B) the Borrower has not employed counsel with respect to the defense of such claim within a reasonable amount of time after such election or (C) the Indemnified Party has been advised by counsel that one or more defenses may be available to it that are different from or additional to those available to the Borrower and the Borrower engages counsel to affirmatively assert such defenses in any litigation or settlement negotiations. If the Borrower does not elect to assume control or otherwise participate in the defense of any third party claim, it shall be bound by the results obtained by the related Indemnified Party with respect to such claim and the Borrower shall immediately reimburse such Indemnified Party for any and all expenses incurred by it in defending such third party claim. The Borrower shall have the right to settle any third party claim without the consent of the related Indemnified Party, but the Borrower's indemnity obligations will continue unless the settlement fully and unconditionally releases all Indemnified Parties from any and all liability with respect to such claim and the Borrower may not enter into any settlement that imposes any then-current or continuing obligation or liability on any Indemnified Party.

Section 8.2 Increased Costs and Capital Adequacy.

(a) If, due to either (i) the introduction of or any change (including, without limitation, any change by way of imposition or increase of reserve requirements) in or in the interpretation, administration or application of any law or regulation (including, without limitation, any law or regulation resulting in any interest payments paid to the Lender under this Agreement being subject to United States withholding tax) or any guideline of any accounting board or authority (whether or not a part of government) which is responsible for the establishment or interpretation of national or international accounting principles, in each case whether foreign or domestic, or (ii) the compliance with any guideline or request from any central bank or other governmental authority (whether or not having the force of law), there shall be any increase in the cost to the Agent, the Lender, or any Affiliate, successor or assign thereof (each of which shall be an "Affected Party") of agreeing to make or making, funding or maintaining the Loan or any Advance thereunder (or any reduction of the amount of any payment (whether of principal, interest, fee, compensation or otherwise) to any Affected Party hereunder), as the case may be, the Borrower shall, from time to time, after written demand by the Agent, on behalf of such Affected Party, pay to the Agent, on behalf of such Affected Party, additional amounts sufficient to compensate such Affected Party for such increased costs or reduced payments. In determining such amount, the Affected Party shall use any reasonable method of averaging and attribution that it shall deem applicable. For the avoidance of doubt, Financial Accounting Standards Board Interpretation No. 46 or any other interpretation of Accounting Research Bulletin No. 51 by the Financial Accounting Standards Board shall constitute a change in the interpretation, administration or application of a law, regulation or guideline subject to this Section 8.2.

(b) If either (i) the introduction of or any change in or in the interpretation, administration or application of any law, guideline, rule or regulation, directive or request of or (ii) the compliance by any Affected Party with any law, guideline, rule, regulation, directive or request from, any central bank, any governmental authority or agency or any accounting board or authority

(whether or not a part of government) which is responsible for the establishment or interpretation of national or international accounting principles, in each case whether foreign or domestic (whether or not having the force of law), including, without limitation, compliance by an Affected Party with any request or directive regarding capital adequacy, has or would have the effect of reducing the rate of return on the capital of any Affected Party as a consequence of its obligations hereunder, under any Transaction Document or any related document or arising in connection herewith or therewith to a level below that which any such Affected Party could have achieved but for such introduction, change or compliance (taking into consideration the policies of such Affected Party with respect to capital adequacy), then, from time to time, after demand by such Affected Party (which demand shall be accompanied by a statement setting forth the basis of such demand), the Borrower shall pay the Agent on behalf of such Affected Party such additional amounts as will compensate such Affected Party for such reduction. In determining such amount, the Affected Party shall use any reasonable method of averaging and attribution that it shall deem applicable. For the avoidance of doubt, Financial Accounting Standards Board Interpretation No. 46 or any other interpretation of Accounting Research Bulletin No. 51 by the Financial Accounting Standards Board shall constitute a change in the interpretation, administration or application of a law, guideline, rule or regulation, directive or request subject to this Section 8.2.

(c) Any amounts subject to the provisions of this Section 8.2 shall be paid by the Borrower to the Agent on behalf of the applicable Affected Party pursuant to Section 2.3 hereof on behalf of the applicable Affected Party (and the Agent shall pay such amounts to the applicable Affected Party after the receipt by the Agent of such amounts). In determining any amount provided for in this Section 8.2, the Affected Party may use any reasonable averaging and attribution methods. The Agent, on behalf of any Affected Party making a claim under this Section 8.2, shall submit to the Borrower a certificate setting forth the basis for and the computations of such reduced payments or additional or increased costs, which computations shall be determined in a commercially reasonable manner.

Section 8.3 Other Costs and Expenses.

(a) In addition to the rights of indemnification granted to the Back-up Servicer, the Custodian, the Paying Agent, the Agent, the Lender and the other Indemnified Parties under Section 8.1 hereof, the Borrower shall pay to the Agent, the Lender, the Back-up Servicer, Custodian, Paying Agent, and Back-up Servicer, as successor Servicer, on demand all out-of-pocket costs and expenses (including reasonable counsel fees and expenses) incurred in connection with (i) the preparation, execution, delivery, closing and administration of, and due diligence conducted in connection with, this Agreement and the other Transaction Documents, the transactions contemplated hereby and the other documents to be delivered hereunder and thereunder, (ii) the preparation, execution, delivery, closing and administration of any waiver or consent issued or amendment prepared in connection with this Agreement and the other Transaction Documents, the transactions contemplated hereby and the other documents to be delivered hereunder and thereunder, that is necessary or requested by any of the Borrower, the Seller, the Servicer, the Lender or the Agent or made necessary or desirable as a result of the actions of any regulatory, tax, licensing or accounting body affecting the Lender, the Agent or any of their respective Affiliates, or which is related to an Event of Default, including, without limitation, the fees and expenses of counsel for the Back-up Servicer (acting in its capacity as Back-up Servicer or successor Servicer), the Custodian, the Paying Agent, the Agent and the

Lender with respect thereto, (iii) any audit performed pursuant to Section 5.1(e) of this Agreement, (iv) the Agent or the Lender performing, or causing the performance of, any obligation of the Borrower, the Servicer or the Seller hereunder or under any other Transaction Document upon such Person's failure to so perform, (v) the delivery of the AUP Letter and the performance of any and all duties, obligations and responsibilities thereunder, and (vi) advising the Back-up Servicer in connection with the Back-up Servicer's assumption of the Servicer's obligations hereunder and under the Transaction Documents and advising the Back-up Servicer, the Custodian, and the Paying Agent, and their respective assigns, Affiliates, officers, directors, agents and employees as to their respective rights and remedies under this Agreement, the other Transaction Documents and the other documents to be delivered hereunder or thereunder or in connection herewith or therewith.

(b) The Borrower shall pay to the Agent on demand any and all out-of-pocket costs and expenses of the Agent and the Lender, if any, including without limitation fees and expenses of attorneys, appraisers, engineers, investment bankers, surveyors or other experts, in connection with UCC searches, the enforcement of this Agreement and the other documents delivered hereunder and in connection with any restructuring or workout of this Agreement and the other Transaction Documents or such documents, or the administration of this Agreement and the other Transaction Documents following an Event of Default.

(c) The Borrower shall pay, within ten (10) Business Days following the Agent's written demand therefor, any and all stamp, sales, excise and other taxes and fees payable or determined to be payable in connection with the execution, delivery, filing and recording of this Agreement, any other Transaction Document or the other documents to be delivered hereunder and thereunder.

ARTICLE IX

THE AGENT

Section 9.1 Authorization and Action.

The Lender hereby designates and appoints the Agent to act as its agent under the Transaction Documents, and authorizes the Agent to take such actions as agent on its behalf and to exercise such powers as are delegated to the Agent by the terms of the Transaction Documents, together with such powers as are reasonably incidental thereto. The Agent shall not have any duties or responsibilities, except those expressly set forth in the Transaction Documents, or any fiduciary relationship with the Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities on the part of the Agent shall be read into any Transaction Document or otherwise exist for the Agent. In performing its functions and duties under the Transaction Documents, the Agent shall act solely as agent for the Lender and does not assume nor shall be deemed to have assumed any obligation or relationship of trust or agency with or for the Borrower, the Servicer or the Seller or any of their respective successors or permitted assigns. The Agent shall not be required to take any action that exposes the Agent to personal liability or that is contrary to any Transaction Document or applicable law. The appointment and authority of the Agent hereunder shall terminate upon the indefeasible payment in full of all Obligations.

Section 9.2 Delegation of Duties.

The Agent may execute any of its duties under each Transaction Document by or through agents or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Agent shall not be responsible for the negligence or misconduct of any agents or attorneys-in-fact selected by it with reasonable care.

Section 9.3 Exculpatory Provisions.

Neither the Agent nor any of its directors, officers, agents or employees shall be (i) liable for any action taken or omitted to be taken by it or them under or in connection with any Transaction Document (except for its, their or such Person's own gross negligence or willful misconduct), or (ii) responsible in any manner to the Lender for any recitals, statements, representations or warranties made by the Borrower, the Servicer or the Seller contained in any Transaction Document or any certificate, report, statement or other document referred to or provided for in, or received under or in connection with, any Transaction Document or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of any Transaction Document or any other document furnished in connection therewith, or for any failure of the Borrower, the Servicer or the Seller to perform their respective obligations under any Transaction Document or the Collateral, or for the satisfaction of any condition specified in Article IV, or for the perfection, priority, condition, value or sufficiency of any collateral pledged in connection herewith. The Agent shall not be under any obligation to the Lender to ascertain or to inquire as to the observance or performance of any of the agreements or covenants contained in, or conditions of, any Transaction Document, or to inspect the properties, books or records of the Borrower, the Servicer or the Seller. The Agent shall not be deemed to have knowledge of any Event of Default or Unmatured Event of Default unless the Agent has received written notice with respect thereto from the Borrower, the Servicer, the Custodian or the Lender.

Section 9.4 Reliance by the Agent.

The Agent shall in all cases be entitled to rely, and shall be fully protected in relying, upon any document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including, without limitation, counsel to the Borrower), accountants and other experts selected by the Agent. The Agent shall in all cases be fully justified in failing or refusing to take any action under any Transaction Document unless it shall first receive such advice or concurrence of the Lender as it deems appropriate and it shall first be indemnified to its satisfaction by the Lender, ***provided***, that unless and until the Agent shall have received such advice, the Agent may take or refrain from taking any action, as the Agent shall deem advisable and in the best interests of the Lender. The Agent shall in all cases be fully protected in acting, or in refraining from acting, in accordance with a request of the Lender and such request and any action taken or failure to act pursuant thereto shall be binding upon the Lender.

Section 9.5 Non-Reliance on the Agent.

The Lender expressly acknowledges that neither the Agent nor any of its officers, directors, employees, agents, attorneys-in-fact or Affiliates has made any representations or

warranties to it and that no act by the Agent hereafter taken, including, without limitation, any review of the affairs of the Borrower, the Servicer or the Seller, shall be deemed to constitute any representation or warranty by the Agent. The Lender represents and warrants to the Agent that it has made and will make, independently and without reliance upon the Agent and based on such documents and information as it has deemed appropriate, its own appraisal of and investigation into the business, operations, property, prospects, financial and other conditions and creditworthiness of the Borrower, the Servicer and the Seller and made its own decision to enter into the Transaction Documents and all other documents related thereto.

Section 9.6 The Agent in its Individual Capacity.

The Agent and its Affiliates may make loans to, accept deposits from and generally engage in any kind of business with the Borrower, the Servicer or the Seller or any of their Affiliates as though the Agent were not the Agent hereunder.

Section 9.7 Successor Agent.

The Agent may, upon fifteen (15) days' written notice to the Borrower and the Lender, resign as the Agent. If the Agent shall resign, then the Lender during such fifteen-day period shall appoint a successor Agent, whereupon (i) such successor Agent shall succeed to the rights, powers and duties of the Agent and the term "Agent" as used in this Agreement and each other Transaction Document shall mean such successor agent, effective upon its appointment, and (ii) the former Agent's rights, powers and duties as the Agent shall be terminated (except as set forth in the last sentence of this Section 9.7), without any other or further act or deed on the part of such former Agent or any of the parties to this Agreement. If for any reason no successor Agent is appointed during such fifteen-day period, then effective upon the termination of such fifteen-day period, the Lender shall perform all of the duties of the Agent hereunder and under the other Transaction Documents and the Borrower and the Servicer (as applicable) shall make all payments in respect of the Obligations directly to the Lender and for all purposes shall deal directly with the Lender. Upon resignation or replacement of any Agent in accordance with this Section 9.7, the retiring Agent shall execute such UCC-3 assignments and amendments, and assignments and amendments of the Transaction Documents, as may be necessary to give effect to its replacement by a successor Agent. After any retiring Agent's resignation hereunder as the Agent, the provisions of this Article IX and Article VIII shall inure to its benefit as to any actions taken or omitted to be taken by it while it was the Agent under this Agreement.

Section 9.8 Paying Agent and Custodian Limitation of Liability.

(a) The Paying Agent reserves the right, in the exercise of its own discretion, to resign from its obligations (and relinquish its rights) as Paying Agent hereunder upon not less than sixty (60) days notice to the other parties hereto. No such resignation and relinquishment shall be effective, however, unless and until a successor Paying Agent acceptable to the Agent and the Borrower shall have been designated, shall have indicated its agreement to accept the obligations of the Paying Agent hereunder at a compensation level, and otherwise in a manner, in each case reasonably acceptable to the Agent and the Borrower, and shall have accepted the transfer of amounts or investments held in the existing Collection Account from the Paying

Agent and shall have established a replacement Collection Account that is subject to an account control arrangement reasonably satisfactory to the Agent and the Borrower.

(b) The Paying Agent and Custodian undertake to perform only such duties and obligations as are specifically set forth in this Agreement, it being expressly understood by the parties hereto that there are no implied duties or obligations on the part of the Paying Agent and the Custodian under this Agreement. Neither the Paying Agent, the Custodian 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 and expenses which result from the gross negligence, willful misconduct, or reckless disregard of its obligations thereunder, of any such Person or Persons. In no event shall the Paying Agent, the Custodian or any of its officers, directors, employees or agents be liable for any consequential, indirect or special damages

(c) Neither the Paying Agent nor the Custodian shall be liable for any error of judgment, or for any act done or step taken or omitted by it, in good faith, or for any mistakes of fact or law, or for anything which it may do or refrain from doing in good faith in connection herewith.

(d) The Paying Agent and Custodian may rely on and shall be protected in acting upon any certificate, instrument, opinion, notice, letter, telegram or other document delivered to it by any other Person and which in good faith it believes to be genuine and which has been signed by the proper party or parties. The Paying Agent and Custodian may rely on and shall be protected in acting upon the written instructions of any designated officer of the Borrower, the Servicer, the Lender or the Agent.

(e) The Paying Agent and the Custodian may consult with counsel reasonably satisfactory to it and the written advice of such counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in accordance with the written advice of such counsel.

(f) Neither the Paying Agent nor the Custodian shall be required to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties hereunder, or in the exercise of its rights or powers, and neither of them shall be obligated to follow any directions of the Servicer, Agent, Lender, or Borrower hereunder or under the Transaction Documents, if it believes that repayment of such funds (repaid in accordance with the terms of this Agreement) or adequate indemnity against such risk or liability is not reasonably assured to it.

(g) Neither the Paying Agent nor the Custodian shall be deemed to be a fiduciary of any party hereto.

(h) Neither the Paying Agent nor any of its directors, officers, agents or employees, shall be liable for any action taken or omitted to be taken by it or them hereunder or in connection herewith in good faith and believed by it or them to be within the purview of this Agreement, except for its or their own gross negligence or willful misconduct, or reckless disregard in the compliance with its express duties hereunder.

(i) Neither the Paying Agent nor the Custodian shall be responsible for the value, validity, effectiveness, genuineness, enforceability, perfection or sufficiency of this Agreement or any of the Collateral.

ARTICLE X

SECURITY INTEREST

Section 10.1 Grant of Security Interest.

To secure the performance by the Borrower of all covenants and obligations to be performed by it pursuant to this Agreement and each other Transaction Document to which it is a party or by which it is bound, and the due, complete and punctual payment of the Obligations, whether now or hereafter existing, due or to become due, direct or indirect, or absolute or contingent, including, without limitation, all Indemnified Amounts, the Borrower hereby collaterally assigns and pledges to the Agent, for the benefit of the Lender (and its successors and assigns), and hereby grants to the Agent, for the benefit of the Secured Parties (and its successors and assigns), a security interest in, all of the Borrower's right, title and interest, whether now owned and existing or hereafter arising and wherever located, in and to the following, but excluding any Excluded Amounts (collectively, the "***Collateral***"):

(i) all Venture Loans (subject to the rights of any Participant under any Permitted Participation Arrangement) and Warrants purchased by the Borrower under the Purchase Agreement (or otherwise transferred to the Borrower pursuant to the terms of the Purchase Agreement including any related Subsequent Transfer Instrument) from time to time, and the Venture Loan Principal Balances related thereto, and all collateral related thereto;

(ii) all payments in respect of interest, principal, and fees, collected or otherwise recovered with respect to the Purchased Assets and all other proceeds received with respect to the Purchased Assets, including, without limitation, all proceeds on Warrants;

(iii) all documents required to be included in the related Loan Files and other Records, including in each case, without limitation, all monies due or to become due to the Borrower under or in connection therewith;

(iv) all guaranties, letters of credit, letter-of-credit rights, supporting obligations and other agreements or arrangements of whatever character from time to time supporting or securing payment of the Venture Loans, whether pursuant to the documents required to be included in the related Loan Files or otherwise;

(v) all Insurance Policies, if any, that relate to any Venture Loan, Obligor or Property;

(vi) the Purchase Agreement and all other Transaction Documents to which the Borrower is a party (including, without limitation, (a) all rights to indemnification arising thereunder and (b) all UCC financing statements filed pursuant thereto);

(vii) all other rights and payments relating to the Venture Loans and other Purchased Assets;

(viii) the Collection Account, the Lockbox Account and all other bank and similar accounts relating to collections on and proceeds of the Purchased Assets (whether now existing or hereafter established), and all cash, instruments, investment property, financial assets or other property that are held or required to be deposited in such accounts, and all investments in and all income from the investment of funds in the Collection Account, the Lockbox Account and such other accounts; and

(ix) all proceeds (including, without limitation, "proceeds" as defined in Article 9 of the UCC as in effect in the State of New York) of any of the foregoing, including without limitation interest, dividends, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for or on account of the sale or other disposition of any or all of the then-existing Collateral.

Notwithstanding anything to the contrary, the term "Collateral" shall not include any agreement between an Obligor and the Seller (or any other originator of the Venture Loan) for the Seller (or any other originator of the Venture Loan) to participate in purchases of Obligor's equity relating to an equity financing of such Obligor.

Section 10.2 Release of Collateral.

In the event that all of the Obligations have been irrevocably discharged and paid in full, the Agent shall release all Collateral from the lien created hereunder and the Agent and the Custodian shall execute and deliver any necessary instruments of release, prepared by and delivered to it at the sole cost and expense of the Borrower, without recourse, representation or warranty. In furtherance of the foregoing, the Agent shall release each Venture Loan, and any related Warrant transferred to Borrower under the Purchase Agreement, from the lien created hereunder and shall return the Loan File relating to such Venture Loan, upon payment in full of such Venture Loan by the related Obligor, or the repayment, repurchase, or substitution of such Venture Loan, and related Warrant, if any, by Seller pursuant to any Transaction Document. Upon the repayment in full of any Venture Loan, the Agent and the Custodian shall deliver, at Borrower's expense, the related Loan File to the Borrower.

Section 10.3 Termination after Final Payout Date.

Each of the Secured Parties hereby authorizes the Agent, and the Agent hereby agrees, to deliver to the Borrower promptly after the Final Payout Date such filed UCC termination statements as may be necessary to terminate the security interest of the Agent, for the benefit of the Lender, in and lien upon the Collateral, all at the Borrower's expense. To the extent the Agent fails to comply with this Section 10.3, the Borrower is hereby authorized to prepare and file any such UCC termination statements. Upon the Final Payout Date, all right, title and interest of the Agent and the Secured Parties in and to the Collateral shall automatically terminate.

Section 10.4 Further Assurances.

The Borrower shall take, and shall cause the Seller and the initial Servicer to take, any and all actions determined by the Agent in its sole discretion to be necessary to perfect and protect the Secured Parties' first priority (subject to Permitted Liens) security interest in all rights, titles and interests of the Borrower in the Collateral, including the filing of financing statements or other instruments.

ARTICLE XI

TERM AND TERMINATION

Section 11.1 Term.

Provided that no Event of Default has occurred and is continuing, and except as otherwise provided for herein, this Agreement shall commence on the Closing Date and continue until the Termination Date; provided, that in any event this Agreement shall terminate (to the extent it has not previously terminated pursuant to the terms hereof) on the fourth (4th) anniversary of the termination of the Revolving Period, and on or prior to such anniversary date the Borrower shall irrevocably pay in full all Obligations. Following expiration or termination of this Agreement, the Collection Account and the Lockbox Account shall be cleared and terminated, and all indebtedness, fees, expenses, costs, charges and reimbursements due the Lender and the Agent under this Agreement and the Transaction Documents shall be immediately due and payable without notice to the Borrower and without presentment, demand, protest, notice of protest or dishonor, or other notice of default, and without formally placing the Borrower in default, all of which are hereby expressly waived by the Borrower.

Section 11.2 Extension of Term.

Upon mutual agreement of the Borrower, the Agent and the Lender, the Commitment Expiration Date may be extended in accordance with the definition thereof. Such extension may be made subject to the recognition of the terms hereunder and to any other such conditions as the Agent and the Lender, in their sole discretion, may deem necessary or advisable. Under no circumstances shall such an extension by the Agent and the Lender be interpreted or construed as a forfeiture by the Agent or the Lender of any of their respective rights, entitlements or interest created hereunder. The Borrower acknowledges and understands that neither the Agent nor the Lender is under any obligation whatsoever to extend the term of this Agreement beyond the Termination Date.

ARTICLE XII

MISCELLANEOUS

Section 12.1 Waivers and Amendments.

(a) No failure or delay on the part of the Agent or the Lender in exercising any power, right or remedy under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right or remedy preclude any other further exercise thereof or

the exercise of any other power, right or remedy. The rights and remedies herein provided shall be cumulative and nonexclusive of any rights or remedies provided by law. Any waiver of this Agreement shall be effective only in the specific instance and for the specific purpose for which given.

(b) No provision of this Agreement may be amended, supplemented, modified or waived except in writing in accordance with the provisions of this Section 12.1(b). The Lender, the Borrower, the Custodian, the Paying Agent, and the Agent may enter into written modifications or waivers of any provisions of this Agreement, provided, however, that no such modification or waiver shall, without the written consent of the Agent, Custodian, Paying Agent, and the Back-up Servicer, amend, modify or waive any provision of this Agreement if the effect thereof is to affect the rights or duties of the Agent, Custodian, Paying Agent, and the Back-up Servicer.

Notwithstanding the foregoing, the Agent and the Lender may enter into amendments to modify any of the terms or provisions of Article IX of this Agreement relating to the Agent and/or the Lender without the consent of the Borrower; provided, however, that any amendment or modification that materially or adversely affects the Borrower, the Custodian, the Back-up Servicer or the Paying Agent shall require the consent of the Borrower, the Custodian, the Back-up Servicer and the Paying Agent, respectively. Any amendment, modification or waiver made in accordance with this Section 12.1 shall be binding upon the Borrower, the Lender, the Custodian and the Agent.

Section 12.2 Notices.

Except as provided in this Section 12.2, all communications and notices provided for hereunder and under the other Transaction Documents shall be in writing (including bank wire, telecopy, electronic mail, or electronic facsimile transmission or similar writing) and shall be given to the other parties hereto at their respective addresses, electronic mail address, or telecopy numbers set forth on the signature pages hereof or at such other address or telecopy number as such Person may hereafter specify for the purpose of notice to each of the other parties hereto. Each such notice or other communication shall be effective (i) if given by telecopy or electronic mail, upon written confirmation receipt thereof, (ii) if given by mail, three (3) Business Days after the time such communication is deposited in the mail properly addressed and with first class postage prepaid, (iii) if given by overnight courier or similar overnight delivery, one (1) Business Day after the time such communication is properly addressed and delivered to such delivery service, and (iv) if given by any other means, when received at the address for notices specified on the signature pages hereto.

Section 12.3 Protection of the Agent's Security Interest.

(a) The Borrower agrees that from time to time, at its expense, it will promptly execute and deliver all instruments and documents, and take all actions, that may be necessary or desirable, or that the Agent may reasonably request, to perfect, protect, defend or more fully evidence the security interest of the Agent, for the benefit of the Secured Parties, in all of the rights, titles and interests of the Borrower in the Collateral, or to enable the Agent or the Secured Parties to exercise and enforce their rights and remedies hereunder or under the other Transaction Documents (including, without limitation, to enforce any of the Venture Loans or the Purchase Agreement). At

any time after the occurrence and during the continuance of an Event of Default, the Agent may, or the Agent may direct the Borrower or the Servicer to, notify each Obligor, each insurer and each other payor with respect to the Venture Loans, any other Purchased Assets and any other Collateral, at the Borrower's expense, of the security interests of the Agent for the benefit of the Secured Parties under this Agreement and may also direct that payments of all amounts due or that become due under any or all of the Venture Loans and the other Collateral be made directly to the Agent or its designee or to an account established, maintained or controlled by any such Person. At any time following the occurrence of a Servicer Termination Event or an Event of Default, the Agent may, or the Agent may direct the Borrower or the Servicer to, notify each Obligor, each insurer and each other payor with respect to the Venture Loans, the Purchased Assets and any other Collateral, at the initial Servicer's expense, of the security interests of the Agent for the benefit of the Secured Parties under this Agreement direct that payments of all amounts due or that become due under any or all of the Venture Loans, any other Purchased Assets and the other Collateral be made to the Collection Account. The Borrower shall, and shall ensure that the Servicer shall, at the Agent's or the Secured Party's request, withhold the identity of the Secured Parties in any such notification.

(b) If the Borrower fails to perform any of its obligations hereunder or under any other Transaction Document, the Agent or the Lender may (but shall not be required to) perform, or cause performance of, such obligations, and the Agent's or the Lender's costs and expenses incurred in connection therewith shall be payable by the Borrower as provided in Section 8.3. The Borrower irrevocably authorizes the Agent at any time and from time to time in the sole discretion of the Agent to file (i) financing statements necessary or desirable in the Agent's sole discretion to perfect and to maintain the perfection and priority of the security interest of the Agent for the benefit of the Lender in the Venture Loans and other Collateral and (ii) a carbon, photographic or other reproduction of this Agreement or any financing statement with respect to the Venture Loans and other Collateral as a financing statement in such offices as the Agent in its sole discretion deems necessary or desirable to perfect and to maintain the perfection and priority of the security interest of the Agent, for the benefit of the Lender, in the Venture Loans and the other Collateral. This appointment is coupled with an interest and is irrevocable. The Borrower hereby authorizes the Agent to file financing statements and other filing or recording documents thereto, with respect to the Venture Loans and other Collateral (including any amendments thereto, or continuation or termination statements thereof), without the signature or other authorization of the Borrower, in such form and in such offices as the Agent determines appropriate to perfect or maintain the perfection of the security interest of the Agent hereunder. The Borrower acknowledges and agrees that, other than with respect to the filing of financing statements (naming the Seller as the debtor and the Borrower as the secured party) in accordance with the Purchase Agreement, it is not authorized to, and will not, file financing statements or other filing or recording documents with respect to the Venture Loans or other Collateral (including any amendments thereto, or continuation or termination statements thereof), without the express prior written approval by the Agent, consenting to the form and substance of such filing or recording document. The Borrower approves, authorizes and ratifies any filings or recordings made by or on behalf of the Agent in connection with the perfection of the security interests in favor of the Borrower or the Agent.

Section 12.4 Confidentiality.

(a) Each of the Agent, the Lender, the Paying Agent, the Custodian and the Borrower shall maintain (and the Borrower shall cause each of the Seller and the Servicer and each

of its respective employees, managers, directors, agents, accountants, advisors, legal counsel and officers to maintain) the confidentiality of this Agreement and the other confidential or proprietary information with respect to such parties and their respective businesses obtained by them in connection with the structuring, negotiating and execution of the transactions contemplated herein (it being understood that the Borrower at its expense shall inform, and shall cause the Seller and the Servicer to inform, the Persons to whom such disclosure is made of the confidential nature of such information and shall instruct such Persons to keep such information confidential). Anything herein to the contrary notwithstanding, (i) the Borrower, the Seller, the Servicer, the Lender, the Agent, each Indemnified Party, the Paying Agent, the Custodian and any successor or assign of any of the foregoing (and each employee, representative or other agent of any of the foregoing) may disclose to any and all Persons, without limitation of any kind, the "tax treatment" and "tax structure" (in each case, within the meaning of Treasury Regulation Section 1.6011-4) of the transactions contemplated herein and all materials of any kind (including opinions or other tax analyses) that are or have been provided to any of the foregoing relating to such tax treatment or tax structure, and it is hereby confirmed that each of the foregoing has been so authorized since the commencement of discussions regarding the transactions contemplated herein, (ii) the Borrower may (A) generally disclose the existence of the Agreement, the size of the Facility Limit, and the identity of the Lender and (B) disclose the Transaction Documents to existing and potential investors in the Borrower, the Seller or the Servicer, and (iii) each Person bound by provisions of this Section 12.4 may make disclosure that is otherwise prohibited by this Section 12.4 if such disclosure is required by legal proceedings provided that such Person shall provide prompt written notice to the Parties hereto so that they may seek a protective order or other appropriate remedy.

(b) Anything herein to the contrary notwithstanding, the Borrower hereby consents to the disclosure of any nonpublic information by the Agent or the Lender, the Servicer or Back-up Servicer, the Custodian, or the Paying Agent with respect to it, any of the Collateral, the Servicer, and the Seller (i) to any other lender, assignee or participant or potential lender, assignee or participant and to each other, and (ii) to the extent reasonably necessary to perform the transactions contemplated herein and provided any such disclosure includes informing such parties of the highly confidential nature of such information to any rating agency or provider of a surety, guaranty or credit or liquidity enhancement to the Lender or any entity organized for the purpose of purchasing, or making loans secured by, financial assets for which WestLB acts as administrative agent and to any officers, directors, employees, managers, agents, outside accountants and attorneys of any of the foregoing. In addition, the Lender and the Agent, the Servicer, or the Back-up Servicer, the Paying Agent and any successor or assign of any of the foregoing (and each employee, representative, or other agent of any of the foregoing) may disclose any such confidential or proprietary information: (A) pursuant to any law, rule, regulation, direction, request or order of any stock exchange wherein the disclosing party's capital stock is listed and traded or any judicial, administrative, tax, licensing, accounting or regulatory body or Governmental Authority or proceedings (whether or not having the force or effect of law), (B) in connection with the exercise of any remedies hereunder or under any other Transaction Document or any suit, action or proceeding relating to this Agreement or any other Transaction Document or the enforcement of rights hereunder or thereunder, (C) to any actual or prospective counterparty (or its advisors) to any Interest Rate Hedge, swap or derivative transaction relating to the transactions contemplated by the Transaction Documents, (D) with the prior written consent of the party hereto to whom such information relates or (E) to the extent such information (i) becomes publicly

available other than as a result of a breach of this Section 12.4 or (ii) becomes available from a source other than the Borrower.

(c) With respect to this Loan, any potential lender or participant shall agree to be bound by the terms and conditions of this Section 12.4.

Section 12.5 Limitation of Liability.

(a) Except with respect to any claim arising out of the willful misconduct or gross negligence of the Agent or the Lender, no claim may be made by the Borrower or any other Person against the Agent or the Lender or their respective Affiliates, directors, officers, employees, attorneys or agents for any special, indirect, consequential or punitive damages in respect of any claim for breach of contract or any other theory of liability arising out of or related to the transactions contemplated by this Agreement or any other Transaction Document, or any act, omission or event occurring in connection therewith; and the Borrower hereby waives, releases, and agrees not to sue upon any claim for any such damages, whether or not accrued and whether or not known or suspected to exist in its favor.

(b) No recourse under or with respect to any obligation, covenant or agreement of the Lender or the Agent as contained in this Agreement, any other Transaction Document or any other agreement, instrument or document entered into by the Lender or the Agent pursuant hereto or thereto or in connection herewith or therewith shall be had against any administrator of the Lender or the Agent or any incorporator, affiliate, stockholder, officer, employee or director of the Lender or the Agent or of any such administrator, as such, by the enforcement of any assessment or by any legal or equitable proceeding, by virtue of any statute or otherwise; it being expressly agreed and understood that the agreements of each party hereto contained in this Agreement, each other Transaction Document and all of the other agreements, instruments and documents entered into by the Lender or the Agent pursuant hereto or thereto or in connection herewith or therewith are, in each case, solely the corporate obligations of such party, and that no personal liability whatsoever shall attach to or be incurred by any administrator of the Lender or the Agent or any incorporator, stockholder, affiliate, officer, employee or director of the Lender or the Agent or of any such administrator, as such, or any of them, under or by reason of any of the obligations, covenants or agreements of the Lender or the Agent contained in this Agreement, any other Transaction Document or in any other such instruments, documents or agreements, or which are implied therefrom, and that any and all personal liability of every such administrator of the Lender or the Agent and each incorporator, stockholder, affiliate, officer, employee or director of the Lender or the Agent or of any such administrator, or any of them, for breaches by the Lender or the Agent of any such obligations, covenants or agreements, which liability may arise either at common law or in equity, by statute or constitution, or otherwise, is hereby expressly waived as a condition of and in consideration for the execution of this Agreement. The provisions of this Section 12.5 shall survive the termination of this Agreement.

Section 12.6 Choice of Law.

THIS AGREEMENT SHALL, IN ACCORDANCE WITH SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK, BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO ANY CONFLICTS

OF LAW PRINCIPLES THEREOF THAT WOULD CALL FOR THE APPLICATION OF THE LAWS OF ANY OTHER JURISDICTION, EXCEPT TO THE EXTENT THAT THE VALIDITY OR PERFECTION OF THE INTERESTS OF THE AGENT FOR THE BENEFIT OF THE LENDER IN THE COLLATERAL, OR REMEDIES HEREUNDER, IN RESPECT THEREOF, ARE GOVERNED BY THE LAWS OF A JURISDICTION OTHER THAN THE STATE OF NEW YORK.

Section 12.7 Consent to Jurisdiction.

EACH PARTY TO THIS AGREEMENT HEREBY IRREVOCABLY SUBMITS TO THE EXCLUSIVE JURISDICTION OF ANY UNITED STATES FEDERAL OR NEW YORK STATE COURT SITTING IN NEW YORK, NEW YORK, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY DOCUMENT EXECUTED BY SUCH PERSON PURSUANT TO THIS AGREEMENT, AND EACH SUCH PARTY HEREBY IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN ANY SUCH COURT AND IRREVOCABLY WAIVES ANY OBJECTION IT MAY NOW OR HEREAFTER HAVE AS TO THE VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN SUCH A COURT OR THAT SUCH COURT IS AN INCONVENIENT FORUM. ANY JUDICIAL PROCEEDING BY THE BORROWER AGAINST THE AGENT OR THE LENDER OR ANY AFFILIATE OF THE AGENT OR THE LENDER INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER IN ANY WAY ARISING OUT OR, RELATED TO, OR CONNECTED WITH THIS AGREEMENT OR ANY DOCUMENT EXECUTED BY THE BORROWER PURSUANT TO THIS AGREEMENT SHALL BE BROUGHT ONLY IN A COURT IN NEW YORK, NEW YORK.

Section 12.8 Waiver of Jury Trial.

EACH PARTY HERETO HEREBY WAIVES TRIAL BY JURY IN ANY JUDICIAL PROCEEDING INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER (WHETHER SOUNDING IN TORT, CONTRACT OR OTHERWISE) IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH THIS AGREEMENT OR THE OTHER TRANSACTION DOCUMENTS, ANY DOCUMENT EXECUTED BY THE BORROWER PURSUANT TO THIS AGREEMENT OR THE OTHER TRANSACTION DOCUMENTS OR THE RELATIONSHIP ESTABLISHED HEREUNDER OR THEREUNDER.

Section 12.9 Collateral Matters; Interest Rate Hedge Agreements.

The benefit of the provisions of this Agreement relating to Collateral securing the Obligations hereunder shall also extend to and be available to the Agent when acting in the capacity of Hedge Counterparty under any Interest Rate Hedge with the Borrower under any Interest Rate Hedge agreement. The Borrower hereby agrees to amend any Transaction Document or enter into any Interest Rate Hedge agreement and related credit support documentation required by the Agent to secure Borrower’s obligations under such Interest Rate Hedge as Agent shall reasonably request.

Section 12.10 Integration; Binding Effect; Survival of Terms.

(a) This Agreement and each other Transaction Document contain the final and complete integration of all prior expressions by the parties hereto with respect to the subject matter hereof and shall constitute the entire agreement among the parties hereto with respect to the subject matter hereof, superseding all prior oral or written understandings.

(b) This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns (including any trustee in bankruptcy). This Agreement shall create and constitute the continuing obligations of the parties hereto in accordance with its terms and shall remain in full force and effect until terminated in accordance with its terms; provided, however, that the rights and remedies with respect to (i) any breach of any representation and warranty made by the Borrower pursuant to Article III and Article IV and (ii) the indemnification and payment provisions of Article VIII and the provisions of Sections 12.4 and 12.5, shall be continuing and shall survive any termination of this Agreement.

Section 12.11 Assignability; Participations.

(a) The Lender may not transfer or assign, in whole or in part, its right, interests and obligations, including its security interest, in all or any part of the Collateral and its rights in this Agreement and the other Transaction Documents without the prior written consent of the Borrower, which consent shall not be unreasonably withheld or delayed, and any such transferee or assignee thereof may enforce this Agreement and any such Transaction Document, and such security interest, directly against the Borrower. In addition, no assignment may be made to any Person if at the time of such assignment, the Borrower would be obligated to pay any greater amount under Section 2.1(f) to the assignee than the Borrower is then obligated to pay to the assigning Lender under such Section (and if any assignment is made in violation of the foregoing, the Borrower will not be required to pay such greater amounts). The Borrower and the Custodian may not assign any of their respective rights, interests or obligations hereunder or under any of the other Transaction Documents without the Agent's and the Lender's prior written consent, which may be given or withheld in the Agent's and the Lender's sole discretion.

(b) The Lender may from time to time sell or otherwise grant participations in this Agreement, and the holder of any such participation, if the participation agreement so provides, (i) shall, with respect to its participation, be entitled to all of the rights of the Lender and (ii) may exercise any and all rights of setoff or banker's lien with respect thereto, in each case as fully as though the Borrower were directly indebted to the holder of such participation in the amount of such participation; provided, that on the date of the participation and at any time after such date, no participant shall be entitled to any greater compensation pursuant to Section 2.1(f) than would have been paid to the participating Lender on such date if no participation had been sold and that each participant complies with Section 2.1(g), (h), or (i), as applicable, as if it were an assignee; and provided further, that the Borrower shall not be required to send or deliver to any of the participants other than the Lender any of the materials or notices required to be sent or delivered by it to the Lender under the terms of this Agreement, nor shall it have to act except in compliance with the instructions of the Agent and the Lender.

(c) Notwithstanding any other provision contained in this Agreement or any other Transaction Document to the contrary, the Lender may assign all or any portion of the Aggregate Loan Balance held by it to any Federal Reserve Bank or the United States Treasury as

collateral security pursuant to Regulation A of the Federal Reserve Board and any Operating Circular issued by such Federal Reserve Bank, provided, however, that any payment in respect of such assigned Aggregate Loan Balance made by the Borrower to or for the account of the assigning and/or pledging Lender in accordance with the terms of this Agreement shall satisfy the Borrower's obligations hereunder in respect to such assigned Aggregate Loan Balance to the extent of such payment. No such assignment shall release the Lender from its obligation hereunder and in no event shall such Federal Reserve Bank be considered to be a "Lender" or be entitled to require the assigning Lender to take or omit to take any action hereunder.

Section 12.12 Counterparts; Severability; Section References.

This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same Agreement. Delivery of an executed counterpart of a signature page to this Agreement by telecopier or electronic mail (or attachment thereto) shall be effective as delivery of a manually executed counterpart of a signature page to this Agreement. Any provision of this Agreement which 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. Unless otherwise expressly indicated, all references herein to "***Article***," "***Section***," "***Schedule***" or "***Exhibit***" shall mean articles and sections of, and schedules and exhibits to, this Agreement.

Section 12.13 Computation of Time Periods, Etc.

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" and the words "to" and "until" each mean "to but excluding." Any approval or consent of the Agent or the Lender required hereunder shall be given or withheld by the Agent or the Lender in its sole discretion, unless otherwise specifically required pursuant to the terms of this Agreement.

(signature page follows)

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered by their duly authorized officers as of the date hereof.

WESTLB AG, NEW YORK BRANCH, as the Lender

By: _____
Name:
Title:

By: _____
Name:
Title:

Address: 1211 Avenue of the Americas
New York, New York 10036
Fax: (212) 789-0035

Attention: Jon Hellbusch
Telephone: (212) 789-0035

For all notices send copies to:

CRM/Monitoring Group
Telecopier No.: (212) 852-6228
Email: NYC_ABS_Surveillance@westlb.com

WESTLB AG, NEW YORK BRANCH, as the Agent

By: _____
Name:
Title:

By: _____
Title:

Address: 1211 Avenue of the Americas
New York, New York 10036
Fax: (212) 597-1423
Attention: Asset Securitization Group
Telephone: (212) 852-6000

U.S. Bank National Association, as the Custodian

By: _____
Name:
Title:
Address: 1133 Rankin Street
St. Paul, Minnesota 55116
Attention: Receiving Group — Horizon Credit I LLC
Fax: (651) 695-6102
Telephone: (651) 695-5867

For all notices send copies to:

U.S. Bank National Association
209 S. LaSalle Street, Ste. 300,
Chicago, Illinois, 60604
Attn: Structured Finance, Horizon Credit I LLC
Fax: (312) 325-8905
Tel.: (312) 325-8904

U.S. Bank National Association, as the Paying Agent

By: _____
Name:
Title:

Address: 209 S. LaSalle Street, Ste. 300,
Chicago, Illinois, 60604
Attention: Structured Finance, Horizon Credit I LLC
Fax: (312) 325-8905
Telephone: (312) 325-8904

HORIZON CREDIT I LLC, as the Borrower
By: COMPASS HORIZON PARTNERS, LP, its Manager
By: Navco Management Ltd., its General Partner

By: _____
Name: Cora Lee Starzomski
Title: Director/Treasurer

Address: 76 Batterson Park Road
Farmington, CT 06032
Attention: Robert D. Pomeroy, Jr.
Fax: (860) 676-8655
Telephone: (860) 676-8656
Email: rob@horizontechfinance.com

EXHIBITS AND SCHEDULES

Exhibit I	Definitions
Exhibit II	Places of Business of the Borrower; Locations of Records; Federal Employer Identification Number(s) and state organizational identification number
Exhibit III	Form of Compliance Certificate
Exhibit IV	Form of Loan Portfolio Report
Exhibit V	Form of Advance Request
Exhibit VI	Form of Prepayment Request
Exhibit VII	Warrant Valuation Policy
Exhibit VIII	Form of Weekly Distribution Request
Schedule A-1	Documents to be Delivered to the Agent On or Prior to the Closing Date (or, as noted, On or Prior to the Initial Funding Date)
Schedule A-2	Documents to be Delivered to the Agent On or Before the Related Subsequent Transfer Date
Schedule B	Venture Loan Schedule
Schedule C	Venture Loan Representations and Warranties
Schedule D	Concentration Limits and Level I, II, III, and IV Loss Triggers
Schedule E	Tillinghast Towers — Perrin Procedures for the Portfolio Performance Test

EXHIBIT I

DEFINITIONS

As used in this Agreement, the following terms shall have the meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined) as defined below. Capitalized terms used and not otherwise defined herein have the meanings specified in the Servicing Agreement or the Purchase Agreement, as applicable. All accounting terms not specifically defined herein shall be construed in accordance with GAAP. 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.

"***Administrative Fee***" means an amount equal to the sum of the annual Back-up Servicer Fee and the annual Custodian Fee, and Paying Agent Fee.

"***Advance***" has the meaning set forth in Section 1.1.

"***Advance Account***" means the account specified below to which Advances shall be credited by the Lender for the benefit of the Borrower:

Name of Bank:	Bank of America, N.A.
Bank Address:	300 West 33rd Street
	New York, NY 10001
ABA Routing Number:	026009593
Account Number:	385003265606
Name on Account:	Compass Horizon Funding Company LLC

"***Advance Date***" means the date specified by the Borrower in an Advance Request and approved by the Agent in accordance with this Agreement as the date of the funding of the proposed related Advance; ***provided***, that, notwithstanding anything herein to the contrary, no more than one Advance shall be made during any one calendar week period.

"***Advance Rate Reduction***" means any reduction of the Facility Advance Rate by means of a Type I Advance Rate Reduction, Type II Advance Rate Reduction, or Type III Advance Rate Reduction.

"***Advance Request***" means a request by the Borrower for an Advance in the form of Exhibit V.

"***Adverse Claim***" means a lien, security interest, financing statement, charge or encumbrance, or other right or claim in, of or on any Person's assets or properties in favor of any other Person other than Permitted Liens.

"***Affected Party***" has the meaning set forth in Section 8.2.

"***Affiliate***" means, with respect to any Person, any other Person directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person or any Subsidiary of such Person. A Person shall be deemed to control another Person if the controlling Person owns ten percent (10%) or more of any class of voting securities of the controlled Person or possesses, directly or indirectly, the power to direct or cause the direction of the management or policies of the controlled Person, whether through ownership of stock, by contract or otherwise.

"***Agent***" has the meaning set forth in the preamble to this Agreement.

"***Aggregate Loan Balance***" means the aggregate outstanding principal amount of the Advances made by the Lender as of any day of calculation (including without limitation all increases to the principal amount of the Loan outstanding on such date as a result of, and to the extent of all out-of-pocket advances, charges, fees, disbursements, costs and expenses incurred or paid by the Agent or Lender pursuant to Section 7.4 on or prior to such date, to the extent such amounts have not been reimbursed to the Agent or the Lender), which amount shall not exceed the Facility Limit or the Borrowing Base immediately following a Funding Date.

"***Agreement***" means this Credit and Security Agreement, as it may be amended, restated, supplemented or otherwise modified from time to time in accordance with the terms hereof.

"***Amortization Commencement Date***" means the earlier to occur of (i) the Commitment Expiration Date, (ii) the date upon which the Loan has been terminated by the Borrower, with ten (10) days' prior written notice to the Lender, or (iii) the occurrence of an Early Amortization Event.

"***Annual Portfolio Performance Test***" has the meaning specified in Section 5.1(a)(v).

"***AUP Letter***" means that certain letter of understanding, entered into within 90 days of the Closing Date or such later date as specified by the Agent, among the Servicer, the Agent and an independent public accounting firm, setting forth certain agreed-upon procedures to be followed by such firm with respect to its comparison of certain calculations relating to the Servicer, the Borrower and the Seller, as set forth in Section 3.09 of the Servicing Agreement.

"***Authorized Officer***" means, with respect to any Person, its manager, president, chief executive officer, chairman, vice chairman, corporate controller, treasurer or chief financial officer.

"***Available Commitment***" means, on any date of determination, the Facility Limit minus the Aggregate Loan Balance.

"***Available Funds***" means, with respect to any Monthly Remittance Date (or Prepayment Date with respect to any prepayment in accordance with Section 2.2), an amount equal to the aggregate of the following previously undistributed amounts (without duplication) with respect to the Collateral on deposit in the Collection Account as of the end of the immediately preceding Collection Period, excluding Excluded Amounts:

(a) all collections on the Venture Loans, including Scheduled Payments, Principal Prepayments, late payment fees and Prepayment Charges, extension fees, curtailment payments, Warrant Proceeds, all fees payable by Obligors on or before the related Monthly Remittance Date, to the extent such amounts are on deposit in the Collection Account on the related Monthly Remittance Date,

(b) all other amounts remitted by the Servicer, the Custodian, any Obligor, or any other Person making a payment on or with respect to an Eligible Venture Loan, or with respect to any Collateral, pursuant to the Servicing Agreement, the Lockbox Agreement or any other Transaction Document, to the extent such amounts are on deposit in the Collection Account on the related Monthly Remittance Date,

(c) all amounts on deposit in the Collection Account on the related Monthly Remittance Date, as the case may be, pursuant to Section 2.6(b) of this Agreement, the Lockbox Agreement and Section 2.8 of this Agreement and all amounts (representing investment earnings on amounts on deposit in the Collection Account) credited to the Collection Account pursuant to Section 2.6 of this Agreement to the extent such amounts are on deposit in the Collection Account on such Monthly Remittance Date, and

(d) all amounts reimbursed by the Servicer with respect to such Monthly Remittance Date in connection with losses on certain Eligible Investments in the Collection Account, as set forth in Section 2.6 of this Agreement, to the extent such amounts are on deposit in the Collection Account on such Monthly Remittance Date.

"***Back-up Servicer***" means Lyon Financial Services Inc. (doing business as U.S. Bank Portfolio Services), acting in its capacity as Back-up Servicer or as successor Servicer, or any other entity appointed as Back-up Servicer in accordance with the Transaction Documents.

"***Back-up Servicer Fee***" means, on any Monthly Remittance Date, the amounts due to the Back-up Servicer in its capacity as Back-up Servicer or as successor Servicer, as applicable, as set out in the Engagement Letter.

"***Back-up Servicer Trigger Events***" means the occurrence of any of the following events:

(i) The Benign Restructured and Delinquent Venture Loan Ratio exceeds eight percent 8.00% for any Collection Period or eight percent 8.00% if calculated on a rolling average basis for the last three (3) Collection Periods;

(ii) The Newly Benign Restructured and Delinquent Venture Loan Ratio exceeds six percent 6.00% for any Collection Period, or four percent 4.00% if calculated on a rolling average basis for the last three (3) Collection Periods;

(iii) The Cumulative Gross Loss Percentage for any Origination Group exceeds the applicable Level I Loss Trigger for such Origination Group as stated within Table II Schedule D;

(iv) The Cumulative Net Loss Percentage for any Origination Group

exceeds the applicable Level I Loss Trigger for such Origination Group as stated within Table III of Schedule D; or

(v) An Early Amortization Event has occurred and is continuing.

"***Base Rate***" means, with respect to a Collection Period, the annualized percentage equivalent of a fraction, (x) the numerator of which is the sum of the following amounts due and payable with respect to such period: (i) Interest accrued on the Aggregate Loan Balance, (ii) the Non-Use Fee, (iii) the Servicing Fee, and (iv) the Administrative Fee, and (y) the denominator of which is the average Net Portfolio Balance for such Collection Period; *provided*, *however*, that for purposes of this calculation, Interest shall be capped at the fixed rate payable to the Hedge Counterparty for that portion of the Eligible Venture Loans which are then hedged under the Facility.

"***Benign Restructured Venture Loan***" means either a (i) Ordinary Venture Loan, or (ii) the underlying loan with respect to such Venture Loan that is a PIFL, which, in either case has been modified to allow "interest only" payments for a period of no longer than six (6) months from the date of such modification; *provided*, *however*, that such modification may occur only once during the term of such Benign Restructured Venture Loan.

"***Benign Restructured and Delinquent Venture Loan Ratio***" means the outstanding principal balance of Venture Loans that are Benign Restructured Venture Loans and Delinquent Venture Loans, as a percentage of the outstanding principal balance of all Venture Loans owned by the Borrower at the end of the Collection Period.

"***Borrower***" has the meaning set forth in the preamble to this Agreement.

"***Borrowing Base***" means, as of any date of calculation, the sum of (i) the product of (x) the Net Portfolio Balance as of such date and (y) the Facility Advance Rate as of such date and (ii) all amounts on deposit in the Collection Account in excess of the amount the Borrower is required to pay under Section 2.3, clauses *first* through *seventh*, on the next succeeding Monthly Remittance Date.

"***Borrowing Base Deficit***" means the positive excess (if any) of the Aggregate Loan Balance over the Borrowing Base.

"***Breakage Costs***" means an amount equal to all reasonable out-of-pocket costs, fees, losses, payments and expenses incurred (as determined by the Agent in its discretion) by the Lender and the Agent in connection with the Borrower's failure to borrow an Advance after the Borrower has submitted an Advance Request in connection with such borrowing, including without limitation any reasonable out-of-pocket cost, fee, loss, payment or expense arising from or relating to (A) interest or fees payable by the Lender or the Agent to lenders of funds obtained by such Person in order to maintain the Aggregate Loan Balance hereunder, (B) re-employment of funds obtained by the Lender and the Agent and (C) fees payable to terminate the arrangements through which such funds were obtained, which determination shall be conclusive and binding on the Borrower absent manifest error.

"***Business Day***" means any day on which banks are not authorized or required to close in New York, New York, or the State of Connecticut, Minnesota, and, if the applicable Business Day relates to any computation or payment to be made with respect to the LIBO Rate, any day on which dealings in dollar deposits are carried on in the London interbank market.

"***Calculation Date***" means, as of any date of determination, the last day of each monthly reporting period utilized by the Servicer in providing the most recently distributed Monthly Report, or such other date as shall be mutually agreed to by the Servicer and the Agent.

"***Change of Control***" means, with respect to any Person, the earliest to occur of the following:

(i) A merger, consolidation, share exchange, acquisition or other transaction or business combination or series of related transactions or business combinations involving the related Person, or a sale of voting control of the related Person, in each such instance as a result of which the holders or beneficial owners of the related Person immediately prior to such transaction or series of related transactions, or any Person owned, directly or indirectly, by the holders or beneficial owners of the related Person in substantially the same proportions as their ownership of the related Person immediately prior to such transaction or series of related transactions, do not own, hold or control a majority of the ownership interest, shares or voting power (or similar indicia of ownership and control) to elect the directors or managers of the surviving Person after such transaction;

(ii) The holders or beneficial owners of the related Person approve (i) a plan of liquidation, bankruptcy, conservatorship or substantially similar plan of or with respect to the related Person or (ii) an agreement for the sale, conveyance or disposition by the related Person of all or substantially all of the related Person's assets;

(iii) The effectuation by the board of directors or senior managers of the related Person or the holders or beneficial owners of the related Person of a transaction or series of related transactions in which beneficial ownership of more than fifty percent (50%) of the voting power (or similar indicia of ownership and control) to elect the directors or managers of the related Person is disposed of; and

(iv) The acquisition by any third party, who is not (i) a holder of any ownership interest, shares or voting power (or similar indicia of ownership and control) of the related Person on the Closing Date or (ii) an Affiliate on the Closing Date of such a holder, in a transaction or series of transactions, of beneficial ownership of more than fifty percent (50%) of the voting power (or similar indicia of ownership and control) to elect the directors or managers of the related Person.

"***Closing Date***" means March 4, 2008.

"Collateral" has the meaning set forth in Section 10.1.

"***Collection Account***" has the meaning set forth in Section 2.6(a).

"***Collection Period***" means, for any Monthly Remittance Date, the calendar month prior to the month in which such Monthly Remittance Date occurs (or, with respect to the first Collection Period, the period commencing on the first Business day following the Closing Date and ending on the last date of the calendar month when the Closing Date occurs).

"***Collection Policy***" means the Servicer's collection policies and practices relating to the documents required to be included in the Loan Files for the Venture Loans and Warrants existing on the Closing Date and the Initial Funding Date, as attached to the Servicing Agreement as Exhibit B and delivered to the Agent by the Servicer on or prior to the Closing Date, as modified from time to time in accordance with this Agreement and the other Transaction Documents; ***provided***, that if a Back-up Servicer has become the Servicer pursuant to the Servicing Agreement, then "***Collection Policy***" means the Back-up Servicer's collection policies and practices relating to documents required to be included in the related Loan Files generally and existing on the date the Back-up Servicer becomes the Servicer hereunder in accordance with this Agreement and the other Transaction Documents.

"***Commitment Expiration Date***" means the date which is three (3) years from the Closing Date, which date may be extended pursuant to Section 11.2 by the Borrower, at any time after the first anniversary of the Closing Date, with the Lender's written consent, which consent shall be given or withheld at the Lender's sole discretion.

"***Concentration Limits***" means the concentration limits with respect to the Venture Loans of a particular category specified on Table I of Schedule D hereto for each such category.

"***Contingent Obligation***" of a Person means any agreement, undertaking or arrangement by which such Person assumes, guarantees, endorses, contingently agrees to purchase or provide funds for the payment of, or otherwise becomes or is contingently liable upon, the obligation or liability of any other Person, or agrees to maintain the net worth or working capital or other financial condition of any other Person, or otherwise assures any creditor of such other Person against loss, including, without limitation, any comfort letter, operating agreement, take-or-pay contract or application for a letter of credit.

"***Cumulative Gross Loss Ratio***" means with respect to any Origination Group, on any date of determination, the percentage equal to the ratio of (a) the aggregate Gross Losses on all such Defaulted Venture Loans within such Origination Group over (b) the aggregate principal balance of all such Venture Loans (calculated at the maximum outstanding principal balance for each Venture Loan since its date of origination) within such Origination Group.

"***Cumulative Net Loss Ratio***" means with respect to any Origination Group, on any date of determination, the percentage equal to the ratio of (a) the aggregate Net Losses realized on all such Defaulted Venture Loans within such Origination Group over (b) the aggregate principal balance of all Venture Loans (calculated at the maximum outstanding principal balance for each such Venture Loan since its date of origination) within such Origination Group.

"***Custodial Agreement***" means that certain Custodial Agreement, dated as of the Closing Date, among the Servicer, the Borrower, the Agent, and the Custodian, as amended, restated, supplemented or otherwise modified from time to time in accordance with its terms.

"***Custodian***" means U.S. Bank National Association or any substitute Custodian appointed by the Agent pursuant to the Custodial Agreement.

"***Custodian Fee***" means with respect to any Monthly Remittance Date, the amounts due to the Custodian as set out in the Engagement Letter.

"***Defaulted Ordinary Venture Loan***" means in respect of a Venture Loan that is an Ordinary Venture Loan (i) as to which the related Obligor has suffered an Event of Bankruptcy, (ii) as to which all or a portion of the Venture Loan Principal Balance related thereto has been or should have been, consistent with the Collection Policy, written off of the Servicer's or the Borrower's books as uncollectible, (iii) as to which any payment, or part thereof, remains unpaid for one hundred twenty (120) days or more from the original Due Date for such payment or any extended Due Date in accordance with the Collection Policy or (iv) as to which the Servicer has, by written notice to the related Obligor, accelerated the maturity of such Venture Loan, consistent with the Collection Policy.

"***Defaulted PIFL***" means (i) in respect of a Venture Loan that is a PIFL a failure by the Servicer to make any payments due to the Seller under the PIFL Agreement, or (ii) in respect of the underlying loan to a Venture Loan that is a PIFL as to which (A) the related Obligor has suffered an Event of Bankruptcy, (B) all or a portion of the Venture Loan Principal Balance related thereto has been or should have been, consistent with the Collection Policy, written off of the Servicer's or the Borrower's books as uncollectible, (C) any payment, or part thereof, remains unpaid for one hundred twenty (120) days or more from the original Due Date for such payment or any extended Due Date in accordance with the Collection Policy or (iv) as to which the Servicer has, by written notice to the related Obligor, accelerated the maturity of such Venture Loan, consistent with the Collection Policy.

"***Defaulted Venture Loan***" means (i) a Defaulted Ordinary Venture Loan, or (ii) a Defaulted PIFL.

"***Defective Ordinary Venture Loan***" means a Venture Loan that is an Ordinary Venture Loan, as to which (i) a Deficiency exists or (ii) there is a breach of the representations and warranties (A) of the Seller as set forth in Section 4.2(a) of the Purchase Agreement, or (B) of the Borrower as set forth in Section 6.3(a) of this Agreement.

"***Defective PIFL***" means a Venture Loan that is a PIFL, as to which (i) a Deficiency exists, (ii) the underlying loan with respect to such PIFL does not satisfy the statements set forth in Schedule C of this Agreement, or (iii) such PIFL does not satisfy the statements set forth in Schedule C of this Agreement.

"***Defective Venture Loan***" means (i) a Defective Ordinary Venture Loan, or (ii) a Defective PIFL.

"***Deficiency***" has the meaning as set forth in the Custodial Agreement.

"***Deleted Venture Loan***" means (i) a Defective Venture Loan which pursuant to the Purchase Agreement has been repurchased by the Seller, from the Borrower or replaced by the Seller with a Substitute Venture Loan or (ii) a Delinquent Venture Loan or a Defaulted Venture Loan which has been purchased by the Servicer pursuant to Section 3.05 of the Servicing Agreement.

"***Delinquent Ordinary Venture Loan***" means any Venture Loan that is an Ordinary Venture Loan, as to which any payment or part thereof remains unpaid for sixty (60) days or more from the original Due Date for such payment or any extended Due Date in accordance with the Collection Policy but which has not yet been, and which should not have yet been, consistent with the Collection Policy, written off of the Servicer's or the Borrower's books as uncollectible.

"***Delinquent PIFL***" means a Venture Loan that is a PIFL, as to which any payment or part thereof in respect of the underlying loan, remains unpaid for sixty (60) days or more from the original Due Date for such payment or any extended Due Date in accordance with the Collection Policy but which has not yet been, and which should not have yet been, consistent with the Collection Policy, written off of the Servicer's or the Borrower's books as uncollectible.

"***Delinquent Venture Loan***" means (i) a Delinquent Ordinary Venture Loan, (ii) a Delinquent PIFL, or (iii) a Defaulted PIFL.

"***Due Date***" means, as to any Venture Loan, the date in each month on which the related scheduled payment of principal and interest thereon is due, as set forth in the related Venture Note, exclusive of any days of grace.

"***Early Amortization Event***" means the occurrence of any of the following events which have not been remedied to the satisfaction of the Agent:

(1) The Benign Restructured and Delinquent Venture Debt Ratio exceeds ten percent (10%) for any Collection Period, or nine percent (9%) if calculated on a rolling average basis for the last three Collection Periods;

(2) The Newly Benign Restructured and Delinquent Venture Debt Ratio exceeds seven percent (7%) for any Collection Period, or five percent (5%) if calculated on a rolling average basis for the last three Collection Periods;

(3) The Cumulative Gross Loss Ratio for any Origination Group exceeds the applicable Level II Loss Trigger for such Origination Group as stated within Table 1 of Schedule D, unless the Borrower complies with the Type III Advance Rate Reduction, if required, within 30 days of any Level II Loss Trigger;

(4) The Cumulative Net Loss Ratio for any Origination Group exceeds the applicable Level II Loss Trigger for such Origination Group as stated within Table 2 of Schedule D, unless the Borrower complies with the Type III Advance Rate Reduction, if required, within 30 days of any Level II Loss Trigger;

(5) The Cumulative Gross Loss Ratio for any Origination Group exceeds any Level IV Loss Trigger for such Origination Group as stated within Table 1 of Schedule D;

(6) The Cumulative Net Loss Ratio for any Origination Group exceeds any Level IV Loss Trigger stated within Table 2 of Schedule D;

(7) On any date of determination, the Aggregate Loan Balance exceeds the Borrowing Base (with a two (2) Business Day cure period);

(8) As of the end of any Collection Period, the 3-month rolling average of the Net Excess Spread is less than zero percent (0%);

(9) the occurrence of a default by the Seller or Servicer which leads to the acceleration of debt of the Seller or Servicer in the aggregate principal amount of $1,000,000 or more;

(10) A "Change of Control" shall occur with respect to the Borrower or the initial Servicer;

(11) The occurrence of a Servicer Termination Event;

(12) The occurrence of an Event of Default; or

(13) the Seller fails to maintain a minimum tangible net worth (calculated in accordance with GAAP) of (A) at least Thirty Five Million U.S. Dollars ($35,000,000) on the Closing Date, (B) Thirty Five Million U.S. Dollars ($35,000,000) plus a retention rate of 50% of Seller's cumulative positive net income (calculated in accordance with GAAP) for the fiscal year 2008 as of December 31, 2008; (C) the result of subsection (B) plus a retention rate of 50% of Seller's cumulative positive net income (calculated in accordance with GAAP) for the fiscal year 2009 as of December 31, 2009; or (D) the result of subsection (C) plus a retention rate of 50% of the Seller's cumulative positive net income (calculated in accordance with GAAP) for the fiscal year 2010 on and after December 31, 2010; provided, however, that if the Revolving Period has ended and less than 50% of the Borrowing Base has been drawn under the Loan, then the current year's cumulative net income (calculated in accordance with GAAP) will be subject to a zero percent (0%) retention rate, subject to the floor level of the prior fiscal year; provided, further, however, that no Early Amortization Event shall be declared hereunder if the violation of any applicable threshold is cured within 180 days of the relevant measuring date.

"***Eligible Collateral***" means all Eligible Venture Loans and the Warrants related thereto.

"***Eligible Hedge Counterparty***" means either (i) WestLB or (ii) a financial institution rated at least "A" by S&P and "A2" by Moody's.

"***Eligible Investments***" means, with respect to all funds held in the Collection Account, cash or any one or more of the following obligations or securities: (i) marketable

direct obligations of the United States of America; (ii) domestic and eurodollar certificates of deposit, time deposits and bankers' acceptances (which shall each have a maturity of not more than ninety (90) days and, in the case of bankers' acceptances, shall in no event have an original maturity of more than three hundred sixty five (365) days or a remaining maturity of more than thirty (30) days) issued by any commercial bank organized under the laws of the United States of America or any state thereof (including the Agent or the Lender acting in its commercial banking capacity) and subject to supervision and examination by federal and/or state banking authorities, or any foreign bank, which is rated A-1 (or better) by S&P or P-1 (or better) by Moody's; (iii) commercial paper of the United States of America and foreign banks which are rated A-1 (or better) by S&P or P-1 (or better) by Moody's; (iv) money market mutual funds registered under the Investment Company Act of 1940, as amended, having a rating, at the time of such investment, of A-1 (or better) by S&P, or P-1 (or better) by Moody's, including those offered or managed by the Paying Agent or any of its Affiliates; and (v) such other liquid investments as agreed to by the Servicer and the Agent in writing, in each case, with a maturity date no later than the next succeeding Monthly Remittance Date. Any Eligible Investment may be held by or through the Paying Agent or its Affiliates.

"***Eligible Venture Loan***" means (i) with respect to a Venture Loan that is an Ordinary Venture Loan (A) where no payment obligation remains unpaid for ninety (90) or more days from the Due Date, (B) it is not a Defaulted Venture Loan, and (C) satisfies the statements with respect thereto set forth in Schedule C herein, and

(ii) with respect to a Venture Loan that is a PIFL, (A) where no payment obligation in respect of the underlying loan to which the Venture Loan that is a PIFL relates remains unpaid for ninety (90) or more days from the Due Date, (B) it is not a Defaulted PIFL, (C) where the underlying loan with respect to such Venture Loan that is a PIFL satisfies the statements set forth in Schedule C herein, and (D) such Venture Loan that is a PIFL satisfies the statements set forth in Schedule C herein.

"***Engagement Letter***" means that certain engagement letter from U.S. Bank, National Association, to the Parent, dated February 19, 2008, regarding the Back-up Servicer, Custodian, Paying Agent, and Lockbox Bank appointment and amounts due thereunder for providing each such service.

"***ERISA***" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and any rule or regulation issued thereunder.

"***Event of Bankruptcy***" shall be deemed to have occurred with respect to a Person if:

(a) a case or other proceeding shall be commenced, without the application or consent of such Person, in any court, seeking the liquidation, reorganization, debt arrangement, dissolution, winding up, or composition or readjustment of debts of such Person, the appointment of a trustee, receiver, custodian, liquidator, assignee, sequestrator or the like for such Person or all or substantially all of its assets, or any similar action with respect to such Person under any law relating to bankruptcy, insolvency, reorganization, winding up or composition or adjustment of debts, and such case or proceeding shall continue undismissed, or unstayed and in effect, for a

period of sixty (60) consecutive days; or an order for relief in respect of such Person shall be entered in an involuntary case under the federal bankruptcy laws or other similar laws now or hereafter in effect; or

(b) such Person shall generally not pay its debts as such debts become due or shall admit in writing its inability to pay its debts generally or such Person shall commence a voluntary case or other proceeding under any applicable bankruptcy, insolvency, reorganization, debt arrangement, dissolution or other similar law now or hereafter in effect, or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee (other than a trustee under a deed of trust, indenture or similar instrument), custodian, sequestrator (or other similar official) for, such Person or for any substantial part of its property, or shall make any general assignment for the benefit of creditors, or shall be adjudicated insolvent, or admit in writing its inability to pay its debts generally as they become due, or, if such Person is a corporation, limited liability company or similar entity, then if its board of directors or managers or Persons with similar authority shall vote to implement or consent to the implementation of any of the foregoing.

"***Event of Default***" has the meaning set forth in Article VII.

"***Excess Concentration Amount***" means, without duplication, as of any date of calculation, the aggregate amount by which the Venture Loan Principal Balance of all Eligible Venture Loans owned by the Borrower (net of any Excluded Amounts) included in one or more defined Venture Loan categories in Schedule D hereto exceeds the Concentration Limits established under this Agreement with respect to each category of Eligible Venture Loan.

"***Excluded Amounts***" means (i) with respect to any Venture Loan, amounts payable by the Obligor under such Venture Loan in respect of (A) any reimbursements for deal expenses incurred prior to, or not later than 30 days following the closing of any Venture Loan (including without limitation, due diligence fees and legal fees), (B) any taxes, levies, imposts, duties, charges, assessments or fees of any nature (including interest, penalties or additions thereto) that are imposed by any government or other taxing authority, and (C) insurance premiums payable to an insurance provider that is not the Parent or an Affiliate thereof, (ii) with respect to any Permitted Participation Arrangement, amounts payable in respect of the related Participation Interest, and (iii) any other Non-WestLB Assets, as defined in the Servicing Agreement.

"***Extraordinary Expenses***" has the meaning set forth in Section 2.3 of this Agreement.

"***Facility Advance Rate***" means, as of any date of calculation, the difference between (i) 75% and the sum of (a) the Type I Advance Rate Reduction Percentage, if any, and (b) the Type II Advance Rate Reduction Percentage (if any), and (c) the Type III Advance Rate Reduction Percentage, if any.

"***Facility Fees***" means the fees set out in the Fee Letter.

"***Facility Limit***" means One Hundred Fifty Million Dollars ($150,000,000).

"***Facility Rating Model***" means the quantitative model utilized by Tillinghast Towers-Perrin, the Servicer and Agent to evaluate the likelihood of repayment of all fees, interest and principal due to the Lender hereunder based upon (i) the terms of the Loan, (ii) the composition of the Collateral currently owned by the Borrower, and (iii) the current and expected future performance of the Venture Loans and Warrants currently owned by the Borrower, as predicted by the PSCG Market Value Model.

"***Facility Rating Model Update***" means the update on the anniversary of the Closing Date each year and immediately following any Loss Trigger Event, of the key assumptions contained in Section 5.1(r).

"***Federal Bankruptcy Code***" means Title 11 of the United States Code entitled "Bankruptcy," as amended and any successor statute thereto.

"***Fee Letter***" means that certain letter agreement dated as of the Closing Date between the Seller and the Agent, as it may be amended or modified in accordance with its terms, including the Upfront Fee and Non-Use Fee.

"***Final Payout Date***" means the date on which all Obligations (other than contingent obligations which survive the termination of this Agreement) have been irrevocably paid in full, which date shall in all instances be on or before the fourth (4^{th}) anniversary of the Amortization Commencement Date.

"***GAAP***" means United States generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and the statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as may be approved by a significant segment of the accounting profession and that are applicable to the circumstances as of the date of determination in each case consistently applied.

"***Governmental Authority***" means any court, board, agency, commission, office or other authority of any nature whatsoever for any governmental unit (foreign, federal, state, county, district, municipal, city or otherwise) whether now or hereafter in existence.

"***Gross Loss or Losses***" means for any Defaulted Venture Loan the gross loss on such Defaulted Venture Loan calculated as the Venture Loan Principal Balance of such Venture Loan on the date such Venture Loan was first classified as a Defaulted Venture Loan.

"***Hedge Counterparty***" means an Eligible Hedge Counterparty that has entered a valid, binding an enforceable Interest Rate Hedge with the Borrower.

"***Indebtedness***" of a Person means such Person's (i) obligations for borrowed money, including without limitation principal, interest, fees and other charges, (ii) obligations representing the deferred purchase price of property or services (other than accounts payable arising in the ordinary course of such Person's business payable on terms customary in the trade), (iii) obligations, whether or not assumed, secured by liens or payable out of the proceeds or production from property now or hereafter owned or acquired by such Person, (iv) obligations which are evidenced by notes, acceptances, or other instruments, (v) capitalized lease

obligations, (vi) net liabilities under interest rate swap, exchange or cap agreements, (vii) Contingent Obligations and (viii) liabilities in respect of unfunded vested benefits under plans covered by Title IV of ERISA.

"***Indemnified Amounts***" has the meaning set forth in Section 8.1.

"***Indemnified Party***" has the meaning set forth in Section 8.1.

"***Independent Manager***" means a manager of the Borrower who is not at the time of initial appointment, or at any time while serving as a manager of the Borrower, and has not been at any time during the preceding five (5) years: (a) a manager (with the exception of serving as the Independent Manager of the Borrower), officer, employee, partner, member, attorney or counsel of the Borrower, the Seller, the Servicer or any Affiliate of any of them (unless such manager is a manager provided by a nationally recognized company that provides professional independent managers and which also provides other corporate services in the ordinary course of business, in which case such manager may receive reasonable fees for servicing as manager of the Borrower); (b) a creditor, customer, supplier or other Person who derives any of its purchases or revenues from its activities with the Borrower, the Seller, the Servicer or any Affiliate of any of them; (c) a Person controlling or under common control with any such officer, employee, member, creditor, customer, supplier or other Person; or (d) a member of the immediate family of any such officer, employee, member, creditor, customer, supplier or other person. As used in this definition, the term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of management, policies or activities of a Person, whether through ownership of voting securities, by contract or otherwise.

"***Initial Advance***" has the meaning set forth in Section 1.1

"***Initial Funding Date***" means the date set forth as the "Advance Date" in the initial Advance Request delivered hereunder, which date shall be mutually agreed upon by the Borrower and the Agent.

"***Initial Eligible Venture Loan***" means a venture loan that is an Eligible Venture Loan as of the Initial Funding Date and that is transferred and assigned to the Purchaser pursuant to Section 2.1 of the Purchase Agreement on the Closing Date, as identified in the Venture Loan Schedule attached hereto as Schedule B and in the Initial Venture Loan Schedule attached as Schedule 1 to the Purchase Agreement.

"***Insurance Policy***" means, with respect to any Venture Loan, Obligor, Warrant or Person, (i) any standard fire, special perils or traditional perils insurance policy providing standard coverage against loss or damage (including without limitation, coverage against loss or damage sustained by reason of fire, terrorism or smoke), (ii) any business interruption insurance policy, comprehensive general liability insurance policy, builders' risk insurance policy and workers' compensation insurance policy, (iii) any blanket policy insuring against fire and hazards of extended coverage on all of the Venture Loans, (iv) any insurance policy as required to be maintained pursuant to Section 4.09 of the Servicing Agreement and Section 10 of the Custodial Agreement.

"***Insurance Proceeds***" means amounts paid by the related insurer under any Insurance Policy covering any Venture Loan or Warrant, other than amounts required to be paid over to the related Obligor pursuant to law or the related Venture Note or to reimburse insured expenses, including the Servicer's costs and expenses incurred in connection with presenting claims under the related Insurance Policies.

"***Interest***" means for each Collection Period, an amount equal to the product of 1/360th of the related Interest Rate multiplied by the Aggregate Loan Balance for each day elapsed during such Collection Period, annualized on a 360 day basis.

"***Interest Rate***" means, as of any date of calculation, per annum rate of interest equal to the sum of (i) the weighted average daily LIBO Rate for any calendar month date plus (ii) the Margin, as calculated by the Agent in accordance with Section 1.2; provided, however, that following the occurrence and during the continuation of an Event of Default, the Interest Rate shall be equal to the LIBO Rate plus 4.50% per annum.

"Interest Rate Hedge" means an interest rate swap agreement between the Borrower and the Hedge Counterparty, whereby the Borrower will pay a fixed rate, on a monthly basis, to the Hedge Counterparty in return for the Interest Rate.

"***Lender***" has the meaning set forth in the preamble to this Agreement.

"***Level I Loss Trigger Event***" has the meaning set forth in Schedule D hereto.

"***Level II Loss Trigger Event***" has the meaning set forth in Schedule D hereto.

"***Level III Loss Trigger Event***" has the meaning set forth in Schedule D hereto.

"***Level IV Loss Trigger Event***" has the meaning set forth in Schedule D hereto.

"***LIBO Rate***" means the one-month London Interbank Offer Rate as appearing on Bloomberg Screen USLIB0001M (or any successor screen); ***provided***, that if such rate is not available on such screen (or on any successor screen), then the Agent shall determine the LIBO Rate by obtaining a quotation therefor from each of three major banks in the London interbank market and averaging such quotations (rounding upward, if necessary, to the nearest 1/100 of 1%).

"***Loan***" has the meaning set forth in the preamble hereto.

"***Loan Files***" means the instruments and documents listed in Section 2.2(a) of the Purchase Agreement pertaining to a particular Venture Loan or Warrant, and any additional instruments or documents required to be delivered to the Custodian pursuant to this Agreement or any other Transaction Document.

"***Lockbox Account***" means the account established and maintained by the Lockbox Bank, in trust for the Agent for the benefit of the Lender, pursuant to the Lockbox Agreement.

"***Lockbox Agreement***" means that certain lockbox agreement, dated as of the Closing Date, among the Borrower, the Servicer, the Agent and the Lockbox Bank, relating to the Lockbox Account.

"***Lockbox Bank***" means the financial institution named as the "Lockbox Bank" in the Lockbox Agreement, and the successors and assigns of such financial institution.

"***Loss Trigger Event***" means the occurrence of any Level I, Level II, Level III or Level IV Loss Trigger Event described in Schedule D.

"***Loss Trigger Event Test***" has the meaning specified in Section 5.1(a)(v).

"***Margin***" means 2.50%.

"***Margin Stock***" has the meaning assigned thereto in Regulation U of the Board of Governors of the Federal Reserve System of the United States of America.

"***Material Adverse Effect***" means a material adverse effect on (i) the financial condition or operations of the Borrower, the Seller or the Servicer, (ii) the ability of the Borrower, the Seller or the Servicer to perform their respective obligations under this Agreement or any other Transaction Document, (iii) the legality, validity or enforceability of this Agreement or any other Transaction Document, (iv) the Agent's first priority perfected security interest, for the benefit of the Secured Parties, in the Venture Loans and Warrants generally or any other Collateral, (v) the collectibility of the Venture Loans and Warrants generally or of any material portion of the Venture Loans and Warrants, or (vi) the market value of the Venture Loans and Warrants taken as a whole.

"***Monthly Remittance Date***" means the 15th day of each month, or if such day is not a Business Day, the next succeeding Business Day; ***provided***, that the first Monthly Remittance Date shall not occur until April 15, 2008.

"***Monthly Report***" has the meaning set forth in the Servicing Agreement.

"***Moody's***" means Moody's Investors Service, Inc. or its successors in interest.

"***Net Excess Spread***" means the difference between (a) the Portfolio Yield and (b) the Base Rate.

"***Net Excess Spread Test***" means, at the end of each Collection Period, the Servicer shall calculate (i) the Net Excess Spread for such Collection Period and (ii) the 3-month rolling average of the Net Excess Spread. A breach of the Net Excess Spread Test is deemed to occur whenever the 3-month rolling average of the Net Excess Spread is less than 2.0% (as calculated at the end of any Collection Period).

"***Net Loss or Losses***" means, for any Defaulted Venture Loan, the actual loss realized on such Venture Loan net of all recoveries actually received by the Servicer; provided, however, that the initial Net Loss calculation for any Defaulted Venture Loan shall be made by the Servicer no later than the Collection Period beginning nine (9) months from the Collection

Period during which such Venture Loan was first classified as a Defaulted Venture Loan; provided further, that if such Defaulted Venture Debt is reclassified as a rehabilitated Venture Debt, the "recovery" for such defaulted Venture Debt shall mean the difference between the Gross Loss for such defaulted Venture Debt and the outstanding principal amount of the Venture Loan on the date such defaulted Venture Loan is reclassified as a Rehabilitated Venture Loan.

"***Net Portfolio Balance***" means, as of any date of calculation, the excess of the outstanding Venture Loan Principal Balances of all Eligible Venture Loans owned by the Borrower on such date, net of any Permitted Participation Arrangement amount, over the Excess Concentration Amount on such date.

"***Newly Benign and Delinquent Restructured Venture Loan Ratio***" means the principal balance of Venture Loans at the end of the Collection Period which became Benign Restructured Venture Loans and/or Delinquent Venture Loans during such Collection Period, as a percentage of the outstanding principal balance of all Venture Loans owned by the Borrower at the beginning of the Collection Period.

"***Non-U.S. Participant***" has the meaning set forth in Section 2.1(g).

"***Non-Use Fee***" has the meaning set forth in the Fee Letter.

"***Obligations***" means, at any time, all present and future indebtedness and other liabilities and obligations (howsoever created, arising or evidenced, whether direct or indirect, absolute or contingent, or due or to become due) of the Borrower to the Lender or the Agent arising under this Agreement and/or any other Transaction Document and shall include, without limitation, all liability for principal of and interest on the Loan and each Advance, Indemnified Amounts and other amounts due or to become due by the Borrower to the Lender or the Agent under this Agreement and/or any other Transaction Document, including, without limitation, interest, fees and other obligations that accrue after the commencement of an insolvency proceeding (in each case whether or not allowed as a claim in such insolvency proceeding).

"***Obligor***" means the borrower under a Venture Note (including, without limitation, any guarantor with respect to obligations under Venture Note).

"***Operating Agreement***" means the Operating Agreement of Horizon Credit I LLC, a Delaware limited liability company, dated as of the date of this Agreement.

"***Ordinary Venture Loan***" means any senior or subordinated loan arising from the extension of credit to an Obligor by the Seller in the ordinary course of business that have been transferred and assigned to the Purchaser pursuant to the Purchase Agreement and each Subsequent Transfer Instrument together with the documents required to be included in the related Loan Files, and excluding Deleted Venture Loans. Any Venture Loan that was intended by the parties hereto to be transferred to the Purchaser as indicated by the Venture Loan Schedule which is in fact not so transferred for any reason including, without limitation, a breach of a representation or warranty with respect thereto, shall continue to be a Venture Loan hereunder until the Repurchase Price with respect thereto has been paid to the Purchaser. The Venture Loans included in the Purchased Assets at any time shall be identified on the Venture Loan Schedule; ***provided***, that notwithstanding the failure to list a Venture Loan on the Venture

Loan Schedule such Venture Loan shall nonetheless be deemed a Venture Loan hereunder for any and all purposes.

"***Origination Group***" means all Venture Loans sold to the Borrower by the Seller during successive 12-month periods, with the initial Origination Group commencing on the first day of the month during which the Closing Date occurs and ending on the last day of the month which is eleven (11) months subsequent to the month during which the Closing Date occurs; provided, however, that any Defaulted Venture Loans, Delinquent Venture Loans, or Defective Venture Loans will not be included in the calculation of any Origination Group, and provided, further that if the aggregate principal balance of such Venture Loans originated during any such 12-month period does not equal or exceed $100,000,000, then such Origination Group will be expanded to include Venture Loans originated during the next three (3) calendar month period.

"***Overcollateralization Percentage***" or "***O/C Percentage***" means the ratio, expressed as a percentage, of (a) the sum of (i) the Venture Loan Principal Balance of all Eligible Venture Loans owned by the Borrower and (ii) the product of (x) the fair market value (as determined pursuant to the Warrant Valuation Policy or as otherwise valued by the Agent pursuant to other third party appraisal obtained by the Agent) of all Warrants owned by the Borrower times (y) 50% over (b) the Aggregate Loan Balance.

"***Parent***" means Compass Horizon Funding Company LLC, a Delaware limited liability company.

"***Participant***" means any Person that has acquired an interest in a Venture Loan pursuant to a Permitted Participation Arrangement.

"***Participation Agreement***" shall mean the agreement creating the Participation Interest in the related Venture Loan.

"***Participation Interest***" shall mean, unless otherwise approved by Agent in writing, an undivided interest of a third party in a Venture Loan created pursuant to the related Participation Agreement; provided, however, that the Borrower shall at all times have a controlling interest in the participated Venture Loan whether it is (i) in the form of a note indicating Borrower to be the lender thereunder in the case where the Borrower is a co-lender, or (ii) in the case where the Borrower is a Participant in a Venture Loan that does not provide for individual notes, the Participation Interests owned by Borrower shall have the right to receive payments under such Participation Interest that are *pari passu* or senior to the rights of all other participants in such Venture Loan.

"***Paying Agent***" means U.S. Bank National Association.

"***Paying Agent Fee***" means with respect to any Monthly Remittance Date the amounts due to the Paying Agent under the Engagement Letter.

"***PBGC***" means the Pension Benefit Guaranty Corporation, or any successor thereto.

"***Performance Period***" means, for any Origination Group, the period ending on the date upon which all Venture Loans within such Origination Group have aged six months, 12 months, 18 months, 24 months, 30 months and/or 36+ months, respectively, as applicable.

"***Permitted Liens***" means (i) liens in favor of the Agent, for the benefit of the Lender, granted pursuant to the Transaction Documents, (ii) liens for taxes either not yet due or being contested in good faith and by appropriate proceedings, ***provided***, that appropriate reserves (if any) shall have been established with respect to any such taxes either not yet due or being contested in good faith and by appropriate proceedings, (iii) carriers', warehousemen's, mechanics', materialmen's, repairmen's and other like liens imposed by law, arising in the ordinary course of business and securing obligations that are not overdue by more than thirty (30) days or are being contested in good faith and by appropriate proceedings, ***provided***, that appropriate reserves shall have been established with respect to any such liens, (iv) liens in favor of any Participant under a Permitted Participation Arrangement, and (v) easements, zoning restrictions, rights-of-way and similar encumbrances on real property imposed by law or arising in the ordinary course of business that do not secure any monetary obligations and do not materially detract from the value of the affected property.

"***Permitted Participation Arrangement***" means any participation or co-lending arrangement in which the Seller has granted and/or sold an interest in a Venture Loan to a third party pursuant to a Participation Agreement.

"***Person***" means an individual, partnership, corporation (including a business trust), limited liability company, joint stock company, trust, unincorporated association, joint venture or other entity, or a government or any political subdivision or agency thereof.

"***PIFL***" means a participation interest of the Seller, pursuant to a PIFL Agreement, in a loan made to an Obligor by either (i) Horizon Technology Funding Company II LLC and Horizon Technology Funding Company LLC, or (ii) Horizon Technology Funding Company V LLC, which participation interest has been transferred and assigned to the Purchaser pursuant to the Purchase Agreement and the related Sub-participation Certificate together with the documents required to be included in the related Loan Files, and excluding Deleted Venture Loans. Any Venture Loan that was intended by the parties hereto to be transferred to the Purchaser as indicated by the Venture Loan Schedule which is in fact not so transferred for any reason including, without limitation, a breach of a representation or warranty with respect thereto, shall continue to be a Venture Loan hereunder until the Repurchase Price with respect thereto has been paid to the Purchaser. The Venture Loans included in the Purchased Assets at any time shall be identified on the Venture Loan Schedule; ***provided***, that notwithstanding the failure to list a Venture Loan on the Venture Loan Schedule such Venture Loan shall nonetheless be deemed a Venture Loan hereunder for any and all purposes.

"***PIFL Agreement***" means the agreement evidencing the PIFL to be substantially in the form of the agreement attached hereto as Exhibit IX**.**

"***Portfolio Performance Test***" means the test performed by the Tillinghast Towers-Perrin and reported to the Agent on the Required Testing Dates, through application of the Facility Rating Model, to ascertain the ability of the Collateral owned by the Borrower to

support payment of all fees owed to the parties hereunder and pursuant to the other Transaction Documents, plus principal and interest due on the Aggregate Loan Balance, as stressed at an 'investment-grade' level.

"***Portfolio Yield***" means, for any Collection Period, the annualized percentage equivalent of the ratio of (a) the sum of (i) all collections representing interest on the Purchased Assets received by the Borrower during the Collection Period, (ii) all collections representing Warrant proceeds received by the Borrower during the Collection Period, and (iii) all pre-payment, commitment, non-use, success and other cash fees received by the Borrower during the Collection Period, over (b) the average Net Portfolio Balance for such Collection Period.

"***Prepayment Available Funds***" means Available Funds as of any Prepayment Date.

"***Prepayment Charge***" means, with respect to any Venture Loan, the charges or premiums, if any, due in connection with a full or partial prepayment of such Venture Loan in accordance with the terms of the related Venture Note.

"***Prepayment Costs***" means an amount equal to all out-of-pocket costs, fees, losses, payments and expenses incurred (as determined by the Agent in its discretion (which determination shall be conclusive and binding on the Borrower absent manifest error)) by the Lender and the Agent in connection with the Borrower's prepayment of the Aggregate Loan Balance or any portion thereof pursuant to Section 2.2, including without limitation any cost, fee, loss, payment or expense arising from or relating to (A) re-employment of funds obtained by the Lender and the Agent and (B) fees payable to terminate the arrangements through which such funds were obtained.

"***Prepayment Date***" means any business day prior to or after a Weekly Distribution Date or Monthly Remittance Date and designated as a "Prepayment Date" in Borrower's Prepayment Notice in accordance with Section 2.2 of this Agreement.

"***Prepayment Notice***" has the meaning set forth in Section 2.2 of this Agreement.

"***PSCG Market Value Model***" means the enterprise value model jointly developed by Pearl Street Capital Group ("PSCG") and Tillinghast Towers-Perrin to simulate the expected value of a portfolio of Venture Loan and Warrants given a set of assumptions and constraints, based upon an independent actuarial analysis of the historical performance of the Venture Loans.

"***Purchase Agreement***" means that certain Sale and Contribution Agreement, dated as of the Closing Date, between the Seller, as seller, and the Borrower, as purchaser, with respect to the Venture Loans and related Warrants, as amended, restated, supplemented or otherwise modified from time to time in accordance with its terms.

"***Purchased Assets***" has the meaning set forth in the Purchase Agreement.

"***Purchaser***" means Horizon Credit I LLC, a Delaware limited liability company and Borrower hereunder.

"***Quarterly Portfolio Evaluation***" means the evaluation by the Servicer and reported to the Agent, by using the Facility Rating Model, of whether the portfolio cashflows from the Purchased Assets owned by the Borrower are sufficient to repay all fees and debts owed by the Borrower under this Agreement based upon the terms of this Agreement as stressed at the investment grade level.

"***Ramp-up Period***" means the period commencing on the Closing Date and terminating on the date which is the earlier to occur of (i) the date which is twelve (12) months following the Closing Date and (ii) the first date upon which the Aggregate Loan Balance equals or exceeds One Hundred Twenty Five Million U.S. Dollars ($125,000,000).

"***Records***" means, with respect to any Venture Loan or Warrant, all documents required to be included in the related Loan Files and other documents, books, records and other information (including, without limitation, computer programs, tapes, disks, punch cards, data processing software and related property and rights) relating to such Venture Loan, Warrant, any other Collateral and the related Obligor, ***provided***, that "Records" shall not include any agreement between an Obligor and the Seller (or any other originator of the Venture Loan) for the Seller (or any other originator of the Venture Loan) to participate in purchases of Obligor's equity relating to an equity financing of such Obligor.

"***Reference Amount***" means, during the Ramp-up Period, unless otherwise specified in Schedule D hereto, the greater of (a) One Hundred Million U.S. Dollars ($100,000,000) or (b) the Venture Loan Principal Balance of all Eligible Venture Loans owned by Borrower; provided, however, that with respect to the top 5 obligor Concentration Limit and the top 10 obligor Concentration Limit, each as identified on Schedule D, the Reference Amount will be the greater of (x) One Hundred Twenty-Five Million U.S. Dollars ($125,000,000) or (y) the Venture Loan Principal Balance of all Eligible Venture Loans owned by the Borrower.

"***Rehabilitated Venture Loan***" means any Venture Loan which (a) was previously classified as a Defaulted Venture Loan and (b) has been modified, restructured or renegotiated with the consent of the Borrower and the Servicer, prior to acceleration or liquidation of such Venture Loan.

"***Repurchase Price***" means, as to any Venture Loan purchased from the Borrower by any Person on any date pursuant to Article VI of this Agreement or Section 2.4 of the Purchase Agreement, an amount equal to the sum of (i) the Venture Loan Principal Balance as to any Venture Loan as of such date, and (ii) the amount of accrued and unpaid interest on the related Venture Loan at the applicable Venture Loan rate of interest from the date through which interest was last paid on such Venture Loan to the Due Date in the month in which the Repurchase Price is to be paid, and (iii) all breakage costs owed to any relevant Hedge Counterparty for any termination of one or more Interest Rate Hedges.

"***Required Holdback Amount***" means, with respect to any Weekly Distribution Date or Prepayment Date, as applicable: (i) an amount equal to the sum specified in clause (y) of the definition of Weekly Distribution Amount with respect to any Weekly Distribution Date, and (ii) with respect to any Prepayment Date, an amount equal to the sum of all Prepayment Costs and the aggregate amount specified in clause (y)(A) and (B) of the definition of Weekly

Distribution Amount, as if, for the purposes of such definition, such related Prepayment Date was a Weekly Distribution Date.

"***Revolving Period***" means the period commencing on the Closing Date and ending on the earlier of (i) the Commitment Expiration Date and (ii) the Amortization Commencement Date.

"***Required Testing Dates***" means (i) each anniversary of the Closing Date and (ii) the date that is no later than thirty (30) days following the occurrence of a Level II Loss Trigger Event or Level III Loss Trigger Event.

"***S&P***" means Standard and Poor's Ratings Services, a division of The McGraw Hill Companies, Inc.

"***Scheduled Payment***" has the meaning set forth with respect thereto in the Purchase Agreement.

"***Secured Parties***" means the Agent and the Lender and their successors and assigns.

"***Seller***" means Compass Horizon Funding Company LLC, a Delaware limited liability company.

"***Servicer***" means, initially, Horizon Technology Finance Management LLC, and thereafter shall mean the Servicer or such other Person (which may be the Back-up Servicer or the Agent) then authorized pursuant to the Servicing Agreement to service, administer and collect Venture Loans.

"***Servicer Material Adverse Effect***" means a material adverse effect on the ability of the Servicer to perform its obligations under this Agreement or any other Transaction Document.

"***Servicer Termination Event*** " means, without limitation, the occurrence of any of the following:

(i) the Servicer fails to make any payment or deposit within two (2) Business Days of when such payment or deposit is due under the terms of this Agreement or the Servicing Agreement;

(ii) any representation or warranty made or deemed to be made by the Servicer under any Transaction Document proves false or incorrect in any material respect, unless cured to the reasonable satisfaction of the Lender;

(iii) the Servicer fails to perform or observe any covenant or agreement of the Servicer under the Servicing Agreement or any other Transaction Document and such failure continues unremedied for ten (10) Business Days after notification by any of the parties thereto;

(iv) the Benign Restructured and Delinquent Venture Loan Ratio exceeds twelve percent (12.00%) as of the last day of any Collection Period or ten percent (10.00%) if calculated on a rolling average basis for the last three (3) Collection Periods;

(v) The Newly Benign Restructured and Delinquent Venture Loan Ratio exceeds eight percent (8.00%) for any Collection Period, or six percent (6.00%) if calculated on a rolling average basis for the last three (3) Collection Periods;

(vi) The Cumulative Gross Loss Ratio for any Origination Group exceeds the applicable Level III Loss Trigger for such Origination Group as stated within Table II of Schedule D unless the Borrower complies with the Type III Advance Rate Reduction, if required, within 30 days of any Level III Loss Trigger;

(vii) The Cumulative Net Loss Ratio for any Origination Group exceeds the applicable Level III Loss Trigger for such Origination Group as stated within Table III of Schedule D unless the Borrower complies with the Type III Advance Rate Reduction, if required, within 30 days of any Level III Loss Trigger;

(viii) the Servicer fails to maintain a minimum tangible net worth of (A) at least Two Hundred Fifty Thousand U.S. Dollars ($250,000) on the Closing Date, (B) the greater of (x) Three Hundred Thousand U.S. Dollars ($300,000) or (y) Two Hundred Fifty Thousand U.S. Dollars ($250,000) plus 50% of cumulative positive net income for the fiscal year 2008 as of December 31, 2008; (C) the greater of (x) Five Hundred Thousand U.S. Dollars ($500,000) or (y) the result of subsection (B) plus 50% of cumulative positive net income for the fiscal year 2009 as of December 31, 2009; or (D) the greater of (x) One Million U.S. Dollars ($1,000,000) or (y) the result of subsection (C) plus 50% of cumulative positive net income for each fiscal year on and after December 31, 2010; provided, however, that no Servicer Termination Event shall be declared hereunder if the violation of any applicable threshold is cured within 180 days of the relevant measuring date although no Advances shall be made during such cure period unless there has been a cure;

(ix) the occurrence of an event of default by the Servicer which leads to the acceleration of debt of the Servicer in the aggregate principal amount of Two Hundred Thousand Dollars ($200,000) or more;

(x) an Event of Bankruptcy shall have occurred with respect to the Servicer; or

(xi) any event shall have occurred with respect to the Servicer that is reasonably expected to have a Servicer Material Adverse Effect; or

(xii) the occurrence of any Event of Default hereunder.

"***Servicing Agreement***" means that certain Servicing Agreement, dated the Closing Date, by and among the Borrower, the Servicer, the Back-up Servicer, and the Agent, as such agreement may be amended, restated, supplemented or otherwise modified from time to time in accordance with its terms.

"***Servicing Fee***" means 1.00% per annum of the Venture Loan Principal Balance for any one Collection Period payable monthly for the services of the Servicer.

"***Special Purpose Entity***" means a limited liability company which, at all times on and after the Closing Date, complies with the following requirements:

(i) is organized solely for the purpose of acquiring and selling the Venture Loans, Warrants and any related assets and rights, entering into this Agreement and the other Transaction Documents to which it is a party and its performance thereunder, and transacting only related or incidental lawful business or activities it deems necessary or appropriate to carry out its primary purposes;

(ii) is not engaged and will not engage in any business unrelated to that described in (i) above;

(iii) does not have and will not have any assets other than those related to the Venture Loans, Warrants, Loan Files and any related assets and rights and any other assets incidental to the operation of the Borrower, including Eligible Investments;

(iv) has not amended, altered, waived, changed or repealed (A) the Borrower's Certificate of Formation, (B) the bankruptcy remoteness covenants set forth in Sections 9(b)(ii) and 9(b)(iv) of the Operating Agreement of the Borrower or (C) the covenant set forth in Section 9(b)(iii) of the Operating Agreement of the Borrower not to file for voluntary bankruptcy without the written consent of the Independent Manager;

(v) has at least one (1) Independent Manager;

(vi) shall not, and its organizational documents provides that such entity shall not, prior to the Final Payout Date without the affirmative vote of its Independent Manager on behalf of or with respect to itself or to any other entity in which it has a direct or indirect legal or beneficial ownership interest: (A) file or consent to the filing of any bankruptcy, insolvency or reorganization case or proceeding, institute any proceedings under any applicable insolvency law or otherwise seek relief under any laws relating to the relief from debts or the protection of debtors generally, file a bankruptcy or insolvency petition or otherwise institute insolvency proceedings; (B) seek or consent to the appointment of a receiver, liquidator, assignee, trustee, sequestrator, custodian or any similar official for the entity or a substantial portion of its property; (C) make an assignment for the benefit of the creditors of the entity; or (D) take any action in furtherance of any of the foregoing;

(vii) is and intends to remain solvent and pay its debts and liabilities (including, as applicable, shared personnel and overhead expenses) from its assets as the same shall become due, and is maintaining and intends to maintain adequate capital for the normal obligations reasonably foreseeable in a business of its size and character and in light of its contemplated business operations;

(viii) has not failed and will not fail to correct any known misunderstanding regarding the separate identity of such entity and has not and will not identify itself as a division of any other Person;

(ix) has maintained and will maintain its bank accounts, books of account, books and records separate from those of any other Person and will file its own tax returns, except to the extent that it is treated as a disregarded entity or part of a consolidated group filing consolidated returns for federal income tax purposes;

(x) has maintained and will maintain its own records, books, resolutions and agreements;

(xi) except as permitted pursuant to the Transaction Documents, has not commingled and will not commingle its funds or assets with those of any other Person;

(xii) has held and will hold its assets in its own name;

(xiii) has maintained and will maintain its financial statements, accounting records and other entity documents separate from those of any other Person; shall, in its financial statements, show its asset and liabilities separate and apart from those of any other Person; and has not permitted and will not permit its assets to be listed as assets on the financial statement of any other Person except as required by GAAP; provided, however, that any such consolidated financial statement shall contain a note indicating that its separate assets and liabilities are neither available to pay the debts of the consolidated entity nor constitute obligations of the consolidated entity;

(xiv) has paid and will pay its own liabilities and expenses, including the salaries of its own employees (if any), out of its own funds and assets, and has maintained and will maintain a sufficient number of employees (if any) in light of its contemplated business operations;

(xv) has observed and will observe all limited liability company formalities;

(xvi) has and will have no Indebtedness other than as contemplated pursuant to the Transaction Documents;

(xvii) except as permitted pursuant to the Transaction Documents, has not and will not assume or guarantee or become obligated for the debts of any other Person, hold out its credit as being available to satisfy the obligations of any other Person or pledge its assets for the benefit of any other Person, other than the Agent for the benefit of the Secured Parties;

(xviii) except as permitted pursuant to the Transaction Documents, has not and will not acquire obligations or securities of its members or any other Affiliate;

(xix) has allocated and will allocate fairly and reasonably any overhead expenses that are shared with any Affiliate, including, but not limited to, paying for shared office space and services performed by any employee of an Affiliate;

(xx) will maintain and use separate stationery, invoices and checks bearing its name. The stationery, invoices, and checks utilized by the Special Purpose Entity or

utilized to collect its funds or pay its expenses shall bear its own name and shall not bear the name of any other entity unless such entity is clearly designated as being the Special Purpose Entity's agent;

(xxi) has held itself out and identified itself and will hold itself out and identify itself as a separate and distinct entity under its own name or in a name franchised or licensed to it by an entity other than an Affiliate of the Borrower and not as a division or part of any other Person;

(xxii) has maintained and will maintain its assets in such a manner that it will not be costly or difficult to segregate, ascertain or identify its individual assets from those of any other Person;

(xxiii) except for any Venture Loans and Subsequent Venture Loans, has not made and will not make loans to any Person or hold evidence of indebtedness issued by any other Person or entity (other than cash and investment-grade securities issued by an entity that is not an Affiliate of or subject to common ownership with such entity);

(xxiv) maintains an arm's-length relationship with its Affiliates and has not entered into or been a party to, and will not enter into or be a party to, any transaction with its members or Affiliates except (A) in the ordinary course of its business and on terms which are intrinsically fair, commercially reasonable and are no less favorable to it than would be obtained in a comparable arm's-length transaction with an unrelated third party and (B) in connection with this Agreement;

(xxv) has not and will not have any obligation to, and will not, indemnify its officers or members, as the case may be, unless such an obligation is fully subordinated to the Loan and will not constitute a claim against it in the event that cash flow in excess of the amount required to pay the Loan is insufficient to pay such obligation;

(xxvi) does not and will not have any of its obligations guaranteed by any Affiliate; and

(xxvii) has complied and will comply with all of the terms and provisions contained in its organizational documents.

"***Sub-participation Certificate***" means a certificate evidencing a sub-participation interest of the Purchaser in a PIFL, substantially in the form attached as Annex A to the PIFL Agreement.

"***Subsequent Advance***" has the meaning set forth in Section 1.1(a).

"***Subsequent Venture Loan***" mean an Ordinary Venture Loan (and specifically excluding any PIFL other than a PIFL that would result from a Subsequent Seller Advance made with respect to a PIFL Transferred on the Initial Funding Date) that is an Eligible Venture Loan as of the related Transfer Date and that is transferred and assigned to the Purchaser pursuant to Section 2.1 of the Purchase Agreement and the related Subsequent Transfer Instrument on the

related Subsequent Transfer Date, as identified in the Subsequent Venture Loan Schedule attached to the related Subsequent Transfer Instrument as Schedule 1.

"***Subsequent Transfer Date***" means, with respect to each Subsequent Transfer Instrument, the date on which the related Subsequent Venture Loans and Warrants are transferred to the Purchaser pursuant to the Purchase Agreement and the related Subsequent Transfer Instrument.

"***Subsequent Transfer Instrument***" means each Subsequent Transfer Instrument, dated as of a Subsequent Transfer Date, executed by the Seller and substantially in the form attached to the Purchase Agreement as Exhibit B, by which Subsequent Venture Loans are transferred to the Purchaser.

"***Subsidiary***" of a Person means (i) any corporation more than fifty percent (50.00%) of the outstanding securities having ordinary voting power of which shall at the time be owned or controlled, directly or indirectly, by such Person or by one or more of its Subsidiaries or by such Person and one or more of its Subsidiaries, or (ii) any partnership, association, limited liability company, joint venture or similar business organization more than fifty percent (50.00%) of the ownership interests having ordinary voting power of which shall at the time be so owned or controlled.

"***Substitute Venture Loan***" has the meaning set forth in the Purchase Agreement.

"***Tax Code***" means the Internal Revenue Code of 1986, as the same may be amended from time to time.

"***Termination Date***" means the earlier of (a) the Final Payout Date or (b) (if so declared by the Agent in writing to the Borrower pursuant to Section 7.2(a) hereof) the occurrence of an Event of Default.

"***Transaction Documents***" means, collectively, this Agreement, the Purchase Agreement, the Servicing Agreement, any back-up servicing agreement that may be entered into between the Agent and the Back-up Servicer from time to time, the Custodial Agreement, the Lockbox Agreement, the Fee Letter, the Engagement Letter, and all other instruments, documents and agreements executed and delivered in connection herewith and therewith.

"***Transition Expenses***" shall mean the documented expenses actually incurred by the Back-up Servicer, up to $50,000, in connection with the transfer of servicing responsibilities from the Servicer to the Back-up Servicer as the successor Servicer, pursuant to the Servicing Agreement, payable in accordance with Section 2.3 hereto.

"***Transfer Date***" means (i) the Initial Funding Date, (ii) the related Subsequent Transfer Date, and (iii) with respect to Substitute Venture Loans, the date upon which such Venture Loans are transferred to the Purchaser by the Seller pursuant to the terms of the Purchase Agreement, as the case may be.

"***Transfer Date Principal Balance***" means, with respect to a Substitute Venture Loan, the outstanding principal balance of such Substitute Venture Loan as of the close of business on the related Transfer Date.

"***Type I Advance Rate Reduction***" means the amount by which the Facility Advance Rate is reduced upon the application of the Type I Advance Rate Reduction Percentage, if applicable.

"***Type I Advance Rate Reduction Percentage***" means that, if an Interest Rate Hedge reasonably acceptable to the Agent is not obtained within 30 days following any violation of the Net Excess Spread Test, the percentage amount equivalent to the product of (a) the difference between (i) 2.0% and (ii) the Net Excess Spread reported for the most recently ended Collection Period and (b) the weighted average life (expressed in years) for all Eligible Venture Loans currently owned by the Borrower; provided, further that any such Advance Rate Reduction shall remain in effect until the earlier of (a) the date upon which the Borrower is no longer in violation with the Net Excess Spread Test, (b) the date upon which a new Type I Advance Rate Reduction is calculated pursuant to this paragraph or (c) the date upon which the Borrower obtains an Interest Rate Hedge in a form reasonably acceptable to the Agent.

"***Type II Advance Rate Reduction***" means the amount by which the Facility Advance Rate is reduced upon the application of the Type II Advance Rate Reduction Percentage, if applicable.

"***Type II Advance Rate Reduction Percentage***" means that following the Annual Portfolio Performance Test, the percentage decrease in the Facility Advance Rate required to ensure a minimum implied investment-grade rating (as determined by reference to the Facility Rating Model and based on expected loss for the Loan hereunder).

"***Type III Advance Rate Reduction***" means the amount by which the Facility Advance Rate is reduced upon the application of the Type III Rate Reduction Percentage, if applicable.

"***Type III Advance Rate Reduction Percentage***" means, if any Level II or Level III Loss Trigger Event has occurred, the percentage decrease in the Advance Rate required, if any, to ensure a minimum implied investment-grade rating (pursuant to the Loss Trigger Event Test and Facility Rating Model) after giving effect to the occurrence of any Loss Trigger Event. Any Type III Advance Rate Reduction will remain in effect until the date which is 12 months following the date upon which the Cumulative Gross Loss Percentage and Cumulative Net Loss Percentage figures for all Origination Groups are below the Loss Trigger Event levels for their most recently completed Performance Periods; provided, however, that any Type III Advance Rate Reduction may be reduced by up to 50% after six (6) months if (i) no Level II or Level III Loss Trigger Events have occurred with respect to the most recently completed Performance Periods for each Origination Group and (ii) the Loss Trigger Event Test is re-run by Tillinghast Towers-Perrin as re-adjusted and the Loan hereunder is deemed to be 'investment grade' after giving effect to such required adjustment to the Facility Rating Model.

"***UCC***" means, with respect to any Collateral, the Uniform Commercial Code as from time to time in effect in the applicable jurisdiction.

"***Underwriting Guidelines***" means the underwriting guidelines, policies and procedures of the Seller in substantially the form attached as Exhibit 2 to the Purchase Agreement and delivered by the Seller to the Agent and the Purchaser on or before the Closing Date, as the same may be modified and amended from time to time, pursuant to and as limited by, Section 3.03(d) of the Servicing Agreement.

"***Unmatured Event of Default***" means an event which constitutes (i) a failure to make any payment when due, including but not limited to the deposit of funds, collection of monies owed, or payment of any debt under this Agreement or any other Transaction Document, (ii) any failure to perform testing or reporting obligations described in this Agreement, or (iii) the imposition of any lien, pledge or charge over any Collateral, and which, with the passage of time or the giving of notice, or both, would constitute an Event of Default.

"***Upfront Fee***" has the meaning set forth in the Fee Letter.

"***Venture Loans***" means, (i) Ordinary Venture Loans, or (ii) PIFLs.

"***Venture Loan Excess Concentration Amount***" means, as of any date of calculation, in the event that the Eligible Venture Loans of a particular category set forth on Schedule D hereto shall exceed the Concentration Limit set forth in Table I on such Schedule with respect to such Venture Loan category, then, for each Venture Loan within such Venture Loan category, an amount by which the Principal Balance of such Venture Loans as of such date exceeds the Concentration Limits established under the Facility with respect to such category of Eligible Venture Loans.

"***Venture Loan Principal Balance***" means the outstanding principal balance of any Venture Loan, other than any Participation Interest thereto granted to a Participant under a Permitted Participation Arrangement.

"***Venture Loan Schedule***" means, as of any date, the electronic schedule of Eligible Venture Loans set forth herein as Schedule B (as amended from time to time in accordance with the terms hereof), for each Venture Loan (A) that is an Ordinary Venture Loan, and (B) that is a PIFL, the underlying loan to which the PIFL relates which schedule shall set forth

(i) the loan number of such Venture Loan (or in the case of a PIFL, the loan number of such underlying loan to which the PIFL relates);

(ii) the name and address of the principal office of the related Obligor (or in the case of a PIFL, the name and address of the principal office of the related Obligor of such underlying loan to which the PIFL relates);

(iii) the maturity date of such Venture Loan (or in the case of a PIFL, the maturity date of such underlying loan to which the PIFL relates);

(iv) the original principal balance of such Venture Loan, be it an Initial Venture Loan, Subsequent Venture Loan, or the Transfer Date Principal Balance of any Substitute Venture Loan (or in the case of a PIFL, the original principal balance of such underlying loan to which the PIFL relates and the original principal balance of the PIFL);

(v) the first payment date of the related Venture Loan (or in the case of a PIFL, the first payment date of such underlying loan to which the PIFL relates);

(vi) the Scheduled Payment for such Venture Loan (or in the case of a PIFL, the Scheduled Payment of such underlying loan to which the PIFL relates);

(vii) the Venture Rate for such Venture Loan (or in the case of a PIFL, the Venture Rate of such underlying loan to which the PIFL relates); and

(viii) if a Permitted Participation Arrangement, the Participant's Interest.

The Venture Loan Schedule may be amended from time to time pursuant to Article VI of this Agreement to reflect the purchase by the Seller of a Defective Venture Loan, or the Servicer of a Delinquent Venture Loan or a Defaulted Venture Loan, or the replacement by the Seller of a Venture Loan with a Substitute Venture Loan, in each case in accordance with the terms of the Transaction Documents.

"***Venture Note***" means, with respect to a Venture Loan, the original executed note or other evidence of indebtedness evidencing the indebtedness of the related Obligor under the related Venture Loan.

"***Venture Rate***" means, with respect to a Venture Loan, the annual rate of interest borne by the related Venture Note from time to time.

"***Warrants***" certain equity purchase rights granted to the owner of the Venture Loans, exercisable at its option, from the Obligor under related Venture Loans that are Ordinary Venture Loans and percentage interests in such Warrants transferred to the Purchaser pursuant to a sub-participation in a PIFL.

"***Warrant Proceeds***" means any payment made or distribution to the Borrower with respect to any Warrants.

"***Warrant Valuation Policy***" means the warrant valuation policy of the Seller substantially in the form of Exhibit VII hereto, as the same may be modified or amended from time to time.

"***Weekly Distribution Amount***" means, with respect to any Weekly Distribution Date, an amount that is equal to the positive excess of (x) the sum (without duplication) of (A) all previously undistributed collections attributable to principal on the Venture Loans on deposit in the Collection Account on such Weekly Distribution Date, and (B) any other amounts remitted to the Collection Account pursuant to the Servicing Agreement or any other Transaction Document by the Servicer, any Obligor, any insurer or any other Person, to the extent attributable to principal on the Venture Loans, and on deposit in the Collection Account on such

Weekly Distribution Date, over (y) the sum of (A) all accrued and unpaid fees, expenses, reimbursements and indemnification amounts owed by the Borrower, the Servicer or the Seller to any Person under the Transaction Documents with respect to the next Monthly Distribution Date, (B) all expenses, reimbursements, indemnification amounts and fees that the Servicer (in its reasonable and prudent discretion) anticipates will or may become due and payable by the Borrower, the Servicer or the Seller to any Person under the Transaction Documents on the Monthly Remittance Date immediately following such Weekly Distribution Date and (C) the accrued and unpaid interest (as calculated at the then-current LIBO Rate plus the Margin) on the Aggregate Loan Balance, and the accrued and unpaid Facility Fees, as of the related Monthly Distribution Date.

"***Weekly Distribution Date***" means, to the extent Borrower, in its discretion, has notified Agent of its intent to Distribute Weekly Distribution Amounts, the Thursday of such calendar week identified in such notice, or if such day is not a Business Day, then the next succeeding Business Day.

"***WestLB***" means WestLB AG, New York Branch, in its individual capacity and its successors.

"***Withholding Certificate***" has the meaning set forth in Section 2.1(g).

EXHIBIT II

1. Places of Business of the Borrower: 76 Batterson Park Road, Farmington, Ct., 06032
2. Location of Records: 76 Batterson Park Road, Farmington, Ct., 06032
3. Borrower's Federal Employer Identification Number: 26-1971831
4. Borrower's Organizational Identification Number: 4490271

EXHIBIT III

FORM OF COMPLIANCE CERTIFICATE

To: WestLB AG, New York Branch, as the Agent

This Compliance Certificate is furnished pursuant to that certain Credit and Security Agreement dated as of March 4, 2008, among Horizon Credit I LLC (the "***Borrower***"), WestLB AG, New York Branch, as Lender, U.S. Bank National Association, as the Custodian and Paying Agent thereunder, and WestLB AG, New York Branch, as agent for the Lender (the "***Agreement***").

THE UNDERSIGNED HEREBY CERTIFIES IN HIS CAPACITY AS _____ OF BORROWER THAT:

1. I am the duly elected [_____] of the Borrower.

2. I have reviewed the terms of the [Agreement] [and the Servicing Agreement (as defined in the Agreement)] and I have made, or have caused to be made under my supervision, a detailed review of the transactions and conditions of the [Borrower] [Servicer] during the accounting period covered by the attached financial statements.

3. The review described in paragraph 2 did not disclose, and I have no knowledge of, the existence of any condition or event which constitutes an Event of Default, a Servicer Termination Event, a Back-up Servicer Trigger Event, an Unmatured Event of Default, or an Early Amortization Event as each such term is defined under the Agreement, during or at the end of the accounting period covered by the attached financial statements or as of the date of this Certificate[, except as set forth in paragraph 4 below].

[4. Described below are the exceptions, if any, to paragraph 3 by listing, in detail, the nature of the condition or event, the period during which it has existed and the action which [each of the Servicer and] the Borrower has taken, is taking, or proposes to take with respect to each such condition or event: _____].

5. The attached financial statements present fairly the financial condition and results of operations of the [Borrower] [Servicer] and have been prepared in accordance with GAAP (as defined in the Agreement).

The foregoing certifications, together with the financial statements delivered with this Certificate in support hereof, are made and delivered as of _____, 20_.

By: _____
Name:
Title:

EXHIBIT IV

FORM OF LOAN PORTFOLIO REPORT

[See Attached]

EXHIBIT V

FORM OF ADVANCE REQUEST

_____ *[DATE]*

WestLB AG, New York Branch

_____

_____

Attn: Advances Department

Re: Advance Request under the Credit and Security Agreement by and among Horizon Credit I LLC, as borrower (the "***Borrower***"), WestLB AG, New York Branch, as lender (the "***Lender***"), WestLB AG, New York Branch, as agent (the "***Agent***"), and U.S. Bank National Association, as custodian (the "***Custodian***") and Paying Agent thereunder, dated as of March 4, 2008 (the "***Credit and Security Agreement***")

Pursuant to Article IV of the Credit and Security Agreement and subject to the conditions under the Credit and Security Agreement, we hereby request the following Advance:

Amount: US$ _____

Advance Date: _____

Immediately after giving effect to the Advance requested hereunder, the Borrowing Base shall be:_____. We have submitted along with this Advance Request a copy of our spreadsheet showing the borrowing base calculations used to calculate the Borrowing Base amount.

Please credit the amount of the Advance to the Advance Account identified in the Credit Agreement.

We confirm that, on the date hereof, (i) the representations and warranties set forth in Section 3.1 and Schedule C of the Credit and Security Agreement are true and correct in all material respects, provided that representation of warranties containing materiality qualifiers shall be true and correct in all respects (except for representations and warranties that speak of an earlier date, which such representations and warranties shall be true and correct in all material respects as of such earlier date), (ii) no Borrowing Base Deficit exists, as evidenced by the Borrowing Base calculations attached hereto, and (iii) the other conditions precedent set forth in Article IV of the Credit and Security Agreement relating to the proposed Advance have been satisfied.

Sincerely,

Horizon Credit I LLC, as the Borrower

By: Compass Horizon Partners, LP, its Manager

By: Navco Management Ltd., its General Partner

By: _____
Cora Lee Starzomski
Title: Director/Treasurer

Address:	76 Batterson Park Road Farmington, CT 06032
Attention:	Robert D. Pomeroy, Jr.
Fax:	(860) 676-8655
Telephone:	(860) 676-8656
Email:	rob@horizontechfinance.com

EXHIBIT VI

FORM OF PREPAYMENT REQUEST

_____ [DATE]

WestLB AG, New York Branch
1211 Avenue of the Americas
New York, New York 10036
Attention: Jon Hellbusch

U.S. Bank National Association
209 S. LaSalle Street, Suite 300
Chicago, Illinois 60604
Attn: Corporate Trust Services

Re: Prepayment Request under the Credit and Security Agreement by and among Horizon Credit I LLC, as borrower ("Borrower"), WestLB AG, New York Branch, as lender ("Lender"), WestLB AG, New York Branch, as agent ("Agent"), and U.S. Bank National Association, as paying agent ("Paying Agent") and Custodian thereunder, dated as of March 4, 2008 (the "Credit and Security Agreement")

Pursuant to Section 2.2 of the Credit and Security Agreement and subject to the terms and conditions of the Credit and Security Agreement, we hereby deliver the following Prepayment Request:

On _____ 20___, U.S. Bank National Association as the Paying Agent shall, distribute to the Agent the Funds on deposit in the Collection Account that exceed the Required Holdback Amount, for application to reduce the outstanding principal balance of the Loan; provided, that the Paying Agent shall retain on deposit in the Collection Account on such Prepayment Date, and shall not distribute to the Agent on such Prepayment Date, the amount set forth below:

Required Holdback Amount: US$ _____

We confirm that (x) no Borrowing Base Deficit exists as of the date hereof, and (y) no Event of Default, Early Amortization Event, Unmatured Event of Default, Material Adverse Effect, Servicer Termination Event, or Back-up Servicer Trigger Event has occurred as of the date hereof.

[Signature page follows]

All capitalized terms used herein and not otherwise defined herein shall have the respective meanings set forth in the Credit and Security Agreement.

Sincerely,

Horizon Credit I LLC, as the Borrower

By: Compass Horizon Partners, LP, its Manager

By: Navco Management Ltd., its General Partner

By: _____
Cora Lee Starzomski
Title: Director/Treasurer

Address:	76 Batterson Park Road Farmington, CT 06032
Attention:	Robert D. Pomeroy, Jr.
Fax:	(860) 676-8655
Telephone:	(860) 676-8656
Email:	rob@horizontechfinance.com

EXHIBIT VII

WARRANT VALUATION POLICY

[See attached]

EXHIBIT VIII

FORM OF WEEKLY DISTRIBUTION REQUEST

[Date]

WestLB AG, New York Branch
1211 Avenue of the Americas
New York, New York 10036
Attention: Advances Department

U.S. Bank Corporate Trust Services
209 South LaSalle Street, Suite 300
Chicago, Illinois 60604
Attention: Structured Finance /Horizon Credit I LLC

Re: Weekly Distribution Request

Dear Sirs:

Pursuant to Section 2.6 of the Credit and Security Agreement by and among Horizon Credit I LLC, as borrower ("Borrower"), WestLB AG, New York Branch, as lender ("Lender"), WestLB AG, New York Branch, as agent ("Agent"), and U.S. Bank National Association, as custodian and as the paying agent, dated as of March 4, 2008 (the "Credit and Security Agreement"), and subject to the terms and conditions of the Credit and Security Agreement, we hereby deliver the following Weekly Distribution Request:

1. On the Weekly Distribution Date occurring on _____, 200___, U.S. Bank National Association as the Paying Agent shall, to the extent that the funds on deposit in the Collection Account on such Weekly Distribution Date exceed [Two Hundred Fifty Thousand Dollars ($250,000)], distribute to the Agent (as specified below) the Weekly Distribution Amount relating to such Weekly Distribution Date on deposit in the Collection Account, for application to reduce the outstanding principal balance of the Loan, as applicable; *provided*, that (i) such Weekly Distribution Amount shall exceed [Two Hundred Fifty Thousand Dollars ($250,000)] and (ii) the Paying Agent shall retain on deposit in the Collection Account on such Weekly Distribution Date, and shall not distribute to the Agent on such Weekly Distribution Date as part of its related Weekly Distribution Amount, the "Requested Holdback Amount" set forth below (which represents an amount equal to the sum of (i) the amount specified in Item 2 below, which is the amount calculated on the related Weekly Distribution Date pursuant to clause (y) of the defined term "Weekly Distribution Amount" in the Credit and Security Agreement, and (ii) the amount specified in Item 3 below, which shall be determined by the Borrower and the Servicer in their sole discretion). The following is a detailed summary of certain specified amounts on the date hereof:

1. Collection Account balance:

2. Amount specified in clause (y) of the definition of the term "Weekly Distribution Amount" for the related Weekly Distribution Date (see attached schedule):

3. Discretionary amount to be kept on deposit in the Collection Account on the Weekly Distribution Date specified above, as per the request of the Borrower/Servicer:

4. Requested Distribution Amount being made hereunder:

Payment of the related Weekly Distribution Amount shall be made to the Agent on the related Weekly Distribution Date by way of wire transfer in immediately available funds directed as follows:

Bank Name:	Chase Manhattan Bank, N.A.
ABA Routing No.:	021000021
For Credit to:	WestLB, NY
Reference:	Horizon Credit I LLC
Attn:	Loan Administration

All capitalized terms used herein and not otherwise defined herein shall have the respective meanings set forth in the Credit and Security Agreement.

[Signature page follows]

Sincerely,

Horizon Technology Finance Management LLC,
as the Servicer

By: _____
Name:
Title:

ACCEPTED AND AGREED:

Horizon Credit I LLC, as the Borrower

By: Compass Horizon Partners, LP, its Manager

By: Navco Management Ltd., its General Partner

By: _____
Cora Lee Starzomski
Title: Director/Treasurer

Address: 76 Batterson Park Road
Farmington, CT 06032
Attention: Robert D. Pomeroy, Jr.
Fax: (860) 676-8655
Telephone: (860) 676-8656
Email: rob@horizontechfinance.com

DISTRIBUTION REQUEST
Supporting Schedule
[Date]

Holdback Estimate:

Back-up Servicer Fee
Transition Expenses
Custodian Fee
Paying Agent Fee
Expenses Servicer Fee

Interest

Commitment Fee
Estimating contingency

Average daily Venture Loan Portfolio Balance
Number of days since prior Settlement Date

Interest Rate
Average Net Portfolio Balance

SCHEDULE A-1

DOCUMENTS TO BE DELIVERED TO THE AGENT
ON OR PRIOR TO THE CLOSING DATE (OR, AS NOTED,
ON OR PRIOR TO THE INITIAL FUNDING DATE)

1. A copy of the Sale and Contribution Agreement, dated as of the Closing Date, between Compass Horizon Funding Company LLC ("CHF"), as the Seller (in such capacity, the "Seller"), and Horizon Credit I LLC, as the Purchaser (in such capacity, the "Purchaser"), duly executed by each party thereto.

2. A copy of the Servicing Agreement, dated as of the Closing Date, among Horizon Credit I LLC, as the Borrower (in such capacity, the "Borrower"), Horizon Technology Finance Management LLC, as the Servicer (the "Servicer"), and WestLB AG, New York Branch ("WestLB"), as the Agent (in such capacity, the "Agent"), duly executed by each party thereto.

3. A copy of the Custodial Agreement, dated as of the Closing Date, among the Borrower, the Agent, the Servicer, and U.S. Bank National Association, as the Custodian (the "Custodian"), duly executed by each party thereto.

4. A copy of the Fee Letter, dated as of the Closing Date, between the Borrower and the Agent, duly executed by each party thereto.

5. *A copy of the Collateral Receipt, dated as of the Initial Funding Date, between the Seller and the Purchaser, duly executed by each party thereto.

6. A copy of the Lockbox Agreement, dated as of the Closing Date, among the Borrower, the Servicer, the Agent, the Lender, the Lockbox Bank and the Paying Agent, duly executed by each party thereto.

7. A certificate of the Secretary of the Borrower and the Purchaser, dated the Closing Date, certifying (i) as to the names and true signatures of the incumbent officers of the Borrower authorized to sign this Agreement, the other Transaction Documents to which either the Borrower or the Purchaser is a party and the other documents to be delivered by it hereunder and thereunder (on which certificate the Agent and the Lender may conclusively rely until such time as the Agent shall receive from the Borrower a revised certificate meeting the requirements of this paragraph), (ii) that the copy of the certificate of formation of the Borrower and the Purchaser attached thereto is a complete and correct copy and that such certificate of formation has not been amended, modified or supplemented and is in full force and effect, and (iii) that the copy of the limited liability company agreement of the Borrower and the Purchaser attached thereto is a complete and correct copy and that such limited liability company agreement has not been amended, modified or supplemented and is in full force and effect.

8. A certificate of the Secretary of the Seller, dated the Closing Date, certifying (i) as to the names and true signatures of the incumbent officers of the Seller authorized to sign the Transaction Documents to which any of the Seller is a party and the other

* To be delivered on the Initial Funding Date.

documents to be delivered by each of them hereunder and thereunder (on which certificate the Agent and the Lender may conclusively rely until such time as the Agent shall receive from the Seller a revised certificate meeting the requirements of this paragraph), (ii) that the copy of the certificate of formation of the Seller attached thereto is a complete and correct copy and that such certificate of formation has not been amended, modified or supplemented and is in full force and effect, (iii) that the copy of the limited liability company agreement of the Seller attached thereto is a complete and correct copy and that such agreement has not been amended, modified or supplemented and is in full force and effect, and (iv) the resolutions of the Seller's board of managers approving and authorizing the execution, delivery and performance by the Seller of the Transaction Documents to which either the Seller is a party and the documents related hereto and thereto.

9. A certificate of the Secretary of the Paying Agent, dated the Closing Date, certifying (i) as to the names and true signatures of the incumbent officers of the Custodian authorized to sign this Agreement, the other Transaction Documents to which the Custodian or the Servicer is a party and the other documents to be delivered by the Custodian hereunder and thereunder (on which certificate the Agent and the Lender may conclusively rely until such time as the Agent shall receive from the Custodian a revised certificate meeting the requirements of this paragraph), (ii) that the copy of the certificate of incorporation of the Custodian attached thereto is a complete and correct copy and that such certificate of incorporation has not been amended, modified or supplemented and is in full force and effect, (iii) that the copy of the bylaws of the Custodian attached thereto is a complete and correct copy and that such bylaws has not been amended, modified or supplemented and is in full force and effect, and (iv) the resolutions of the board of directors of the Custodian approving and authorizing the execution, delivery and performance by the Custodian of this Agreement, the other Transaction Documents to which the Custodian is a party and the documents related hereto and thereto.

10. *Certified Judgment and Tax Lien Search Reports for the Seller, dated no earlier than seven (7) days prior to the Initial Funding Date.

11. *Certified Judgment and Tax Lien Search Reports for the Borrower, dated no earlier than seven (7) days prior to the Initial Funding Date.

12. *A good standing certificate for the Borrower, dated no earlier than seven (7) days prior to the Initial Funding Date, issued by the Secretary of State of the State of Delaware.

13. *The certificate of formation of the Borrower, certified by the Secretary of State of the State of Delaware on a date no earlier than seven (7) days prior to the Initial Funding Date.

14. *A good standing certificate for the Servicer, dated no earlier than seven (7) days prior to the Initial Funding Date, issued by the Secretary of State of the State of Connecticut.

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* To be delivered on the Initial Funding Date.

15. *The certificate of incorporation of the Servicer, certified by the Secretary of State of the State of Connecticut on a date no earlier than seven (7) days prior to the Initial Funding Date.

16. *Certified copies of requests for information or copies (or a similar UCC search report certified by a party acceptable to the Agent), dated no earlier than seven (7) days prior to the Initial Funding Date, listing all effective financing statements which name the Borrower (under its present name and any previous name) as debtor, together with copies of such financing statements (none of which, other than the financing statements filed hereunder, shall cover any of the Collateral).

17. Any necessary third party consents to the closing of the transactions contemplated hereby.

18. *Satisfactory evidence of the execution and filing with the appropriate governmental authorities, as determined by the Agent, in the state of the Borrower's principal place of business and in the state of the Borrower's organization and in such other jurisdictions as may be required by the Agent, of Uniform Commercial Code Financing Statements (UCC-1) and/or such other instruments as may be necessary to perfect the first priority security interest of the Agent on behalf of the Lender in the Collateral.

19. *Post-Filing UCC Lien Search Reports reflecting the UCC Financing Statements listed in item 18 above to be of record.

20. Opinion of Edwards, Angell, Palmer & Dodge LLP, counsel to the Servicer and Seller, dated the Closing Date, as to certain corporate and other matters under U.S. law, in form and substance satisfactory to the Agent and its counsel in their reasonable discretion.

21. Opinion of Morrison Cohen LLP, counsel to the Borrower, dated the Closing Date, as to certain corporate and other matters under U.S. law, including first priority security-interest perfection, in form and substance satisfactory to the Agent and its counsel in their reasonable discretion

22. Opinion of Morrison Cohen LLP, counsel to the Borrower, dated the Closing Date, with respect to the true sale of the Venture Loans and Warrants and issues of substantive consolidation, in form and substance satisfactory to the Agent and its counsel in their reasonable discretion.

23. Opinion of Chapman and Cutler LLP, counsel to the Back-up Servicer and the Custodian, dated the Closing Date, as to certain corporate and other matters, in form and substance satisfactory to the Agent and its counsel in their reasonable discretion.

24. *Opinion of Morrison Cohen LLP, counsel to the Borrower, dated the Initial Funding Date, with respect to security-interest perfection and priority under U.S. law, in form and substance satisfactory to the Agent and its counsel in their reasonable discretion.

25. *Initial Venture Loan Schedule.

26. List of Servicing Officers, dated the Closing Date, provided to the Borrower and the Agent.

27. *Certification of the Custodian, dated the Initial Funding Date, as to its receipt of the documents required to be included in the Loan Files relating to the Initial Eligible Venture Loans.

28. *Confirmation and Notice of Pledge of the Custodian, dated the Initial Funding Date.

29. Delivery by the Custodian of evidence that it is maintaining in full force and effect relevant insurance documentation.

30. A working version of the Facility Rating Model, in form and substance satisfactory to the Agent.

31. Completed Advance Request.

32. Delivery by Servicer of copy of policy of insurance covering errors and omissions.

33. A certificate of the Secretary of the Servicer, dated the Closing Date, certifying (i) as to the names and true signatures of the incumbent officers of the Servicer authorized to sign this Agreement, the other Transaction Documents to which either the Servicer is a party and the other documents to be delivered by it hereunder and thereunder (on which certificate the Agent and the Lender may conclusively rely until such time as the Agent shall receive from the Servicer a revised certificate meeting the requirements of this paragraph), (ii) that the copy of the certificate of formation of the Servicer attached thereto is a complete and correct copy and that such certificate of formation has not been amended, modified or supplemented and is in full force and effect, and (iii) that the copy of the limited liability company agreement of the Servicer attached thereto is a complete and correct copy and that such limited liability company agreement has not been amended, modified or supplemented and is in full force and effect.

SCHEDULE A-2

DOCUMENTS TO BE DELIVERED TO THE AGENT
ON OR PRIOR TO THE RELATED SUBSEQUENT TRANSFER DATE

1. Subsequent Venture Loan Schedule and updated Venture Loan Schedule.

2. Completed Advance Request.

3. A copy of the related Subsequent Transfer Instrument, duly executed by each party thereto.

4. Any necessary third party consents to the funding of the related Subsequent Advance and the closing of the transactions contemplated by the related Subsequent Transfer Instrument.

5. Certification of the Custodian, dated the related Subsequent Transfer Date, as to its receipt of the documents required to be included in the Loan Files relating to the related Subsequent Venture Loans.

6. Confirmation and Notice of Pledge of the Custodian, dated the related Subsequent Transfer Date.

SCHEDULE B

VENTURE LOAN SCHEDULE

[See attached]

SCHEDULE C

VENTURE LOAN REPRESENTATIONS AND WARRANTIES

The representations and warranties contained in Schedule 3 to the Purchase Agreement are incorporated herein by reference, *mutatis mutandis*.

SCHEDULE D

CONCENTRATION LIMITS AND LOSS TRIGGER EVENTS

With respect to all Eligible Venture Loans owned by the Borrower, the percentage limits stated within Table I below will apply relative to the Venture Loan Principal Balance for Eligible Venture Loans; *provided*, that for the purposes of classifying each Eligible Venture Loan into a category, in the case of a Venture Loan that is a PIFL, the category classification shall reflect the type of underlying loan to which the PIFL relates; *provided further*, that during the Ramp-up Period the percentage limits in Table I below will apply to the Reference Amount, for purposes of determining the Concentration Limits:

TABLE I:

Category	% Limit
Top Industry Sector Loans	33.3%
Top Venture Capital Sponsor Loans	15.0%
Top 5 Venture Capital Sponsors Loans	50.0%
Top 5 Obligors based on greatest outstanding principal loan balance	25.0%
Top 10 Obligors based on greatest outstanding principal loan balance	40.0%
General Classification: Tech[1]	65.0%
General Classification: Life Sciences[2]	60.0%
General Classification: Other[3]	10.0%
Non-Amortizing Venture Debt	25.0%
Subordinated Venture Debt	60.0%
Venture Debt Round 1 Investments	20.0%
Venture Debt Round 2 and Round 3 Investments	30.0% each Round
Venture Debt Round 4, Round 5, and Later Round Investments	40.0% each Round

1 Software, Telecommunications, Networking & Equipment, Semiconductors, Computers & Peripherals, Electronics, IT Services, and Media & Entertainment

2 Biotechnology, Medical Devices & Equipment, and Healthcare Services

3 Business Products & Services, Consumer Products & Services, Industrial/Energy, Financial Services, Retailing/Distribution, and other industry sectors as approved by the Agent prior to the Closing Date.

TABLE II:

Cumulative Gross Loss Ratio

	MONTH FOLLOWING ORIGINATION					
TRIGGER*	**6**	**12**	**18**	**24**	**30**	**36+**
Level I Loss Trigger Event						
O/C Percentage < 150%	7.00%	8.00%	9.00%	10.00%	10.25%	10.50%
O/C Percentage >/= 150%	7.50%	8.50%	9.50%	10.50%	10.75%	11.00%
Level II Loss Trigger Event						
O/C Percentage < 150%	9.00%	10.00%	11.00%	11.75%	12.50%	12.75%
O/C Percentage >/= 150%	9.50%	10.50%	11.50%	12.25%	13.00%	13.25%
Level III Loss Trigger Event						
O/C Percentage < 150%	10.50%	11.50%	12.00%	13.00%	13.25%	13.50%
O/C Percentage >/= 150%	11.00%	12.00%	12.50%	13.25%	13.50%	13.75%
Level IV Loss Trigger Event						
O/C Percentage >/= 150%	11.00%	12.00%	12.50%	13.25%	14.00%	14.25%
O/C Percentage >/= 150%	11.50%	12.50%	13.00%	13.50%	14.25%	14.50%

TABLE III:

Cumulative Net Loss Percentage

TRIGGER	MONTH FOLLOWING ORIGINATION 6	12	18	24	30	36+
Level I Loss Trigger Event						
O/C Percentage < 150%	4.50%	5.50%	6.00%	6.50%	7.00%	7.25%
O/C Percentage >/= 150%	5.00%	6.00%	6.50%	7.25%	7.75%	8.00%
Level II Loss Trigger Event						
O/C Percentage < 150%	6.00%	7.00%	8.00%	8.50%	9.00%	9.25%
O/C Percentage >/= 150%	6.50%	7.50%	8.50%	9.00%	9.50%	9.75%
Level III Loss Trigger Event						
O/C Percentage < 150%	7.00%	8.00%	9.00%	9.75%	10.25%	10.50%
O/C Percentage >/= 150%	7.50%	8.50%	9.50%	10.25%	10.75%	11.00%
Level IV Loss Trigger Event						
O/C Percentage >/= 150%	8.50%	9.50%	10.25%	10.75%	11.25%	11.75%
O/C Percentage >/= 150%	9.00%	10.00%	11.00%	11.50%	12.00%	12.50%

SCHEDULE E

Tillinghast Towers-Perrin Procedures for the Portfolio Performance Test

FIRST AMENDMENT OF TRANSACTION DOCUMENTS

THIS FIRST AMENDMENT OF TRANSACTION DOCUMENTS (this "Amendment")**,** dated as of September 30, 2008, is entered into by and among:

(a) HORIZON CREDIT I LLC, a Delaware limited liability company ("Borrower");

(b) WESTLB AG, NEW YORK BRANCH (together with its successors and permitted assigns hereunder, the "Lender");

(c) U.S. BANK NATIONAL ASSOCIATION, as the Custodian (the "Custodian") and the Paying Agent (the "Paying Agent");

(d) WESTLB AG, NEW YORK BRANCH, as agent for the Lender hereunder or any successor agent hereunder (together with its successors and assigns hereunder, the "Agent");

(e) HORIZON TECHNOLOGY FINANCE MANAGEMENT LLC, a Delaware limited liability company, as servicer hereunder (in such capacity, the "Servicer"); and

(f) LYON FINANCIAL SERVICES, INC. (doing business as U.S. Bank Portfolio Services)(the "Back-up Servicer").

Unless defined elsewhere herein, capitalized terms used in this Amendment shall have the meanings assigned to such terms in Credit Agreement (defined below).

WITNESSETH:

WHEREAS, the Borrower, the Lender, the Agent, the Custodian and the Paying Agent entered into that certain Credit and Security Agreement dated as of March 4, 2008 (the "Credit Agreement");

WHEREAS, the Borrower, the Servicer, the Back-Up Servicer and the Agent entered into that certain Servicing Agreement dated as of March 4, 2008 (the "Servicing Agreement"); and

WHEREAS, the Borrower, the Servicer, the Back-Up Servicer, the Lender, the Agent, the Custodian and the Paying Agent desire to amend and modify certain terms of the Credit Agreement and the Servicing Agreement, all subject to the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the covenants and agreements herein contained, the parties hereto amend the Credit Agreement and the Servicing Agreement, and covenant and agree, as follows:

1. Modification of the Credit Agreement.

(a) Section 2.3 of the Credit Agreement is hereby deleted in its entirety and replaced with the following:

Section 2.3 Application of Available Funds.

In accordance with the Monthly Report delivered to the Paying Agent by the Servicer on or before the third Business Day preceding the related Monthly Remittance Date (as set forth in Section 4.01 of the Servicing Agreement), all Available Funds shall be distributed on each Monthly Remittance Date by the Paying Agent from the Collection Account as follows:

first, concurrently, (A) to the Back-up Servicer, the Back-up Servicer Fee and (as applicable) the Transition Expenses, (B) to the Custodian, the Custodian Fee, (C) to the Paying Agent, the Paying Agent Fee and (D) to the Back-up Servicer, the Custodian, and the Paying Agent, pro rata, all other costs, expenses, indemnities, and reimbursements (including without limitation, attorneys' fees) then due and owing to such Person pursuant to this Agreement or any other Transaction Document ("Extraordinary Expenses"); provided, however, that such Extraordinary Expenses of this section *first* shall not exceed Fifty Thousand U.S. Dollars ($50,000) per annum. Any additional expenses shall be subject to subsection *tenth* below;

second, to the Servicer, the related Servicing Fee with respect to any such Monthly Remittance and if the Servicer is the Back-up Servicer acting as Successor Servicer, all reasonable costs, expenses, indemnities and reimbursements due and owing to such person pursuant to this Agreement and the Transaction Documents;

third, to the Hedge Counterparty (if any) amounts owed under any Interest Rate Hedge (excluding breakage fees);

fourth, to the Agent for the account of the Lender, accrued and unpaid Interest on the Aggregate Loan Balance calculated in accordance with Section 1.2;

fifth, to the Agent for the account of the Lender, any accrued and unpaid Non-Use Fee for the Collection Period;

sixth, to the Agent for the account of the Lender, in reduction of the Aggregate Loan Balance, the amount necessary to reduce the Borrowing Base Deficit to zero;

seventh, to the Hedge Counterparty, unpaid breakage fees due under any Interest Rate Hedge;

eighth, upon the occurrence of an Early Amortization Event, to the Agent for the account of the Lender, all remaining funds until such time as the Aggregate Loan Balance has been reduced to zero;

ninth, to the Agent for the account of the Lender, all fees then due and owing to the Lender pursuant to this Agreement or any other Transaction Document;

tenth, concurrently and on a *pari passu* basis, to the Agent, the Lender, the Servicer, the Back-up Servicer, if any, the Custodian, the Lockbox Bank, Paying Agent, or any other Indemnified Party pursuant to the terms of this Agreement or any other Transaction Document, an amount equal to all reasonable costs, expenses, indemnities and reimbursements then due and owing to such Person pursuant to this Agreement or any other Transaction Document in excess of any stated limitations above;

eleventh, to the Borrower or to such other Person as the Borrower shall direct the Paying Agent in writing, all remaining funds, for retention or, in its discretion for distribution.

Notwithstanding anything herein or in any other Transaction Document to the contrary, no distributions shall be made pursuant to clause *eleventh* of this Section 2.3 at any time following the occurrence and during the continuance of an Early Amortization Event, Event of Default or Unmatured Event of Default, until such time as all Obligations of the Borrower has been paid in full.

(b) Section 7.1(iv) of the Credit Agreement is hereby deleted and replaced in its entirety with the following:

(iv) [omitted];

(c) Section 7.1(v) of the Credit Agreement is hereby deleted and replaced in its entirety with the following

(v) an Event of Bankruptcy shall occur with respect to the Borrower;

(d) Section 11.1 of the Credit Agreement is hereby deleted and replaced in its entirety with the following:

Section 11.1 Term.

Provided that no Event of Default has occurred and is continuing, and except as otherwise provided for herein, this Agreement shall commence on the Closing Date and continue until the Termination Date; provided, that in any event this Agreement shall terminate (to the extent it has not previously terminated pursuant to the terms hereof) on the fifth (5th) anniversary of the termination of the Revolving Period, and on or prior to such anniversary date the Borrower shall irrevocably pay in full all Obligations. Following expiration or termination of this Agreement, the Collection Account and the Lockbox Account shall be cleared and terminated, and all indebtedness, fees, expenses, costs, charges and reimbursements due the Lender and the Agent under this Agreement and the Transaction Documents shall be immediately due and payable without notice to the Borrower and without presentment, demand, protest, notice of protest or dishonor, or other notice of default, and without formally placing the Borrower in default, all of which are hereby expressly waived by the Borrower

(e) Section 12.1(b) is hereby deleted and replaced in its entirety with the following:

(b) No provision of this Agreement may be amended, supplemented, modified or waived except in writing in accordance with the provisions of this Section 12.1(b). The Lender, the Borrower, the Custodian, the Paying Agent and the Agent may enter into written modifications or waivers of any provisions of this Agreement; provided, however, that no such modification or waiver shall, without the written consent of the Agent, Custodian, Paying Agent, and Back-up Servicer, amend, modify or waive any provision of this Agreement if the effect thereof is to affect the rights or duties of the Agent, Custodian, Paying Agent, Back-up Servicer; provided further that before any modification, amendment, or supplement that could materially and adversely affect the Lenders, the Collateral, or the ability of the Borrower to repay the Loans shall be effective the Rating Agency shall have confirmed in writing that a Negative Ratings Event will not result from the execution and delivery of such amendment, modification, or supplement.

Notwithstanding the foregoing, the Agent and the Lender may enter into amendments to modify any of the terms or provisions of Article IX of this Agreement relating to the Agent and/or the Lender without the consent of the Borrower; provided, however, any amendment or modification that materially or adversely affects the Borrower, the Custodian, Back-up Servicer, or Paying Agent shall require the consent of the Borrower, the Custodian, the Back-up Servicer, or Paying Agent, respectively. Any amendment, modification or waiver made in accordance with this Section 12.1 shall be binding upon the Borrower, the Lender, the Custodian and the Agent.

(f) Section 12.2 is hereby deleted and replaced in its entirety with the following:

Section 12.2 Notices.

(a) Except as provided in this Section 12.2, all communications and notices provided for hereunder and under the other Transaction Documents shall be in writing (including bank wire, telecopy, electronic mail, or electronic facsimile transmission or similar writing) and shall be given to the other parties hereto at their respective addresses, electronic mail address, or telecopy numbers set forth on the signature pages hereof or at such other address or telecopy number as such Person may hereafter specify for the purpose of notice to each of the other parties hereto. Each such notice or other communication shall be effective (i) if given by telecopy or electronic mail, upon written confirmation receipt thereof, (ii) if given by mail, three (3) Business Days after the time such communication is deposited in the mail properly addressed and with first class postage prepaid, (iii) if given by overnight courier or similar overnight delivery, one (1) Business Day after the time such communication is properly addressed and delivered to such delivery service, and (iv) if given by any other means, when received at the address for notices specified on the signature pages hereto.

(b) All communications and notices provided to the Rating Agency hereunder and under the other Transaction Documents in accordance with this Section 12.2 shall be directed to:

DBRS, Inc.
140 Broadway, 35th Floor
New York, New York 10005
Attention: ABS Surveillance
Telephone No.: (212) 806-3277
Telecopier No.: (212) 806-3201
Email: abs-surveillance@dbrs.com

or at such other address or telecopy number as the Rating Agency may hereafter specify for the purpose of notice to each of the other parties hereto

(g) The definition of "***Deleted Venture Loan"*** set forth in Exhibit I to the Credit Agreement is hereby replaced in its entirety with the following:

"***Deleted Venture Loan***" means (i) a Defective Venture Loan which pursuant to the Purchase Agreement has been repurchased by the Seller, from the Borrower or replaced by the Seller with a Substitute Venture Loan or (ii) a Delinquent Venture Loan or a Defaulted Venture Loan which has been purchased by the Servicer pursuant to Section 4.12 of the Servicing Agreement.

(h) The definition of "***Early Amortization Event"*** set forth in Exhibit I to the Credit Agreement is hereby replaced in its entirety with the following:

"***Early Amortization Event***" means the occurrence of any of the following events which have not been remedied to the satisfaction of the Agent:

(1) The Benign Restructured and Delinquent Venture Debt Ratio exceeds ten percent (10%) for any Collection Period, or nine percent (9%) if calculated on a rolling average basis for the last three Collection Periods;

(2) The Newly Benign Restructured and Delinquent Venture Debt Ratio exceeds seven percent (7%) for any Collection Period, or five percent (5%) if calculated on a rolling average basis for the last three Collection Periods;

(3) The Cumulative Gross Loss Ratio for any Origination Group exceeds the applicable Level II Loss Trigger for such Origination Group as stated within Table II of Schedule D, unless the Borrower complies with the Type III Advance Rate Reduction, if required, within 30 days of any Level II Loss Trigger;

(4) The Cumulative Net Loss Ratio for any Origination Group exceeds the applicable Level II Loss Trigger for such Origination Group as stated within Table III of Schedule D, unless the Borrower complies with the Type III Advance Rate Reduction, if required, within 30 days of any Level II Loss Trigger;

(5) The Cumulative Gross Loss Ratio for any Origination Group exceeds any Level IV Loss Trigger for such Origination Group as stated within Table II of Schedule D;

(6) The Cumulative Net Loss Ratio for any Origination Group exceeds any Level IV Loss Trigger stated within Table III of Schedule D;

(7) On any date of determination, the Aggregate Loan Balance exceeds the Borrowing Base (with a two (2) Business Day cure period);

(8) As of the end of any Collection Period, the 3-month rolling average of the Net Excess Spread is less than zero percent (0%);

(9) the occurrence of a default by the Seller or Servicer which leads to the acceleration of debt of the Seller or Servicer in the aggregate principal amount of $1,000,000 or more;

(10) A "Change of Control" shall occur with respect to the Borrower or the initial Servicer;

(11) The occurrence of a Servicer Termination Event;

(12) The occurrence of an Event of Default;

(13) the Seller fails to maintain a minimum tangible net worth (calculated in accordance with GAAP) of (A) at least Thirty Five Million U.S. Dollars ($35,000,000) on the Closing Date, (B) Thirty Five Million U.S. Dollars ($35,000,000) plus a retention rate of 50% of Seller's cumulative positive net income (calculated in accordance with GAAP) for the fiscal year 2008 as of December 31, 2008; (C) the result of subsection (B) plus a retention rate of 50% of Seller's cumulative positive net income (calculated in accordance with GAAP) for the fiscal year 2009 as of December 31, 2009; or (D) the result of subsection (C) plus a retention rate of 50% of the Seller's cumulative positive net income (calculated in accordance with GAAP) for the fiscal year 2010 on and after December 31, 2010; provided, however, that if the Revolving Period has ended and less than 50% of the Borrowing Base has been drawn under the Loan, then the current year's cumulative net income (calculated in accordance with GAAP) will be subject to a zero percent (0%) retention rate, subject to the floor level of the prior fiscal year; provided, further, however, that no Early Amortization Event shall be declared hereunder if the violation of any applicable threshold is cured within 180 days of the relevant measuring date; or

(14) an Event of Bankruptcy shall occur with respect to the Borrower, the Servicer or the Seller,

(i) The definition of "***Final Payout Date***" set forth in Exhibit I to the Credit Agreement is hereby replaced in its entirety with the following:

"***Final Payout Date***" means the date on which all Obligations (other than contingent obligations which survive the termination of this Agreement) have been irrevocably paid in full, which date shall in all instances be on or before the fifth (5^{th}) anniversary of the Amortization Commencement Date.

(j) The definition of "***Negative Ratings Event***" is hereby added to Exhibit I of the Credit Agreement in the proper alphabetical order:

"Negative Ratings Event" means the credit rating of the Loans made to Borrower under the Credit Agreement being downgraded, suspended, or withdrawn by the Rating Agency or that the credit rating of the Loans made to Borrower under the Credit Agreement will be placed under surveillance or review, with possible negative implication.

(k) The definition of "***Rating Agency***" is hereby added to Exhibit I of the Credit Agreement in the proper alphabetical order:

"Rating Agency" means DBRS, Inc.

2. Modification of the Servicing Agreement.

(a) Section 3.02(f) of the Servicing Agreement is hereby replaced in its entirety with the following:

(f) Reporting. The Servicer will maintain and consistently apply for itself a system of accounting established and administered in accordance with GAAP and furnish or cause to be furnished to the Owner, the Agent, and the Rating Agency the following:

i. Copies of Notices. Promptly upon its receipt of (A) any management letter submitted to the Servicer by its accountants and (B) any notice, request for consent, financial statements, certification, report or other material communication under or in connection with any Transaction Document from any Person other than the Agent or the Lender, copies of the same;

ii. Confirmation of No Borrowing Base Deficit. Promptly upon each Advance Request, a certificate confirming that no Borrowing Base Deficit exists after giving effect to such Advance Request;

iii. Quarterly Portfolio Evaluation. On or prior to the Determination Date for the month following the end of each calendar quarter (provided that, to the extent such day

is not a Business Day, then on the following Business Day), the results of the Quarterly Portfolio Evaluation;

iv. Net Excess Spread Test. On or prior to the monthly Determination Date (provided that, to the extent such day is not a Business Day, then on the following Business Day), the results of the Net Excess Spread Test;

v. Monthly Reports. On or before the Determination Date, or, upon the occurrence and continuation of a Back-Up Servicer Trigger Event, on or before the fourth (4) Business Day preceding the related Monthly Remittance Date, the Monthly Report;

vi. Other Information. Promptly, from time to time, such other information, documents, records or reports relating to the Venture Loans and Warrants or the condition or operations, financial or otherwise, of the initial Servicer as the Agent may from time to time reasonably request in order to protect the interests of the Agent and the Lender under or as contemplated by this Agreement and the other Transaction Documents, including the annual audited financial statements of Servicer and Owner.

(b) Section 4.05 of the Servicing Agreement is hereby replaced in its entirety with the following:

Section 4.05 Annual Statement as to Compliance.

Within six (6) months of the Closing Date, or such later date or dates thereafter as Agent may agree, the Servicer will deliver to the Owner, the Back-Up Servicer, the Agent, and the Rating Agency an Officer's Certificate stating that (i) a review of the activities of the Servicer during the preceding fiscal year (or such shorter period as is applicable in the case of the first such review) and of its performance under this Agreement and the other Transaction Documents to which it is a party or by which it is bound has been made under such officer's supervision and (ii) based on such review, the Servicer has fulfilled all of its obligations under this Agreement and the other Transaction Documents to which it is a party or by which it is bound throughout such fiscal year and, if there has been a default in the fulfillment of any such obligation, specifying each such default known to such officer and the nature and status thereof and the manner in which such default has been cured or is being cured. The Servicer shall promptly notify the Agent upon any change in the basis on which its fiscal year is determined.

(c) Section 4.06 of the Servicing Agreement is hereby replaced in its entirety with the following:

Section 4.06 Annual Servicing Report.

Within six (6) months of the Closing Date, or such later date or dates thereafter as the Agent may agree, the Servicer, at its expense (***provided***, ***however***, that if the Back-up Servicer shall become the successor Servicer, it shall be entitled to reimbursement in accordance with Section 2.3 of the Credit and Security Agreement), shall cause a nationally recognized firm of Independent public accountants to furnish a letter or letters to the Owner, the Agent, and the Rating Agency with a copy to be sent to the Back-up Servicer (in form and substance reasonably satisfactory to the Owner and the Agent) to the effect that (i) such firm has applied certain procedures, including but not limited to those procedures agreed upon with the Servicer and the Agent in the AUP Letter, to compare the mathematical calculations of certain amounts set forth in the Monthly Reports, the Data Reports, the Advance Request Data Reports and the reports required to be delivered by the Borrower pursuant to Section 5.1 of the Credit and Security Agreement during the period covered by such reports with the Servicer's computer reports which were a source of such amounts and that, on the basis of such agreed-upon procedures and comparison, such accountants agree with the calculations of such amounts, and (ii) with respect to the most recently ended fiscal year, such firm has examined certain records and documents relating to the Servicer's performance of its servicing obligations under this Agreement and the other Transaction Documents to which it is a party or by which it is bound and that, on the basis of such examination such firm agrees that the Servicer's activities have been conducted in compliance with this Agreement and the other Transaction Documents to which it is a party or by which it is bound, or that such examination has disclosed no material items of noncompliance except for such exceptions as are set forth in such statement. If such report discloses any such exceptions, the Servicer shall advise the Owner and the Agent whether such exceptions have been or are susceptible of cure, and will take prompt action to do so.

For purposes of this Agreement, the accounting firm of Grant Thornton LLP shall initially be deemed Independent certified public accountants acceptable to the Agent until such time as the Agent notifies the Servicer otherwise in writing.

(d) Section 4.12(a) of the Servicing Agreement is hereby replaced in its entirety with the following:

(a) The Servicer, provided that, the Servicer is Horizon Technology Finance Management LLC, may at its option, purchase from the Owner one or more Defaulted Venture Loans or Delinquent Venture Loans for a purchase price equal to the Repurchase Price; provided, that, it shall not be permitted to purchase more than two (2) Delinquent Venture Loans or Defaulted Venture Loans (in the aggregate) pursuant to this Section 4.12(a) during any three (3) year period without the prior consent of the Agent; provided, however, that in no event shall the repurchase option be exercised if the aggregate Venture Loan Principal Balance of the Eligible Collateral repurchased this Section 4.12(a) exceeds 10% of the Facility Limit.

(e) Article V of the Servicing Agreement is hereby replaced in its entirety with the following:

5.01 Reports.

(a) Monthly Report. Servicer shall deliver the Monthly Report to the Agent, Rating Agency, Back-Up Servicer and Paying Agent in accordance with Section 3.02(f)(v) above.

(b) Compliance Certificate. The Servicer shall deliver to the Agent, Rating Agency, and the Owner, together with the financial statements required under the Credit and Security Agreement, a compliance certificate in substantially the form of Exhibit III to the Credit and Security Agreement, signed by the Servicer's Authorized Officer and dated the date of such annual financial statement or such quarterly financial statement, as the case may be, notwithstanding the above, if the Back-Up Servicer is acting as successor Servicer, it shall not be required to provide financial statements.

5.02 Verification.

(a) On each Determination Date, the Servicer will transmit or deliver to the Agent and Back-Up Servicer a Data Report in electronic form, in a format reasonably acceptable to the Agent and Back-Up Servicer, containing such information as the Agent and Back-Up Servicer may reasonably require with respect to the Venture Loans and Warrants as of the close of business on the last day of the preceding Collection Period, together with all other information necessary for preparation of the Monthly Report relating to such Determination Date (a "Data Report").

(b) The Agent may use the Data Report provided to it by the Servicer pursuant to Section 5.02(a) to perform an analysis to verify readability and completion of such data. Once such data are verified, such data will be securely stored in a secure medium at a secure place by the Agent in accordance with its customary policies and procedures for such data and all other data maintained by the Agent.

(c) The Agent and the Rating Agency shall have the right to review the Monthly Report and the Data Report related thereto delivered by the Servicer to the Paying Agent and the Agent, respectively, and recalculate, verify and confirm the following:

(i) the Net Portfolio Balance as of the last day of the related Collection Period;

(ii) the computations with respect to Venture Loans written off by the Servicer, delinquency amounts payable on the Venture Loans, and Delinquency Ratios and Loss Ratios for the Venture Loans and each Origination Group for the related Collection Period, in each case as set forth in the most recent Monthly Report;

(iii) that the aggregate payments set forth in the related Monthly Report as having been deposited in the Collection Account have been deposited into the Collection Account during such related Collection Period;

(iv) that such Monthly Report is complete on its face;

(v) the aggregate Venture Loan Principal Balance (as of the last day of the related Collection Period) of the Venture Loans that are 31-60 days past due, 61-90 days past due, 91-120 days past due and 121 or more days past due;

(vi) the aggregate Venture Loan Principal Balance (as of the last day of the related Collection Period) of the Venture Loans that have been originated with the five (5) Obligors with the highest balances on the last day of such Collection Period;

(vii) the aggregate Venture Loan Principal Balance (as of the last day of the related Collection Period) of the Venture Loans that have been originated with the ten (10) Obligors with the highest balances on the last day of such Collection Period;

(viii) the Borrowing Base as of the last day of the related Collection Period; and

(ix) the Collateral Deficit (if any) as of the last day of the related Collection Period.

(d) The Agent or its designee may, no later than the second (2nd) Business Day prior to the related Monthly Remittance Date, notify the Servicer, the Paying Agent, and the Lender of any material discrepancies in connection with the recalculation, verification and confirmation set forth in clause (c) above. In the event that the Agent or its designee reports any material discrepancies between the related Monthly Report and the related Data Report delivered pursuant to clause (c) above, the Servicer shall attempt to reconcile such discrepancies on or before the related Monthly Remittance Date, but in the absence of reconciliation, the related Monthly Report shall control for the purpose of calculations and distributions with respect to the related Monthly Remittance Date. In the event that the Servicer is unable to reconcile any such discrepancies on or before the related Monthly Remittance Date, the Servicer shall cause a firm of nationally-recognized Independent certified public accountants acceptable to the Agent and the Lender, at the Servicer's sole cost and expense, to audit the related Monthly Report and, prior to the next succeeding Determination Date, reconcile such discrepancies. The effect, if any, of such reconciliation shall be reflected in the Monthly Report for such next succeeding Determination Date.

5.03 Advance Request Data Report.

Concurrently with the delivery of any Advance Request, the Servicer shall transmit to the Agent and the Back-Up Servicer, a Data Report containing information as is ordinarily included in a Data Report (as applicable) and relating to the Subsequent Venture Loans and related Warrants to be added to the Collateral on the related Transfer Date.

(f) Section 10.05 of the Servicing Agreement is hereby replaced in its entirety with the following:

Section 10.05 Notices.

All communications and notices provided for hereunder shall be in writing (including telecopy, electronic mail, or electronic facsimile transmission or similar writing) and shall be given to the other parties hereto at their respective addresses, electronic mail address, or telecopy numbers specified for notices on the signature page hereto or at such other address or telecopy number as such Person may hereafter specify for the purpose of notice to each of the other parties hereto; provided, that all communications and notices provided to the Rating Agency shall be given to the Rating Agency at the address, electronic mail address, or telecopy number specified in Section 12.2(b) of the Credit Agreement or at such other address or telecopy number as the Rating Agency may hereafter specify for the purpose of notice. Each such notice or other communication shall be deemed effective (i) if given by telecopy or electronic mail, then upon written confirmation receipt thereof, (ii) if given by mail, then three (3) Business Days after the time such communication is deposited in the mail properly addressed and with first class postage prepaid, (iii) if given by overnight courier or similar overnight delivery, then one (1) Business Day after the time such communication is properly addressed and delivered to such delivery service or (iv) if given by any other means, then when received at the address for notices specified pursuant to this Section 10.05.

3. Ratification. The Transaction Documents (as amended by this Amendment) are hereby ratified and remain in full force and effect.

4. Conditions Precedent to Effectiveness. This effectiveness of this Amendment is subject to the conditions precedent:

(a) no Material Adverse Effect shall have occurred or would result from Borrower's execution and delivery of this Amendment;

(b) no event has occurred and is continuing, or would result from Borrower's execution and delivery of this Amendment, that would constitute an Early Amortization Event, an Event of Default or an Unmatured Event of Default; and

(c) the Borrower shall have directed its legal counsel to deliver reliance letters to the Rating Agency dated as of the date hereof, in a form reasonably satisfactory to the Rating Agency.

5. Representations and Warranties. The Borrower hereby represents and warrants to the Agent and the Lender that as of the date hereof the representations and warranties contained

in Section 3.1 of the Credit Agreement are true and correct in all material respects (other than representations and warranties that are made as of a specific date, which need to be true and correct in all material respects as of such date), before and after giving effect to this Amendment.

6. Effect of Amendment. Upon the effectiveness of this Amendment, on and after the date hereof each reference in the Credit Agreement, to "this Agreement", "hereof", "hereunder" or words of like import referring to the Credit Agreement shall mean and be a reference to the Credit Agreement as modified, confirmed and ratified hereby.

7. Successors and Assigns. This Amendment shall inure to the benefit of the Agent, the Lender and their respective successors and assigns, and bind the parties hereto and their respective successors and permitted assigns.

8. Counterparts. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

9. Governing Law. This Amendment shall, in accordance with section 5-1401 of the General Obligations Law of the State of New York, be governed by the laws of the State of New York, without regard to any conflicts of law principles thereof that would call for the application of the laws of any other jurisdiction.

10. Severability. In the event any term or provision of this Amendment or the application thereof to any person or entity or circumstance, shall, for any reason or to any extent be invalid or unenforceable, the remaining terms and provisions of this Amendment, or the application of any such provision to persons, entities or circumstances other than those as to whom or which it has been determined to be invalid or unenforceable, shall not be affected thereby, and every provision of this Amendment shall be valid and enforceable to the fullest extent permitted by law.

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IN WITNESS WHEREOF, each of the parties hereto have caused this Amendment to be executed by its duly authorized signatories, as of the date first above written.

HORIZON CREDIT I LLC, as the Borrower
By: COMPASS HORIZON PARTNERS, LP, its Manager
By: Navco Management Ltd., its General Partner

By: _____
Name: Cora Lee Starzomski
Title: Director/Treasurer

HORIZON TECHNOLOGY FINANCE MANAGEMENT LLC
By: Horizon Technology Finance LLC, its Manager

By: _____
Robert D. Pomeroy, Jr., Managing Member

LYON FINANCIAL SERVICES, INC. (d/b/a U.S. BANK PORTFOLIO SERVICES)
as Back-Up Servicer

By: _____
Name:
Title:

WESTLB AG, NEW YORK BRANCH, as the Agent

By: _____
Name:
Title:

WESTLB AG, NEW YORK BRANCH, as the Agent

By: _____
Name:
Title:

WESTLB AG, NEW YORK BRANCH, as the Lender

By: _____
Name:
Title:

By: _____
Name:
Title:

WESTLB AG, NEW YORK BRANCH, as the Lender

By: _____
Name:
Title:

U.S. BANK NATIONAL ASSOCIATION, as the Custodian

By: _____
Name:
Title:

U.S. BANK NATIONAL ASSOCIATION, as the Paying Agent

By: _____
Name:
Title:

SECOND AMENDMENT OF TRANSACTION DOCUMENTS

THIS SECOND AMENDMENT OF TRANSACTION DOCUMENTS (this "Amendment"), made as of October 7, 2008, by and among HORIZON CREDIT I LLC, a Delaware limited liability company (the "Borrower"), WESTLB AG, NEW YORK BRANCH, as the Lender (in such capacity, together with its successors and assigns, the "Lender") and as the Agent for the Lender (in such capacity, together with its successors and assigns, the "Agent"), and U.S. BANK NATIONAL ASSOCIATION, as the Custodian (in such capacity, the "Custodian"), and as the Paying Agent (in such capacity, the "Paying Agent"),

WITNESSETH:

WHEREAS, the Borrower, the Lender, the Agent, the Custodian and the Paying Agent entered into that certain Credit and Security Agreement, dated as of March 4, 2008 (as amended, the "Credit Agreement"); and

NOW, THEREFORE, in consideration of the covenants and agreements herein contained, the parties hereto amend the Credit Agreement, and covenant and agree, as follows:

1. Modification of the Credit Agreement.

A. Section 12.9 to the Credit Agreement is hereby replaced in its entirety with the following:

Section 12.9. Collateral Matters; Interest Rate Hedge Agreements.

(a) The benefit of the provisions of this Agreement relating to Collateral securing the Obligations hereunder shall also extend to and be available to the Agent when acting in the capacity of Hedge Counterparty under any Interest Rate Hedge with the Borrower under any Interest Rate Hedge agreement. The Borrower hereby agrees to amend any Transaction Document or enter into any Interest Rate Hedge agreement and related credit support documentation required by the Agent to secure Borrower's obligations under such Interest Rate Hedge as Agent shall reasonably request. Interest Rate Hedge agreements between Borrower and any third party Hedge Counterparty, as they may relate to the Loan or the Collateral hereunder, are subject to the prior written consent of the Agent.

(b) Borrower may, from time to time, so long as no Early Amortization Event, Event of Default, or Unmatured Event of Default has occurred and is continuing, enter into one or more Interest Rate Hedges for which the aggregate notional amount, as to all Interest Rate Hedges entered and outstanding at any particular time, shall not exceed the outstanding principal balance of the Loan hereunder as measured at such time.

B. The definition of "Portfolio Yield" in Exhibit I to the Credit Agreement is hereby replaced in its entirety by the following new definition:

"***Portfolio Yield***" means, for any Collection Period, the annualized percentage equivalent of the ratio of (a) the sum of (i) all collections representing interest (or discount) on the Purchased Assets received by the Borrower during the Collection Period, (ii) all collections representing Warrant proceeds received by the Borrower during the Collection Period, (iii) all pre-payment, commitment, non-use, success and other cash fees received by the Borrower during the Collection Period, and (iv) any payments made to the Borrower under any Interest Rate Hedge,

less (b) any payments made by the Borrower under any Interest Rate Hedge, over (c) the average Net Portfolio Balance for such Collection Period.

2. Ratification. The Credit Agreement (as amended by this Amendment) is hereby ratified and remains in full force and effect.

3. Conditions Precedent to Effectiveness. The effectiveness of this Amendment is subject to the conditions precedent:

(a) no Material Adverse Effect shall have occurred or would result from Borrower's execution and delivery of this Amendment; and

(b) no event has occurred and is continuing, or would result from Borrower's execution and delivery of this Amendment, that would constitute an Early Amortization Event, an Event of Default or an Unmatured Event of Default.

4. Representations and Warranties. The Borrower hereby represents and warrants to the Agent and the Lender that as of the date hereof the representations and warranties contained in Section 3.1 of the Credit Agreement are true and correct, before and after giving effect to this Amendment.

5. Effect of Amendment. Upon the effectiveness of this Amendment, on and after the date hereof each reference in the Credit Agreement, to "this Agreement", "hereof", "hereunder" or words of like import referring to the Credit Agreement shall mean and be a reference to the Credit Agreement as modified, confirmed and ratified hereby.

6. Successors and Assigns. This Amendment shall inure to the benefit of the Agent, the Lender and their respective successors and assigns, and bind the parties hereto and their respective successors and permitted assigns.

7. Counterparts. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

8. Governing Law. This Amendment shall, in accordance with section 5-1401 of the General Obligations Law of the State of New York, be governed by the laws of the State of New York, without regard to any conflicts of law principles thereof that would call for the application of the laws of any other jurisdiction.

9. Severability. In the event any term or provision of this Amendment or the application thereof to any person or entity or circumstance, shall, for any reason or to any extent be invalid or unenforceable, the remaining terms and provisions of this Amendment, or the application of any such provision to persons, entities or circumstances other than those as to whom or which it has been determined to be invalid or unenforceable, shall not be affected thereby, and every provision of this Amendment shall be valid and enforceable to the fullest extent permitted by law.

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IN WITNESS WHEREOF, each of the parties hereto have caused this SECOND AMENDMENT OF TRANSACTION DOCUMENTS to be executed by its duly authorized signatories, as of the date first above written.

HORIZON CREDIT I LLC, as the Borrower
By: COMPASS HORIZON PARTNERS, LP, its Manager
By: Navco Management Ltd., its General Partner

By: _____
Name: Cora Lee Starzomski
Title: Director/Treasurer

Address: 76 Batterson Park Road
Farmington, CT 06032
Attention: Robert D. Pomeroy, Jr.
Fax: (860) 676-8655
Telephone: (860) 676-8656
Email: rob@horizontechfinance.com

WESTLB AG, NEW YORK BRANCH,
as Lender

By: _____
Name:
Title:

By: _____
Name:
Title:

Address:
1211 Avenue of the Americas
New York, New York 10036
Attn: Asset Securitization Group

Fax: 212-597-1423

WESTLB AG, NEW YORK BRANCH,
as Agent

By: _____
Name:
Title:

By: _____
Name:
Title:

Address:
1211 Avenue of the Americas
New York, New York 10036
Attn: Asset Securitization Group

Fax: 212-597-1423

U.S. BANK NATIONAL ASSOCIATION, as the
Custodian as the Paying Agent

By: _____
Name:
Title:

Address: 209 S. LaSalle Street, Ste. 300,
Chicago, Illinois, 60604
Attention: Structured Finance, Horizon Credit I LLC
Fax: (312) 325-8905
Telephone: (312) 325-8904

Exhibit (n)

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the use in this Pre-Effective Amendment No. 1 to Registration Statement (No. 333-165570) on Form N-2 of Horizon Technology Finance Corporation of our report dated March 19, 2010, relating to our audits of the consolidated financial statements of Compass Horizon Funding Company LLC, appearing in the Prospectus, which is part of this Registration Statement.

We also consent to the reference to our firm under the captions “Independent Registered Public Accounting Firm,” “Selected Financial and Other Data” and “Senior Securities” in such Prospectus.

/s/ McGladrey & Pullen, LLP

New Haven, Connecticut
June 4, 2010