Horizon Technology Finance Corp
Form 497
March 18, 2015

This preliminary prospectus supplement relates to an effective registration statement under the Securities Act of 1933, as amended, but the information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell and are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED MARCH 18, 2015

Filed pursuant to Rule 497
File No. 333-178516

PRELIMINARY PROSPECTUS SUPPLEMENT
(to Prospectus dated July 2, 2014)

2,380,000 Shares

Horizon Technology Finance Corporation

Common Stock

We are offering for sale 2,000,000 shares of our common stock and the selling stockholder, Compass Horizon Partners, LP, is offering 380,000 shares of our common stock. These shares are being offered at a discount from our most recently determined net asset value per share of $14.36 pursuant to the authority granted by our common stockholders at a special meeting of stockholders held on January 22, 2015.

We cannot issue shares of our common stock below net asset value unless our Board of Directors determines that it would be in our and our stockholders best interests to do so. Sales of common stock at prices below net asset value per share dilute the interests of existing stockholders, have the effect of reducing our net asset value per share and may reduce our market price per share. See Risk Factors and Sales of Common Stock Below Net Asset Value of this prospectus supplement.

We are a non-diversified, closed-end management investment company that has elected to be regulated as a business development company under the Investment Company Act of 1940, as amended. We are externally managed by Horizon Technology Finance Management LLC, a registered investment adviser under the Investment Advisers Act of 1940, as amended. Our investment objective is to maximize our investment portfolio s return by generating current income from the debt investments we make and capital appreciation from the warrants we receive when making such debt investments. We make secured debt investments to development-stage companies in the technology, life science, healthcare information and services and cleantech industries.

Our common stock is listed on the NASDAQ Global Select Market under the symbol HRZN . The last reported closing price for our common stock on March 17, 2015 was $14.29 per share. The net asset value per share of our common stock at December 31, 2014 (the last date prior to the date of this prospectus supplement on which we determined net asset value) was $14.36.

Shares of closed-end investment companies, including business development companies, frequently trade at a discount to their net asset value. This risk is separate and distinct from the risk that our net asset value per share may decline. We cannot predict whether our common stock will trade above, at or below net asset value. **Investing in our common stock involves a high degree of risk and should be considered highly speculative. See Risk Factors beginning on page S-12 of this prospectus supplement and page 19 of the accompanying prospectus to read about factors you should consider, including the risk of leverage and dilution, before investing in our common stock.**

This prospectus supplement and the accompanying prospectus contain important information you should know before investing in our common stock. Please read them before you invest and keep them for future reference. We file annual, quarterly and current reports, proxy statements and other information about us with the Securities and Exchange Commission, or the SEC. We maintain a website at *www.horizontechnologyfinancecorp.com* and 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. This information is also available free of charge by contacting us at 312 Farmington Avenue, Farmington, Connecticut 06032, Attention: Investor Relations, or by calling us collect at (860) 676-8654. The SEC also maintains a website at *http://www.sec.gov* that contains such information. Information contained on our website is not incorporated by reference into this prospectus supplement or the accompanying prospectus, and you should not consider information contained on our website to be part of this prospectus supplement or the accompanying prospectus.

	Per share	Total
Public offering price	$	$
Underwriting discounts and commissions	$	$
Proceeds, before expenses, to us[(1)]	$	$
Proceeds, before expenses, to the selling stockholder[(2)]	$	$

(1) Before deducting offering expenses payable by us related to this offering, which we estimate will be approximately $100,000.

(2) The selling stockholder will pay the underwriting discounts and commissions in connection with the shares being offered by the selling stockholder in this offering.

The underwriters have the option to purchase from us up to an additional 357,000 shares of common stock at the public offering price, less the underwriting discounts and commissions, within 30 days from the date of this prospectus supplement, to cover overallotments, if any. If the overallotment option is exercised in full, the total public offering price will be $, the total underwriting discounts and commissions will be $, and the total proceeds to us, before deducting estimated offering expenses payable by us of $100,000, will be $.

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

The underwriters expect to deliver the shares on or about March , 2015.

Book-Running Managers

Keefe, Bruyette & Woods
A Stifel Company

Oppenheimer & Co.

Co-Lead Managers

Sterne Agee *Wunderlich*

Prospectus supplement dated March , 2015

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ABOUT THIS PROSPECTUS SUPPLEMENT

You should rely only on the information contained in this prospectus supplement and the accompanying prospectus. We, the selling stockholder and the underwriters have not authorized any other person to provide you with different information from that contained in this prospectus supplement or the accompanying prospectus. If anyone provides you with different or inconsistent information, you should not rely on it. This prospectus supplement and the accompanying prospectus do not constitute an offer to sell, or a solicitation of an offer to buy, any shares of our common stock by any person in any jurisdiction where it is unlawful for that person to make such an offer or solicitation or to any person in any jurisdiction to whom it is unlawful to make such an offer or solicitation. The information contained in this prospectus supplement and the accompanying prospectus is complete and accurate only as of their respective dates, regardless of the time of their delivery or sale of our common stock. This prospectus supplement supersedes the accompanying prospectus to the extent it contains information different from or in addition to the information in that prospectus.

This document is in two parts. The first part is this prospectus supplement, which describes the terms of this offering of common stock and also adds to and updates information contained in the accompanying prospectus. The second part is the accompanying prospectus, which provides more information about the common stock we may offer from time to time. To the extent the information contained in this prospectus supplement differs from the information contained in the accompanying prospectus, the information in this prospectus supplement shall control. You should read this prospectus supplement and the accompanying prospectus together with the additional information described under the heading Available Information in this prospectus supplement before investing in our common stock.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

In addition to factors identified elsewhere in this prospectus supplement and the accompanying prospectus, including the Risk Factors sections of this prospectus supplement and the accompanying 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 debt investments 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 impact, extent and timing of technological changes and the adequacy of intellectual property protection;
our regulatory structure and tax status;
the adequacy of our cash resources and working capital;
the timing of cash flows, if any, from the operations of our portfolio companies;
the impact of interest rate volatility on our results, particularly if we use leverage as part of our investment strategy;
the ability of our portfolio companies to achieve their objective;
our ability to cause a subsidiary to become a licensed Small Business Investment Company;
the impact of legislative and regulatory actions and reforms and regulatory, supervisory or enforcement actions of government agencies relating to us or our Advisor;
our contractual arrangements and relationships with third parties;
our ability to access capital and any future financings by us;
the ability of our Advisor to attract and retain highly talented professionals; and
the impact of changes to tax legislation and, generally, our tax position.

This prospectus supplement, the accompanying 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, continue, remain, maintain, sustain, seek, achieve and similar expressions, or future or conditional verbs suc would, should, could, may and similar expressions.

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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 of 1933, as amended, or the Securities Act, or Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Actual results could differ materially from those anticipated in forward-looking statements and future results could differ materially from historical performance. You should understand that, under Sections 27A(b)(2)(B) of the Securities Act and Section 21E(b)(2)(B) of the Exchange Act, the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 do not apply to statements made in connection with any offering of securities pursuant to this prospectus supplement, the accompanying prospectus or in periodic reports we file under the Exchange Act.

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PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights some of the information in this prospectus supplement and the accompanying 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 this prospectus supplement and the accompanying prospectus carefully, including the information set forth under Risk Factors, Selected Consolidated Financial and Other Data, Management s Discussion and Analysis of Financial Condition and Results of Operations and the financial statements contained in this prospectus supplement and/or the accompanying prospectus.

Horizon Technology Finance Corporation, a Delaware corporation, was formed on March 16, 2010 for the purpose of acquiring, continuing and expanding the business of its wholly owned subsidiary, Compass Horizon Funding Company LLC, a Delaware limited liability company, which we refer to as Compass Horizon, raising capital in its initial public offering, or IPO, and operating as an externally managed business development company, or BDC, under the Investment Company Act of 1940, as amended, or the 1940 Act. Except where the context suggests otherwise, the terms we, us, our and Company refer to Horizon Technology Finance Corporation and its consolidated subsidiaries. In addition, we refer to Horizon Technology Finance Management LLC, a Delaware limited liability company, as HTFM, our Advisor or our Administrator.

Our Company

We are a specialty finance company that lends to and invests in development-stage companies in the technology, life science, healthcare information and services and cleantech industries, which we refer to collectively as our Target Industries. Our investment objective is to generate current income from the debt investments we make and capital appreciation from the warrants we receive when making such debt investments. We are focused on making secured debt investments, which we refer to as Venture Loans, to venture capital backed companies in our Target Industries, which we refer to as Venture Lending. We also selectively lend to publicly traded companies in our Target Industries. Venture Lending is typically characterized by (1) the making of a secured debt investments after a venture capital or equity investment in the portfolio company has been made, which investment provides a source of cash to fund the portfolio company s debt service obligations under the Venture Loan, (2) the senior priority of the Venture Loan which requires repayment of the Venture Loan prior to the equity investors realizing a return on their capital, (3) the relatively rapid amortization of the Venture Loan and (4) the lender s receipt of warrants or other success fees with the making of the Venture Loan.

We are an externally managed, closed-end, non-diversified management investment company that has elected to be regulated as a BDC, under the 1940 Act. In addition, for U.S. federal income tax purposes, we have elected to be treated as a regulated investment company, or RIC, under Subchapter M of the Internal Revenue Code of 1986, as amended, or the Code. As a BDC, we are required to comply with regulatory requirements, including limitations on our use of debt. We are permitted to, and expect to, finance our investments through borrowings. However, as a BDC, we are only generally allowed to borrow amounts such that our asset coverage, as defined in the 1940 Act, equals at least 200% after such borrowing. The amount of leverage that we employ depends on our assessment of market conditions and other factors at the time of any proposed borrowing. As a RIC, we generally do not have to pay corporate-level federal income taxes on our investment company taxable income and net capital gains that we distribute to our stockholders as long as we meet certain source-of-income, distribution, asset diversification and other requirements.

From our inception through December 31, 2014, we funded 120 portfolio companies and invested $656.7 million in debt investments (including 70 debt investments, in the amount of $303.4 million, that have been repaid). As of December 31, 2014, our total debt investment portfolio consisted of 50 debt investments with an aggregate fair value balance of $199.2 million. As of December 31, 2014, 43.6%, or $86.9 million, of the fair value balance of our total debt investment portfolio was held through our 2013-1 Securitization. As of December 31, 2014, our net assets were $138.2 million, and all of our existing debt investments were secured by all or a portion of the tangible and intangible assets of the applicable portfolio company. The debt investments in our portfolio are generally not rated by any rating agency. If the individual debt investments in

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our portfolio were rated, they would be rated below investment grade because they are subject to many risks, including volatility, intense competition, short product life cycles and periodic downturns.

For the year ended December 31, 2014, our debt investments had a dollar-weighted annualized yield of 15.3% (excluding any yield from warrants). The warrants we receive from time to time when making loans to portfolio companies are excluded from the calculation of our dollar-weighted annualized yield because such warrants do not generate any yield since we do not receive dividends or other payments in respect of our outstanding warrants. We calculate the yield on dollar-weighted average debt investments for any period measured as (1) total investment income during the period divided by (2) the average of the fair value of debt investments outstanding on (a) the last day of the calendar month immediately preceding the first day of the period and (b) the last day of each calendar month during the period. The dollar-weighted annualized yield represents the portfolio yield and will be higher than what investors will realize because it does not reflect our expenses or any sales load paid by investors. As of December 31, 2014, our debt investments had a dollar-weighted average term of 42 months from inception and a dollar-weighted average remaining term of 31 months. In addition, we held warrants to purchase either common stock or preferred stock in 75 portfolio companies. As of December 31, 2014, substantially all of our debt investments had an original committed principal amount of between $2 million and $15 million, repayment terms of between 28 and 48 months and bore current pay interest at annual interest rates of between 9% and 13%.

For the year ended December 31, 2014, our total return based on market value was 8.2%. Total return based on market value is calculated as the change in the ending market value over the beginning of period price per share plus distributions paid per share during the period, divided by the beginning price.

Our advisor

Our investment activities are managed by our Advisor 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 experience gained from the years that they have worked together both at our Advisor and prior to the formation by our Advisor, the members of our investment team have broad lending backgrounds, with substantial experience at a variety of commercial finance companies, technology banks 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. The other senior managers include Christopher M. Mathieu, our Senior Vice President and Chief Financial Officer, John C. Bombara, our Senior Vice President, General Counsel and Chief Compliance Officer, and Daniel S. Devorsetz, our Senior Vice President and Chief Credit Officer.

Our strategy

Our investment objective is to maximize our investment portfolio s total return by generating current income from the debt investments we make and capital appreciation from the warrants we receive when making such debt investments. To further implement our business strategy, we expect our Advisor to 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 loans. The secured 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 principal and have a senior position to equity in the borrower s capital structure in the case of insolvency, wind down or bankruptcy. Unlike venture capital and private equity investments, our investment returns and return of our capital do not require equity investment exits such as mergers and acquisitions or IPOs. Instead, we receive returns on our debt investments primarily through regularly scheduled payments of principal and interest and, if necessary, liquidation of the collateral supporting the debt investment upon a default. Only the potential gains from warrants depend upon equity investments exits.

Enterprise value lending. We and our Advisor take an enterprise value approach to the loan structuring and underwriting process. Enterprise value includes the implied valuation based upon recent equity capital invested as well as the intrinsic value of the applicable portfolio company s particular technology, service or customer base. We secure our senior or subordinated lien position against the enterprise value of a portfolio company.

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 Venture Loans. These funding needs include funds for additional development runways, funds to hire or retain sales staff or funds to invest in research and development in order to reach important technical milestones in advance of raising additional equity. Our loans include current-pay interest, commitment fees, end-of-term payments, or ETPs, pre-payment fees, success fees and non-utilization fees. We believe we have developed pricing tools, structuring techniques and valuation metrics that satisfy our portfolio companies financing requirements while mitigating risk and maximizing returns on our investments.

Opportunity for enhanced returns. To enhance our debt investment returns, in addition to interest and fees, we obtain warrants to purchase the equity of our portfolio companies as additional consideration for making debt investments. 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. These transactions are 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 manages 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. We use leverage to increase returns on equity through our credit facility provided by Key Equipment Finance, or the Key Facility, through our 7.375% senior notes due 2019, or the 2019 Notes, and our $189.3 million securitization of secured loans, or the 2013-1 Securitization. See Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources for additional information about the Key Facility, 2013-1 Securitization and 2019 Notes. In addition, we may issue additional debt securities or preferred stock in one or more series in the future, the specific terms of which will be described in the particular prospectus supplement relating to that series.

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Market opportunity

We focus our investments primarily in four key industries of the emerging technology market: technology, life science, healthcare information and services and cleantech. The technology sectors we focus on include communications, networking, wireless communications, data storage, software, cloud computing, semiconductor, internet and media and consumer-related technologies. The life science sectors we focus on include biotechnology, drug delivery, bioinformatics and medical devices. The healthcare information and services sectors we focus on include diagnostics, medical record services and software and other healthcare related services and technologies that improve efficiency and quality of administered healthcare. The cleantech sectors we focus on include alternative energy, water purification, energy efficiency, green building materials and waste recycling. We refer to all of these companies as technology-related companies and intend, under normal market conditions, to invest at least 80% of the value of our total assets in such businesses.

We believe that Venture Lending has the potential to achieve enhanced returns that are attractive notwithstanding the high degree 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 debt investment support provided by cash proceeds from equity capital invested by venture capital and private equity firms;
- relatively rapid amortization of principal;
- senior ranking to equity and collateralization of debt investments to minimize potential loss of capital; and
- potential equity appreciation through warrants.

We believe that Venture 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.

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 managing Venture Loans. Our Advisor and its predecessor have directly originated, underwritten and managed more than 185 Venture Loans with an aggregate original principal amount over $1.1 billion since operations commenced in 2004.

Robust direct origination capabilities. Our Advisor s managing directors each have significant experience originating Venture Loans in our Target Industries. This experience has given each managing director a deep knowledge of our Target Industries and an extensive base of transaction sources and references.

Highly experienced and cohesive management team. Our Advisor has had the same senior management team of experienced professionals since its inception. This consistency allows companies, their management teams and their investors to rely on consistent and predictable service, loan products and terms and underwriting standards.

Relationships with venture capital and private equity investors. Our Advisor has developed strong relationships with venture capital and private equity firms and their partners.

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Well-known brand name. Our Advisor has originated Venture Loans to more than 185 companies in our Target Industries under the Horizon Technology Finance brand.

Recent developments

On August 1, 2014, we entered into an amended and restated investment management agreement, or the Investment Management Agreement, with the Advisor, effective July 1, 2014. The amendments to Investment Management Agreement (i) removed cash and cash equivalents from gross assets when calculating the base management fee payable to the Advisor and (ii) placed a fee cap and deferral mechanism on the incentive fees based on income, if any, payable to the Advisor.

Stockholder Meeting

We held a special meeting of our stockholders on January 22, 2015. Our common stockholders voted to authorize us, with the approval of our Board of Directors, or our Board, to sell shares of our common stock at any time through January 21, 2016 at a price or prices below our then current net asset value per share in one or more offerings, subject to certain conditions, including limiting the number of shares issued in each offering to not more than 25% of our then outstanding common stock prior to each offering and limiting the sales price per share to not more than 15% below the then current net asset value per share.

Distributions

On March 6, 2015, our Board declared monthly distributions per share of our common stock, payable as set forth in the table below.

Record Dates	Payment Dates	Distributions Declared
March 20, 2015	April 15, 2015	$ 0.115
April 20, 2015	May 15, 2015	$ 0.115
May 20, 2015	June 15, 2015	$ 0.115

Participants in this offering will not receive the distribution to be paid on April 15, 2015.

Company Information

Our administrative and executive offices and those of our Advisor are located at 312 Farmington Avenue, Farmington, Connecticut 06032, and our telephone number is (860) 676-8654. Our corporate website is located at *www.horizontechnologyfinancecorp.com*. Information contained on our website is not incorporated by reference into this prospectus supplement or the accompanying prospectus, and you should not consider information contained on our website to be part of this prospectus supplement or the accompanying prospectus.

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THE OFFERING

Common stock offered by us	2,000,000 shares
Common stock offered by selling stockholder	380,000 shares
Common stock outstanding prior to this offering	9,630,617 shares
Common stock to be outstanding after this offering	11,630,617 shares (excluding 357,000 shares of common stock issuable pursuant to the overallotment option granted to the underwriters).
Overallotment Option	357,000 shares
Use of proceeds	We will not receive any proceeds from the sale of shares of common stock sold by the selling stockholder. The net proceeds from this offering (excluding the underwriters overallotment option and before deducting estimated expenses payable by us of approximately $100,000) will be approximately $27.7 million based on an assumed public offering price of $14.29 (which was the last reported closing price of our stock on March 17, 2015), which includes underwriting discounts and commissions. We intend to use the net proceeds from this offering to make investments in portfolio companies in accordance with our investment objective and strategies and for working capital and general corporate purposes. See Use of Proceeds in this prospectus supplement for more information.
Listing	Our common stock is traded on the NASDAQ Global Select Market under the symbol HRZN.
Dividend Reinvestment Plan	We have adopted a dividend reinvestment plan, or DRIP, for our stockholders. The dividend reinvestment plan is an opt out DRIP. As a result, distributions to our stockholders are automatically reinvested in additional shares of our common stock, unless a stockholder specifically opts out of the DRIP so as to receive cash distributions. Stockholders who receive distributions in the form of stock will be subject to the same federal, state and local tax consequences as stockholders who elect to receive their distributions in cash.
Distributions	We intend to continue making quarterly distributions to our stockholders. These distributions, if any, will be determined by our Board, from time to time.
Taxation	We have elected to be treated for federal income tax purposes as a RIC under Subchapter M of the Code. Accordingly, we generally will not pay corporate-level federal income taxes on any net ordinary income or capital gains that we distribute to our stockholders. To maintain our RIC tax treatment, we must meet specified source-of-income, distribution, asset diversification and other requirements.

Depending on the level of taxable income earned in a tax year, we may choose to carry forward taxable income in excess of current year distributions into the next tax year and pay a 4% excise tax on such income. Any such carryover taxable income must be distributed through a distribution declared prior to filing the final tax return related to the year which generated such taxable income. See Material U.S. Federal Income Tax Considerations in the accompanying prospectus.

Risk factors

See Risk Factors beginning on page S-12 of this prospectus supplement and beginning on page 19 of the accompanying prospectus for a discussion of risks you should carefully consider before deciding to invest in shares of our common stock.

Trading at a discount

Shares of closed-end investment companies, including BDCs, frequently trade at a discount to their net asset value. We are generally able to issue and sell our common stock at a price below our net asset value per share when we have stockholder approval. The risk 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. We cannot predict whether our shares will trade above, at or below net asset value. See Risk Factors in this prospectus supplement and the accompanying prospectus and see Sales of Common Stock Below Net Asset Value in this prospectus supplement.

Investment Management Agreement

Under the Investment Management Agreement, subject to the overall supervision of our Board, our Advisor 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% of (i) our gross assets, including any assets acquired with the proceeds of leverage less (ii) assets consisting of cash and cash equivalents. Our Advisor has agreed to waive the base management fee relating to the proceeds raised in this offering, including any exercise of the overallotment option (to the extent such fee is not otherwise waived and regardless of the application of the proceeds) until the earlier to occur of (i) March 31, 2016 and (ii) the last day of the second consecutive calendar quarter in which our net investment income exceeds distributions declared on shares of our common stock for the applicable quarter.

The Investment Management Agreement also provides that our Advisor 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, subject to a Fee Cap and Deferral Mechanism , we will pay our Advisor quarterly in arrears 20% of the amount by which our accrued net income after operating expenses and excluding the effect of any realized capital gains and losses and any unrealized appreciation and depreciation or Pre-Incentive Fee Net Investment Income, for the quarter exceeds 1.75% (7% annualized) of our net assets at the end of the immediately preceding calendar quarter, subject to a catch-up feature.

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The incentive fee on Pre-Incentive Fee Net Investment Income is subject to a fee cap and deferral mechanism which is determined based upon a look-back period of up to three years and will be expensed when incurred. For this purpose, the look-back period for the incentive fee based on Pre-Incentive Fee Net Investment Income, or the Incentive Fee Look-back Period, commenced on July 1, 2014 and will increase by one quarter in length at the end of each of the 12 succeeding calendar quarters, after which time, the Incentive Fee Look-back period will include the relevant calendar quarter and the 11 preceding full calendar quarters. Each quarterly incentive fee payable on Pre-Incentive Fee Net Investment Income is subject to a cap, or the Incentive Fee Cap, and a deferral mechanism through which the Advisor may recoup a portion of such deferred incentive fees, or collectively, the Incentive Fee Cap and Deferral Mechanism. The Incentive Fee Cap is equal to (a) 20.0% of Cumulative Pre-Incentive Fee Net Return (as defined below) during the Incentive Fee Look-back Period less (b) cumulative incentive fees of any kind paid to the Advisor during the Incentive Fee Look-back Period. To the extent the Incentive Fee Cap is zero or a negative value in any calendar quarter, the Company will not pay an incentive fee on Pre-Incentive Fee Net Investment Income to the Advisor in that quarter. To the extent that the payment of incentive fees on Pre-Incentive Fee Net Investment Income is limited by the Incentive Fee Cap, the payment of such fees will be deferred and paid in subsequent calendar quarters up to three years after their date of deferment, subject to certain limitations, which are set forth in the Investment Management Agreement. We only pay incentive fees on Pre-Incentive Fee Net Investment Income to the extent allowed by the Incentive Fee Cap and Deferral Mechanism. Cumulative Pre-Incentive Fee Net Return during any Incentive Fee Look-back Period means the sum of (a) Pre-Incentive Fee Net Investment Income and the base management fee for each calendar quarter during the Incentive Fee Look-back Period and (b) the sum of cumulative realized capital gains and losses, cumulative unrealized capital appreciation and cumulative unrealized capital depreciation during the applicable Incentive Fee Look-back Period.

Under the second part of the incentive fee, we will pay our Advisor at the end of each calendar year 20% of our realized capital gains from October 28, 2010 through the end of that year, computed net of all realized capital losses and all unrealized depreciation on a cumulative basis through the end of such year, 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 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 in the accompanying prospectus.

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FEES AND EXPENSES

The following table is intended to assist you in understanding the costs and expenses that an investor 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 supplement and the accompanying prospectus contain a reference to fees or expenses paid by you or us or that we wil 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)	3.00	%(1)
Offering Expenses (as a percentage of offering price)	0.35	%(2)
Dividend Reinvestment Plan Fees		(3)
Total Stockholder Transaction Expenses (as a percentage of offering price)	3.35	%
Annual Expenses (as a Percentage of Net Assets Attributable to Common Stock)(4)		
Base Management Fee	2.95	%(5)
Incentive Fee Payable Under the Investment Management Agreement	1.81	%(6)
Interest Payments on Borrowed Funds	2.89	%(7)
Other Expenses (estimated for the current fiscal year)	2.17	%(8)
Acquired Fund Fees and Expenses	0.00	%(9)
Total Annual Expenses (estimated)	9.82	%(5)(10)

(1) Represents the underwriting discounts and commissions with respect to the shares sold by us in this offering.

(2) The offering expenses of this offering borne by us are estimated to be approximately $100,000. Offering expenses as a percentage of offering price is based on an assumed public offering price of $14.29 (which was the last reported closing price of our shares on March 17, 2015). No incremental offering expenses are expected to be incurred by us as a result of the shares offered by the selling shareholder in this offering. If the underwriters exercise their overallotment option in full, the offering expenses borne by us (as a percentage of the offering price) will be approximately 0.30%.

(3) The DRIP expenses are included in Other Expenses in the table. See Dividend Reinvestment Plan in the accompanying prospectus.

(4) Net Assets Attributable to Common Stock equals estimated average net assets for the current fiscal year and is based on our net assets at December 31, 2014 and includes the net proceeds of the offering estimated to be received by the Company.

(5) Our base management fee under the Investment Management Agreement is based on our gross assets, less cash and cash equivalents, which includes assets acquired using leverage, including any leverage disclosed in the accompanying prospectus, and is payable monthly in arrears. The management fee referenced in the table above is based on our gross assets, less cash and cash equivalents, of $214 million as of December 31, 2014 and includes net proceeds of the offering, after the net proceeds have been invested in portfolio companies, and $25 million of assets estimated to be acquired in the current fiscal year using leverage. See Investment Management and Administration Agreements Investment Management Agreement in the accompanying prospectus. In addition, our Advisor has agreed to waive its base management fee relating to the proceeds raised in this offering, including any exercise of the overallotment option (to the extent such fee is not otherwise waived and regardless of the application of the proceeds raised) until the earlier to occur of (i) March 31, 2016 and (ii) the last day of the second consecutive calendar quarter in which our net investment income exceeds distributions declared on shares of our common stock for the applicable quarter.

(6) Our incentive fee payable under the Investment Management Agreement consists of two parts: The first part, which is payable quarterly in arrears, subject to a Fee Cap and Deferral Mechanism, equals 20% of the excess, if any, of our Pre-Incentive Fee Net Investment Income over a 1.75% quarterly (7% 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

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our net investment income equals the hurdle rate of 1.75% but then receives, as a catch-up, 100% 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% of our Pre-Incentive Fee Net Investment Income as if a hurdle rate did not apply. The first part of the incentive fee is 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 equals 20% of our Incentive Fee Capital Gains, if any. Incentive Fee Capital Gains are 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 is payable, in arrears, at the end of each calendar year (or upon termination of the Investment Management Agreement, as of the termination date). For a more detailed discussion of the calculation of this fee, see Investment Management and Administration Agreements Investment Management Agreement in the accompanying prospectus.

The incentive payable to our Advisor represents our estimated annual expense incurred under the first part of the incentive fee payable under the Investment Management Agreement over the next twelve months. As of December 31, 2014, our cumulative realized capital gains and unrealized capital appreciation did not exceed our cumulative realized capital losses and unrealized capital depreciation. Given our strategy of investing primarily in Venture Loans, which are fixed-income assets, we believe it is unlikely that our cumulative realized capital gains and unrealized capital appreciation will exceed our cumulative realized capital losses and unrealized capital depreciation in the next twelve months. Consequently, we do not expect to incur any Incentive Fee Capital Gains during the next twelve months. As we cannot predict the occurrence of any capital gains from the portfolio, we have assumed no Incentive Fee Capital Gains.

(7) Interest payments on borrowed funds represent our estimated annual interest payments on borrowed funds based on current debt levels as adjusted for projected increases in debt levels over the next twelve months.

(8) Includes our overhead expenses, including payments under the Administration Agreement, based on our allocable portion of overhead and other expenses incurred by the Administrator in performing its obligations under the Administration Agreement. See Investment Management and Administration Agreements Administration Agreement in the accompanying prospectus. Other Expenses are based on estimated amounts to be incurred on an annual basis.

(9) Amount reflects our estimated expenses of the temporary investment of offering proceeds in money market funds pending our investment of such proceeds in portfolio companies in accordance with the investment objective and strategies described in this prospectus supplement and the accompanying prospectus.

(10) 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.

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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. This example and the expenses in the table above should not be considered a representation of our future expenses, and actual expenses (including the cost of debt, if any, and other expenses) may be greater or less than those shown. 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	$ 95.83	$ 273.87	$ 435.15	$ 775.06

The example and the expenses in the tables above should not be considered a representation of our future expenses, and actual expenses may be greater or lesser than those shown.

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 the Investment Management Agreement is unlikely to be significant assuming a 5% annual return and is not included in the example. This illustration assumes that we will not realize any capital gains (computed net of all realized capital losses and unrealized capital depreciation) in any of the indicated time periods. 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. If the 5% annual return were derived entirely from capital gains, you would pay expenses on a $1,000 investment of $88.39, $254.64, $407.80 and $739.97 over periods of one year, three years, five years and ten years, respectively. See Investment Management and Administration Agreements Investment Management Agreement Examples of Incentive Fee Calculation in the accompanying prospectus 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 DRIP 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 in the accompanying prospectus for additional information regarding our DRIP.

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RISK FACTORS

Investing in our common stock involves a number of significant risks. Before you invest in our common stock, you should be aware of various risks, including those described below and those set forth in the accompanying prospectus. You should carefully consider these risk factors, together with all of the other information included in this prospectus supplement and the accompanying prospectus, before you decide whether to make an investment in our common stock. The risks set out below are not the only risks we face. Additional risks and uncertainties not presently known to us or not presently deemed material by us may also impair our operations and performance. If any of the following events occur, our business, financial condition, results of operations and cash flows could be materially and adversely affected. In such case, you may lose all or part of your investment. The risk factors described below, together with those set forth in the accompanying prospectus, are the principal risk factors associated with an investment in our common stock as well as those factors generally associated with an investment company with investment objectives, investment policies, capital structure or trading markets similar to ours.

Stockholders may incur dilution if we sell shares of our common stock in one or more offerings at prices below the then current net asset value per share of our common stock or securities to subscribe for or convertible into shares of our common stock.

At a special meeting of stockholders, our stockholders approved a proposal designed to allow us to access the capital markets in a way that we would otherwise be unable to as a result of restrictions that, absent stockholder approval, apply to BDCs under the 1940 Act. Specifically, our stockholders have authorized us to sell shares of our common stock at any time through January 21, 2016 at a price below the then current net asset value per share in one or more offerings, subject to certain conditions, including limiting the number of shares available for issuance to no more than 25% of our then outstanding common stock and limiting the sales price per share to no more than 15% below the then current net asset value per share. Any decision to sell shares of our common stock below its then current net asset value per share is subject to the determination by our Board that such issuance is in our and our stockholders' best interests.

The issuance or sale by us of shares of our common stock at a discount to net asset value poses a risk of dilution to our stockholders. In particular, stockholders who do not purchase additional shares at or below the discounted price in proportion to their current ownership will experience an immediate decrease in net asset value per share (as well as in the aggregate net asset value of their shares if they do not participate at all). These stockholders will also experience a disproportionately greater decrease in their participation in our earnings and assets and their voting power than the increase we experience in our assets, potential earning power and voting interests from such issuance or sale. In addition, such sales may adversely affect the price at which our common stock trades.

Further, if our current stockholders do not purchase any shares to maintain their percentage interest, regardless of whether such offering is at, above or below the then current net asset value per share, their voting power will be diluted. For additional information and hypothetical examples of these risks, see Sales of Common Stock Below Net Asset Value in this prospectus supplement.

Pending legislation may allow us to incur additional leverage.

As a BDC, under the 1940 Act we generally are not permitted to incur indebtedness unless immediately after such borrowing we have an asset coverage for total borrowings of at least 200% (i.e., the amount of debt may not exceed 50% of the value of our assets). Recent legislation introduced in the U.S. House of Representatives, if eventually passed, would modify this section of the 1940 Act and increases the amount of debt that BDCs may incur by modifying the asset coverage requirement from 200% to 150%. As a result, we may be able to incur additional indebtedness in the future and therefore your risk of an investment in us may increase.

We are highly dependent on information systems and systems failures could significantly disrupt our business, which may, in turn, negatively affect the market price of our common stock and our ability to pay distributions.

Our business is highly dependent on the Advisor and its affiliates communications and information systems. Any failure or interruption of those systems, including as a result of the termination of an agreement with any third-party service providers, could cause delays or other problems in our activities. Our financial, accounting, data processing, backup or other operating systems and facilities may fail to operate properly or become disabled or damaged as a result of a number of factors including events that are wholly or partially beyond our control and adversely affect our business. There could be:

- sudden electrical or telecommunications outages;
- natural disasters such as earthquakes, tornadoes and hurricanes;
- disease pandemics;
- events arising from local or larger scale political or social matters, including terrorist acts; and
- cyber-attacks.

These events, in turn, could have a material adverse effect on our operating results and negatively affect the market price of our common stock and our ability to pay distributions to our stockholders.

There is a risk that investors in our equity securities may not receive distributions or that our distributions may not grow over time and, a portion of distributions paid to you may be a return of capital.

We intend to make distributions on a monthly basis to our stockholders out of assets legally available for distribution. We cannot assure you that we will achieve investment results that will allow us to make a specified level of cash distributions or year-to-year increases in cash distributions. Our ability to pay distributions might be adversely affected by the impact of one or more risk factors described in this report. In addition, due to the asset coverage test applicable to us as a BDC, we may be limited in our ability to make distributions. All distributions will be paid at the discretion of our Board and will depend on our earnings, our financial condition, maintenance of our RIC status, compliance with BDC regulation and such other factors as our Board may deem relevant from time to time. We cannot assure you that we will pay distributions to our stockholders in the future. Further, if we invest a greater amount of assets in equity securities that do not pay current dividends, the amount available for distribution could be reduced.

On an annual basis, we must determine the extent to which any distributions we made were paid out of current or accumulated earnings, recognized capital gains or capital. Distributions that represent a return of capital (which is the return of your original investment in us, after subtracting sales load, fees and expenses directly or indirectly paid by you) rather than a distribution from earnings or profits, reduce your basis in our stock for U.S. federal income tax purposes, which may result in higher tax liability when the shares are sold, even if they have not increased in value or have lost value.

If we make loans to borrowers or acquire loans that contain deferred payment features, such as loans providing for the payment of portions of principal and/or interest at maturity, this could increase the risk of default by our borrowers.

Our investments with deferred payment features, such as debt investments providing for ETPs, may represent a higher credit risk than debt investments requiring payments of all principal and accrued interest at regular intervals over the life of the debt investments. For example, even if the accounting conditions for income accrual were met during the period when the obligation was outstanding, the borrower could still default when our actual collection is scheduled to occur upon maturity of the obligation. The amount of ETPs due under our investments having such a feature currently represents a small portion of the applicable borrowers total repayment obligations under such investments. However, deferred payment arrangements increase the incremental risk that we will not receive a portion of the amount due at maturity. Additionally, because investments with a deferred payment feature may have the effect of deferring a portion of the borrower s payment obligation until maturity of the debt investment, it may be difficult for us to identify and

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address developing problems with borrowers in terms of their ability to repay us. Any such developments may increase the risk of default on our debt investments by borrowers.

In addition, debt investments providing for ETPs are subject to the risks associated with debt investments having original issue discount (such as debt instruments with payment-in-kind interest or, in certain cases, increasing interest rates or issued with warrants). See We may have difficulty paying our required distributions if we recognize taxable income before or without receiving cash in the accompanying prospectus.

Sales in the public market of substantial amounts of our common stock by the selling stockholder may have an adverse effect on the market price of our common stock, and the registration of a substantial amount of insider shares, whether or not actually sold, may have a negative impact on the market price of our common stock.

Sales of substantial amounts of our common stock, or the availability of such common stock for sale, whether or not actually sold, could adversely affect the prevailing market price of our common stock. If this occurs and continues, it could impair our ability to raise additional capital through the sale of equity securities should we desire to do so.

Comments from current and future SEC staff review of our SEC filings could lead to changes in our disclosures compared to the disclosures in this prospectus supplement and the accompanying prospectus.

We have recently received correspondence from the staff of the SEC relating to one of our filings. We have not yet engaged in communications and correspondence with the SEC staff in relation to their comments, and as a consequence as of the date of this prospectus supplement, we still have outstanding comments from the SEC staff. While we have tried to be responsive to the SEC comments received which we believe are applicable to this prospectus supplement and the accompanying prospectus and while we also believe that none of the SEC comments will materially impact our disclosures in the prospectus supplement and accompanying prospectus, we may receive additional comments from the SEC staff which may relate to information contained in this prospectus supplement and the accompanying prospectus. Such comments may require that we amend or supplement our disclosures in a way which is not reflected in this prospectus supplement and the accompanying prospectus.

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USE OF PROCEEDS

We estimate that the net proceeds from the sale of 2,000,000 shares of common stock offered by us pursuant to this prospectus supplement will be $27.6 million (or $32.6 million if the underwriters fully exercise their overallotment option), based on an assumed public offering price of $14.29 (which was the last reported closing price of our common stock on March 17, 2015) after deducting the underwriting discounts and commissions and estimated offering expenses of $100,000 (none of which are attributable to shares offered by the selling stockholder) payable by us. We will not receive any proceeds from the sale of shares of our common stock offered by the selling stockholder pursuant to this prospectus supplement.

We intend to use the net proceeds from this offering to make investments in portfolio companies in accordance with our investment objective and strategies and for working capital and general corporate purposes. We estimate that it will take up to six months for us to substantially invest the net proceeds of any offering made pursuant to this prospectus supplement, depending on the availability of attractive opportunities and market conditions. However, we can offer no assurances that we will be able to achieve this goal. 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 in the accompanying prospectus for additional information about temporary investments we may make while waiting to make longer-term investments in pursuit of our investment objective.

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CAPITALIZATION

The following table sets forth:

- our actual capitalization as of December 31, 2014; and
- our capitalization on an as-adjusted basis giving effect to the sale of 2,000,000 shares of our common stock by us in this offering (assuming no exercise of the underwriters overallotment option) based on a public offering price of $14.29 per share, which was the last reported closing price of our common stock on March 17, 2015, less estimated underwriting discounts and commissions of $857,400 and estimated offering expenses payable by us of $100,000.

This table should be read in conjunction with Use of Proceeds, Management s Discussion and Analysis of Financial Condition and Results of Operations and our financial statements and notes thereto included in this prospectus supplement and the accompanying prospectus.

	As of December 31, 2014	
	Actual	As-Adjusted for this Offering
	(In thousands)	
Cash and investment and restricted investments in money market funds	$ 11,350	$ 38,973
Key Facility	10,000	10,000
2013-1 Securitization	38,753	38,753
2019 Notes	33,000	33,000
Total borrowings	$ 81,753	$ 81,753
Net assets:		
Preferred stock, par value $0.001 per share; 1,000,000 shares authorized, no shares issued and outstanding		
Common stock, par value $0.001 per share; 100,000,000 shares authorized, 9,628,124 shares issued and outstanding, actual and 11,628,124 shares issued and outstanding, as adjusted	10	12
Paid-in capital in excess of par	155,240	182,861
Accumulated distributions in excess of net investment income	(1,102)	(1,102)
Net unrealized depreciation on investments	(4,737)	(4,737)
Net realized loss on investments	(11,163)	(11,163)
Total net assets	$ 138,248	$ 165,871

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SALES OF COMMON STOCK BELOW NET ASSET VALUE

At a January 22, 2015 special meeting of stockholders, our stockholders approved our ability, with the approval of our Board, to sell shares of our common stock at any time through January 21, 2016 at a price or prices below the then current net asset value per share in one or more offerings, subject to certain conditions, including limiting the number of shares issued in each offering to not more than 25% of our then outstanding common stock prior to each offering and limiting the sales price per share to not more than 15% below the then current net asset value, which we refer to as the Stockholder Approval. In order to sell shares of common stock pursuant to the Stockholder Approval, a majority of our directors who have no financial interest in the sale and a majority of our independent directors must:

- find that the sale is in our best interests and in the best interests of our stockholders; and
- in consultation with any underwriter or underwriters of the offering, make a good faith determination as of a time either immediately prior to the first solicitation by us or on our behalf of firm commitments to purchase such shares of common stock, or immediately prior to the issuance of such common stock, that the price at which such shares of common stock are to be sold is not less than a price which closely approximates the market value of those shares of common stock, less any distributing commission or discount.

The offering of common stock being made pursuant to this prospectus supplement is at a price below our most recently reported net asset value per share of $14.36 as of December 31, 2014.

In making a determination that this offering of common stock below its net asset value per share is in our and our stockholders best interests, our Board considered a variety of factors, including:

- the effect that the offering below net asset value per share would have on our existing stockholders, including the potential dilution they would experience as a result of the offering;
- the amount per share by which the offering price per share and the net proceeds per share are less than our most recently determined net asset value per share;
- the relationship of recent market prices of par common stock to net asset value per share and the potential impact of the offering on the market price per share of our common stock;
- whether the estimated offering price closely approximates the market value of shares of our common stock;
- the potential market impact of being able to raise capital during the current financial market difficulties;
- the nature of any new investors anticipated to acquire shares of our common stock in the offering;
- the anticipated rate of return on and quality, type and availability of investments that we would be able to make as a result of this offering; and
- the leverage available to us, both before and after the offering, and the terms thereof.

Sales by us of our common stock at a discount from net asset value per share pose potential risks for our existing stockholders whether or not they participate in the offering, as well as for new investors who participate in the offering. Any sale of common stock at a price below net asset value per share will result in an immediate dilution to many of our existing common stockholders even if they participate in such sale. See Risk Factors Stockholders may incur dilution if we sell shares of our common stock in one or more offerings at prices below the then current net asset value per share of our common stock or securities to subscribe for or convertible into shares of our common stock in this prospectus supplement and Risk Factors Risks Relating to Our Offering Under This Prospectus in the accompanying prospectus.

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The following three headings and accompanying tables explain and provide hypothetical examples on the impact of an offering of our common stock at a price less than net asset value per share on three different types of investors:

- existing stockholders who do not purchase any shares in this offering;
- existing stockholders who purchase a relatively small amount of shares in this offering or a relatively large amount of shares in this offering; and
- new investors who become stockholders by purchasing shares in this offering.

Net asset value per share used in the tables below is based on our most recently determined net asset value per share as of December 31, 2014. The net asset value per share used for purposes of providing information in the table below is thus an estimate and does not necessarily reflect actual net asset value per share at the time sales are made. Actual net asset value per share may change based on potential changes in valuations of our portfolio securities, accruals of income, expenses and distributions declared and thus may be different than at the assumed sales prices shown below. See Recent Developments in this prospectus supplement.

The tables below provide hypothetical examples that illustrate the impact that an offering at a price less than net asset value per share may have on the net asset value per share of stockholders and investors who do and do not participate in such an offering. However, the tables below do not show and are not intended to show any potential changes in market price that may occur from an offering at a price less than net asset value per share and it is not possible to predict any potential market price change that may occur from such an offering.

Impact On Existing Stockholders Who Do Not Participate in this Offering

Our existing stockholders who do not participate in this offering below net asset value per share or who do not buy additional shares in the secondary market at the same or lower price we obtain in this offering (after expenses and commissions) face the greatest potential risks. These stockholders will experience an immediate dilution in the net asset value of the shares of common stock they hold and their net asset value per share. These stockholders will also experience a disproportionately greater decrease in their participation in our earnings and assets and their voting power than the increase we will experience in our assets, potential earning power and voting interests due to such offering. These stockholders may also experience a decline in the market price of their shares, which often reflects to some degree announced, or potential increases and decreases in net asset value per share. This decrease could be more pronounced as the size of the offering and level of discounts increases. Further, if existing stockholders do not purchase any shares to maintain their percentage interest, their voting power will be diluted.

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The following chart illustrates the level of net asset value dilution that would be experienced by an existing 0.10% stockholder who does not participate in this offering at an assumed public offering price of $14.29 per share, which was the last reported closing price of our common stock on March 17, 2015, with a 3.00% underwriting discount and $100,000 of expenses ($13.81 per share net). It is not possible to predict the level of market price decline that may occur following this offering.

	Prior to Sale Below NAV	Following Sale	% Change
Offering Price			
Price per Share to Public		$14.29	
Net Proceeds per Share to Issuer		$13.81	
Decrease to Net Asset Value			
Total Shares Outstanding	9,628,124(1)	11,628,124(2)	20.77 %
Net Asset Value per Share	$14.36	$14.26	(0.70)%
Dilution to Nonparticipating Stockholder			
Shares Held by Stockholder A	9,630	9,630	
Percentage Held by Stockholder A	0.10 %	0.08 %	(20.00)%
Total Net Asset Value Held by Stockholder A	$138,287	$137,324	(0.70)%
Total Investment by Stockholder A (Assumed to Be Net Asset Value per Share)		$138,287	
Total Dilution to Stockholder A (Total Net Asset Value Less Total Investment)		$(963)	
Investment per Share Held by Stockholder A (Assumed to be Net Asset Value per Share on Shares Held Prior to Sale)	$14.36	$14.36	
Net Asset Value per Share Held by Stockholder A		$14.26	
Dilution per Share Held by Stockholder A (Net Asset Value per Share Less Investment per Share)		$(0.10)	
Percentage Dilution to Stockholder A (Dilution per Share Divided by Investment per Share)			(0.70)%

(1) Reflects actual shares outstanding at December 31, 2014.

(2) Excludes underwriters overallotment option to purchase 357,000 shares.

Impact On Existing Stockholders Who Do Participate in this Offering

Our existing stockholders who participate in this offering or who buy additional shares in the secondary market at the same or lower price as we obtain in this offering (after expenses and commissions) will experience the same types of net asset value dilution as the nonparticipating stockholders, although at a lower level, to the extent they purchase less than the same percentage of the discounted offering as their interest in our shares of our common stock immediately prior to the offering. The level of net asset value dilution will decrease as the number of shares such stockholders purchase increases. Existing stockholders who buy more than such percentage will experience net asset value dilution but will, in contrast to existing stockholders who purchase less than their proportionate share of the offering, experience accretion in net asset value per share over their investment per share and will also experience a disproportionately greater increase in their participation in our earnings and assets and their voting power than our increase in assets, potential earning power and voting interests due to such offering. The level of accretion will increase as the excess number of shares such stockholder purchases increases. Even a stockholder who over participates will, however, be subject to the risk that we may make additional discounted offerings in which such stockholder does not participate, in which case such a stockholder will experience net asset value dilution as described above in such subsequent offerings. These stockholders may also experience a decline in the market price of their

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shares, which often reflects to some degree announced or potential increases and decreases in net asset value per share. This decrease could be more pronounced as the size of the offering and the level of discounts increase.

The following chart illustrates the level of dilution and accretion in this offering for a current 0.10% stockholder that acquires shares equal to (1) 50% of its proportionate share of the offering (i.e., 1,000 shares, which is 0.05% of an offering of 2,000,000 shares) rather than its 0.10% proportionate share and (2) 150% of such percentage (i.e., 3,000 shares, which is 0.15% of an offering of 2,000,000 shares rather than its 0.10% proportionate share) at an assumed public offering price of $14.29 per share, which was the last reported closing price of our common stock on March 17, 2015, with a 3.00% underwriting discount and $100,000 of expenses ($13.81 per share net). It is not possible to predict the level of market price decline that may occur following this offering.

		50% Participation		150% Participation	
	Prior to Sale Below NAV	Following Sale	% Change	Following Sale	% Change
Offering Price					
Price per Share to Public		$14.29		$14.29	
Net Proceeds per Share to Issuer		$13.81		$13.81	
Decrease/Increase to Net Asset Value					
Total Shares Outstanding	9,628,124[(1)]	11,628,124[(2)]	20.77 %	11,628,124[(2)]	20.77%
Net Asset Value per Share	$14.36	$14.26	(0.70)%	14.26	(0.70)%
Dilution/Accretion to Participating Stockholder					
Shares Held by Stockholder A	9,630	10,630	10.38 %	12,630	31.15%
Percentage Held by Stockholder A	0.10 %	0.09 %	(10.00)%	0.11 %	10.00%
Total Net Asset Value Held by Stockholder A	138,287	151,584	9.62 %	180,104	30.24%
Total Investment by Stockholder A (Assumed to be Net Asset Value per Share on Shares Held Prior to Sale)		$152,577		$181,157	
Total Dilution to Stockholder A (Total Net Asset Value Less Total Investment)		$(993)		$(1,053)	
Investment per Share Held by Stockholder A (assumed to Be Net Asset Value per Share on Shares Held Prior to Sale)	$14.36	$14.35		$14.34	
Net Asset Value per Share Held by Stockholder A		14.26		14.26	
Dilution per Share Held by Stockholder A (Net Asset Value per Share Less Investment per Share)		$(0.09)		$(0.08)	
Percentage Dilution to Stockholder A (Dilution per Share Divided by Investment per Share)			(0.63)%		(0.56)%

(1) Reflects actual shares outstanding at December 31, 2014.
(2) Excludes underwriters overallotment option to purchase 357,000 shares.

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Impact On New Investors

Investors who are not currently stockholders and who participate in this offering and whose investment per share is greater than the resulting net asset value per share due to selling compensation and expenses paid by us will experience an immediate decrease, although small, in the net asset value of their shares and their net asset value per share compared to the price they pay for their shares. Investors who are not currently stockholders and who participate in this offering and whose investment per share is also less than the resulting net asset value per share will experience an immediate increase in the net asset value of their shares and their net asset value per share compared to the price they pay for their shares. These latter investors will experience a disproportionately greater participation in our earnings and assets and their voting power than our increase in assets, potential earning power and voting interests due to such offering. These investors will, however, be subject to the risk that we may make additional discounted offerings in which such new stockholder does not participate, in which case such new stockholder will experience dilution as described above in such subsequent offerings. These investors may also experience a decline in the market price of their shares, which often reflects to some degree announced or potential decreases in net asset value per share. This decrease could be more pronounced as the size of the offering and level of discounts increases.

The following chart illustrates the level of dilution for new investors that will be experienced by a new investor who purchases the same percentage (0.10%) of the shares in the offering as the stockholder in the prior examples at an assumed public offering price of $14.29 per share, which was the last reported closing price of our common stock on March 17, 2015, with a 3.00% underwriting discount and $100,000 of expenses ($13.81 per share net).

	Prior to Sale Below NAV	Following Sale	% Change
Offering Price			
Price per Share to Public		$14.29	
Net Proceeds per Share to Issuer		$13.81	
Decrease to Net Asset Value			
Total Shares Outstanding	9,628,124(1)	11,628,124(2)	20.77 %
Net Asset Value per Share	$14.36	$14.26	(0.70)%
Dilution to New Investor			
Shares Held by Stockholder A		2,000	
Percentage Held by Stockholder A	0.00 %	0.02 %	
Total Net Asset Value Held by Stockholder A		$28,520	
Total Investment by Stockholder A (At Price to Public)		$28,580	
Total Dilution to Stockholder A (Total Net Asset Value Less Total Investment)		$(60)	
Investment per Share Held by Stockholder A		$14.29	
Net Asset Value per Share Held by Stockholder A		$14.26	
Dilution per Share Held by Stockholder A (Net Asset Value per Share Less Investment per Share)		$(0.03)	
Percentage Dilution to Stockholder A (Dilution per Share Divided by Investment per Share)			(0.21)%

(1) Reflects actual shares outstanding at December 31, 2014.

(2) Excludes underwriters overallotment option to purchase 357,000 shares.

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PRICE RANGE OF COMMON STOCK

Our common stock is traded on the NASDAQ Global Select Market, under the symbol HRZN. The following table sets forth, for each fiscal quarter since January 1, 2013, the range of high and low closing sales price of our common stock, the closing sales price as a percentage of our NAV and the distributions declared per share by us for each quarter.

Period	NAV[1]	Closing Sales Price High	Closing Sales Price Low	Premium/ Discount of High Sales Price to NAV[2]	Premium/ Discount of Low Sales Price to NAV[2]	Distributions Declared Per Share[3]
Year ended December 31, 2015						
First Quarter[4]	$ *	$ 14.39	$ 13.61	*%	*%	$ 0.345 [5]
Year ended December 31, 2014						
Fourth Quarter	$ 14.36	$ 14.27	$ 13.45	(1)%	(6)%	$ 0.345
Third Quarter	$ 14.38	$ 14.72	$ 12.90	2 %	(10)%	$ 0.345
Second Quarter	$ 14.23	$ 14.89	$ 12.59	5 %	(12)%	$ 0.345
First Quarter	$ 14.32	$ 14.61	$ 12.43	2 %	(13)%	$ 0.345
Year ended December 31, 2013						
Fourth Quarter	$ 14.14	$ 14.34	$ 12.95	1 %	(8)%	$ 0.345
Third Quarter	$ 14.95	$ 14.47	$ 13.26	(3)%	(11)%	$ 0.345
Second Quarter	$ 14.89	$ 14.69	$ 12.93	(1)%	(13)%	$ 0.345
First Quarter	$ 15.12	$ 15.93	$ 14.38	5 %	(5)%	$ 0.345

(1) The NAV per share presented in the table is determined as of the last day in the relevant quarter and therefore may not reflect the NAV per share on the date of the high and low sales prices. The NAVs per share shown are based on outstanding shares at the end of such period.

(2) Calculated as of the respective high or low closing sales price divided by the quarter end NAV.

(3) We have adopted an opt out DRIP, for our common stockholders. As a result, if we declare a distribution, then stockholders cash distributions are automatically reinvested in additional shares of our common stock, unless they specifically opt out of the DRIP so as to receive cash distributions. See Dividend Reinvestment Plan in the accompanying prospectus.

(4) From January 1, 2015 through March 17, 2015.

(5) $0.115 of which is payable on each of April 15, 2015, May 15, 2015 and June 15, 2015. Participants in this offering will not receive the distribution to be paid on April 15, 2015.

* Not yet determined at the time of filing.

The last reported price for our common stock on March 17, 2015 was $14.29 per share. Our NAV per share on December 31, 2014 (the last date prior to the date of this prospectus supplement on which we determined NAV) was $14.36. The closing sales price for our shares on the NASDAQ Global Select Market on that date was $13.99, which represented a 3% discount to NAV per share. As of March 17, 2015 we had 13 stockholders of record, which did not include stockholders for whom shares are held in nominee or street name.

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SELLING STOCKHOLDER

We were formed in March 2010 to continue and expand the business of Compass Horizon Funding Company LLC, or Compass Horizon, our wholly-owned subsidiary, which owned all of the portfolio investments that we acquired upon the closing of our IPO. Immediately prior to the completion of our IPO, the owners of membership interests of Compass Horizon, including Compass Horizon Partners, LP, exchanged their membership interests in Compass Horizon for shares of our common stock, and we entered into a registration rights agreement with respect to those shares. Under the terms of the registration rights agreement, we have agreed to bear specific expenses of the selling stockholder in connection with the registration and sale of such shares.

This prospectus supplement relates to our offering of 2,000,000 shares of our common stock and the offering of 380,000 shares of our common stock by Compass Horizon Partners, LP, the selling stockholder. Sales of our common stock by the selling stockholder are not subject to the restrictions on sales below net asset value that are imposed on us by the 1940 Act.

We will not receive any proceeds from the sale of shares of our common stock offered by the selling stockholder in this offering. The selling stockholder will pay the underwriting discounts and commissions in connection with the shares being offered by the selling stockholder under this prospectus supplement. We will pay certain other offering expenses, including printing, legal and filing expenses. We estimate there will be no additional offering expenses incurred by us as a result of the shares of common stock offered by the selling stockholder under this prospectus supplement.

The following table sets out certain information with respect to the ownership of our common stock by the selling stockholder as of March 17, 2015:

	Shares Beneficially Owned Prior to Offering(1)		Number of Shares Being Offered	Shares Beneficially Owned After Offering(1)(2)	
	Number	Percent		Number	Percent
Compass Horizon Partners, L.P.(3)	1,271,414	13.2 %	380,000	891,414	7.7 %

(1) Beneficial ownership has been determined in accordance with Rule 13d-3 under the Exchange Act. Percentages are based on 9,630,617 shares of our common stock issued and outstanding as of March 17, 2015 and 11,630,617 shares of our common stock issued and outstanding after the offering (and without giving effect to the overallotment option).

(2) Assumes the sale of all of the shares of common stock offered pursuant to this prospectus supplement and no purchases or sales by the selling stockholder of additional shares of our common stock.

(3) 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 The 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.

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SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The following selected consolidated financial data of the Company as of December 31, 2014, 2013, 2012, 2011 and 2010, and for the years ended December 31, 2014, 2013, 2012 and 2011, the period from October 29, 2010 to December 31, 2010 and the period from January 1, 2010 to October 28, 2010 are derived from the consolidated financial statements that have been audited by McGladrey LLP, an independent registered public accounting firm. For the period prior to October 29, 2010, the financial data refer to Compass Horizon, our predecessor company. These selected financial data should be read in conjunction with our financial statements and related notes thereto and Management s Discussion and Analysis of Financial Condition and Results of Operations in this prospectus supplement and the accompanying prospectus.

	Post-IPO as a BDC					Pre-IPO prior to becoming a BDC
(In thousands, except per share data)	Year Ended December 31, 2014	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011	October 29, 2010 to December 31, 2010	January 1, 2010 to October 28, 2010
Statement of Operations Data:						
Total investment income	$31,254	$33,643	$26,664	$24,054	$3,251	$14,956
Base management fee	4,410	5,209	4,208	4,192	668	2,019
Performance based incentive fee	2,005	3,318	2,847	3,013	414	
All other expenses	13,962	11,605	7,382	6,127	810	3,912
Net investment income before excise tax	10,877	13,511	12,227	10,722	1,359	9,025
Provision for excise tax	(160)	(240)	(231)	(211)		
Net investment income	10,717	13,271	11,996	10,511	1,359	9,025
Net realized (loss) gain on investments	(3,576)	(7,509)	108	6,316	611	69
Provision for excise tax				(129)		
Net unrealized appreciation (depreciation) on investments	8,289	(2,254)	(8,113)	(5,702)	1,449	1,481
Credit for loan losses						739
Net increase in net assets resulting from operations	$15,430	$3,508	$3,991	$10,996	$3,419	$11,314
Per Share Data:						
Net asset value	$14.36	$14.14	$15.15	$17.01	$16.75	N/A
Net investment income	1.11	1.38	1.41	1.38	0.18	N/A
Net realized (loss) gain on investments	(0.37)	(0.78)	0.01	0.81	0.08	N/A

Net change in unrealized appreciation (depreciation) on investments	0.86	(0.23)	(0.95)	(0.75)	0.19	N/A
Net increase in net assets resulting from operations	1.60	0.37	0.47	1.44	0.45	N/A
Per share distributions declared	1.38	1.38	2.15	1.18	0.22	N/A
Dollar amount of distributions declared	$13,282	$13,236	$18,777	$8,983	$1,662	N/A
Statement of Assets and Liabilities Data at Period End:						
Investments, at fair value/book value	$205,101	$221,284	$228,613	$178,013	$136,810	N/A
Other assets	20,095	42,453	11,045	19,798	79,395	N/A
Total assets	225,196	263,737	239,658	197,811	216,205	N/A
Long-term obligations	81,753	122,343	89,020	64,571	87,425	N/A
Total liabilities	86,948	127,902	94,686	67,927	89,010	N/A
Total net assets/members capital	$138,248	$135,835	$144,972	$129,884	$127,195	N/A
Other data:						
Weighted annualized yield on income producing investments at fair value	15.3 %	14.4 %	14.2 %	14.6 %	14.6 %	N/A
Number of portfolio companies at period end	50	49	45	38	32	32

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

The following discussion and analysis of our financial condition, results of operations and cash flows should be read in conjunction with Selected Consolidated Financial and Other Data and the consolidated financial statements and the related notes thereto appearing elsewhere in this prospectus supplement and the accompanying prospectus. The information in this section contains forward-looking statements that involve risks and uncertainties. Please see Risk Factors in this prospectus supplement and the accompanying prospectus and Cautionary Note Regarding Forward-Looking Statements in this prospectus supplement for a discussion of the uncertainties, risks and assumptions associated with these statements.

Overview

We are a specialty finance company that lends to and invests in development-stage companies in our Target Industries. Our investment objective is to generate current income from the debt investments we make and capital appreciation from the warrants we receive when making such debt investments. We are focused on making Venture Loans to venture capital backed companies in our Target Industries, which we refer to as Venture Lending. We also selectively lend to publicly traded companies in our Target Industries. Venture Lending is typically characterized by (1) the making of a secured debt investment after a venture capital or equity investment in the portfolio company has been made, which investment provides a source of cash to fund the portfolio company s debt service obligations under the Venture Loan, (2) the senior priority of the Venture Loan which requires repayment of the Venture Loan prior to the equity investors realizing a return on their capital, (3) the relatively rapid amortization of the Venture Loan and (4) the lender s receipt of warrants or other success fees with the making of the Venture Loan.

We are an externally managed, closed-end, non-diversified management investment company that has elected to be regulated as a BDC under the 1940 Act. In addition, for U.S. federal income tax purposes, we have elected to be treated as a RIC under Subchapter M of the Code. As a BDC, we are required to comply with regulatory requirements, including limitations on our use of debt. We are permitted to, and expect to, finance our investments through borrowings. However, as a BDC, we are only generally allowed to borrow amounts such that our asset coverage, as defined in the 1940 Act, equals at least 200% after such borrowing. The amount of leverage that we employ depends on our assessment of market conditions and other factors at the time of any proposed borrowing. As a RIC, we generally do not have to pay corporate-level federal income taxes on our investment company taxable income and net capital gains that we distribute to our stockholders as long as we meet certain source-of-income, distribution, asset diversification and other requirements.

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

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

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Portfolio composition and investment activity

The following table shows our portfolio by asset class as of December 31, 2014 and 2013:

	December 31, 2014			December 31, 2013		
	# of Investments	Fair Value	% of Total Portfolio	# of Investments	Fair Value	% of Total Portfolio
	(In thousands)					
Term loans	49	$ 189,127	92.2 %	48	$ 201,846	91.2 %
Revolving loans	1	10,053	4.9	1	11,908	5.4
Total loans	50	199,180	97.1	49	213,754	96.6
Warrants	75	4,603	2.2	73	6,036	2.7
Other investments	1	300	0.2	1	400	0.2
Equity	4	1,018	0.5	4	1,094	0.5
Total		$ 205,101	100.0 %		$ 221,284	100.0 %

The following table shows total portfolio investment activity as of and for the years ended December 31, 2014 and 2013:

	December 31,	
	2014	2013
	(In thousands)	
Beginning portfolio	$ 221,284	$ 228,613
New debt investments	95,323	88,362
Less refinanced balances		
Net new debt investments	95,323	88,362
Principal received on investments	(42,830)	(41,166)
Early pay-offs	(66,675)	(46,331)
Accretion of debt investment fees	2,339	2,635
New debt investment fees	(1,392)	(1,076)
New equity	12	73
Sales of investments	(7,673)	(200)
Net realized loss on investments	(3,576)	(7,299)
Net appreciation (depreciation) on investments	8,289	(2,254)
Other		(73)
Ending portfolio	$ 205,101	$ 221,284

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

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The following table shows our debt investments by industry sector as of December 31, 2014 and 2013:

	December 31, 2014		December 31, 2013	
	Debt investments at Fair Value	Percentage of Total Portfolio	Debt investments at Fair Value	Percentage of Total Portfolio
	(In thousands)			
Life Science				
Biotechnology	$ 21,253	10.7 %	$ 16,376	7.7 %
Medical Device	22,225	11.2	14,765	6.9
Technology				
Communications	17,732	8.9	9,359	4.4
Consumer-Related	6,337	3.2		
Internet and Media			6,019	2.8
Networking	981	0.5	963	0.5
Power Management			13,044	6.1
Semiconductors	30,355	15.2	37,450	17.5
Software	53,583	26.9	66,583	31.1
Cleantech				
Alternative Energy	8,009	4.0	11,771	5.5
Consumer-Related	396	0.2		
Energy Efficiency	4,414	2.2	11,403	5.3
Waste Recycling			680	0.3
Healthcare Information and Services				
Diagnostics	17,637	8.8	12,140	5.7
Other	6,946	3.5	6,904	3.2
Software	9,312	4.7	6,297	3.0
Total	$ 199,180	100.0 %	$ 213,754	100.0 %

The largest debt investments in our portfolio may vary from year to year as new debt investments are originated and existing debt investments are repaid. Our five largest debt investments represented 24% and 22% of total debt investments outstanding as of December 31, 2014 and 2013, respectively. No single debt investment represented more than 10% of our total debt investments outstanding as of December 31, 2014 or 2013.

Debt investment asset quality

We use an internal credit rating system which rates each debt investment on a scale of 4 to 1, with 4 being the highest credit quality rating and 3 being the rating for a standard level of risk. A rating of 2 represents an increased level of risk and while no loss is currently anticipated for a 2-rated debt investment, there is potential for future loss of principal. A rating of 1 represents a deteriorating credit quality and increased risk. Our internal credit rating system is not a national credit rating system. See Item 1 Business for a more detailed description of the internal credit rating system. The following table shows the classification of our debt investment portfolio by credit rating as of December 31, 2014 and December 31, 2013:

	December 31, 2014	December 31, 2013

	Debt investment at Fair Value (In thousands)	Percentage of debt investment	Debt investment at Fair Value	Percentage of debt investment
Credit Rating				
4	$ 44,082	22.1 %	$ 30,385	14.2 %
3	138,109	69.4	167,231	78.3
2	11,746	5.9	2,199	1.0
1	5,243	2.6	13,939	6.5
Total	$ 199,180	100.0 %	$ 213,754	100.0 %

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As of December 31, 2014 and 2013, our debt investment had a weighted average credit rating of 3.1 and 3.0, respectively. As of December 31, 2014, there were two investments with an internal credit rating of 1, with an aggregate cost of $5.4 million and an aggregate fair value of $5.2 million. As of December 31, 2013, there were five investments with an internal credit rating of 1, with an aggregate cost of $23.2 million and an aggregate fair value of $13.9 million.

Consolidated results of operations

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

The following table shows consolidated results of operations for the years ended December 31, 2014, 2013 and 2012:

	2014	2013	2012
	(In thousands)		
Total investment income	$ 31,254	$ 33,643	$ 26,664
Total expenses	20,377	20,132	14,437
Net investment income before excise tax	10,877	13,511	12,227
Provision for excise tax	(160)	(240)	(231)
Net investment income	10,717	13,271	11,996
Net realized (loss) gain	(3,576)	(7,509)	108
Net unrealized appreciation (depreciation)	8,289	(2,254)	(8,113)
Net increase in net assets resulting from operations	$ 15,430	$ 3,508	$ 3,991
Average investments, at fair value	$ 204,862	$ 233,045	$ 187,760
Average debt outstanding	$ 102,754	$ 115,562	$ 62,973

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

Investment income

Total investment income decreased by $2.4 million, or 7.1%, to $31.2 million for the year ended December 31, 2014 as compared to the year ended December 31, 2013. For the year ended December 31, 2014, total investment income consisted primarily of $28.6 million in interest income from investments, which included $6.0 million in income from the accretion of origination fees and ETPs, and $2.6 million of fee income. Interest income on investments decreased by $3.3 million, or 10.2%, for the year ended December 31, 2014 as compared to the year ended December 31, 2013. Interest income on investments decreased primarily due to a decrease of $28.2 million, or 12.1%, in the average size of our investment portfolio. Fee income on investments was primarily comprised of debt investment prepayment fees collected from our portfolio companies and increased by $0.9 million, or 50.5% primarily due to a larger aggregate amount of principal prepayments for the year ended December 31, 2014.

Total investment income increased by $7.0 million, or 26.2%, to $33.6 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012. For the year ended December 31, 2013, total investment income consisted primarily of $31.9 million in interest income from investments, which included $6.4 million in income from the accretion of origination fees and ETPs and $1.7 million of fee income. Interest income on investments increased by $6.6 million, or 26.2%, for the year ended December 31, 2013 as compared to the year ended December 31, 2012. Interest income on investments increased primarily due to an increase of $45.3 million, or 24.1%, in the average size of our investment portfolio. Fee income on investments was primarily comprised of debt investment prepayment fees collected from our portfolio companies and increased by $0.4 million, or 26.5%, primarily due to a one-time success fee received upon the completion of an acquisition of one of our portfolio companies.

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For the years ended December 31, 2014, 2013 and 2012, our dollar-weighted annualized yield on average debt investments was 15.3%, 14.4% and 14.2%, respectively. We calculate the yield on dollar-weighted average debt investments for any period measured as (1) total investment income during the period divided by (2) the average of the fair value of debt investments outstanding on (a) the last day of the calendar month immediately preceding the first day of the period and (b) the last day of each calendar month during the period. The dollar-weighted annualized yield represents the portfolio yield and will be higher than what investors will realize because it does not reflect our expenses or any sales load paid by investors.

Investment income, consisting of interest income and fees on debt investments, can fluctuate significantly upon repayment of large debt investments. Interest income from the five largest debt investments in the aggregate accounted for 20%, 23% and 22% of investment income for the years ended December 31, 2014, 2013 and 2012, respectively.

Expenses

Total expenses increased by $0.2 million, or 1.2%, to $20.4 million for the year ended December 31, 2014 as compared to the year ended December 31, 2013. Total expenses increased by $5.7 million, or 39.4%, to $20.1 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012. Total expenses for each period consisted principally of interest expense, base management fee, incentive and administrative fees, professional fees and general and administrative expenses.

Interest expense increased by $0.6 million, or 7.2%, to $8.7 million for the year ended December 31, 2014 as compared to the year ended December 31, 2013. Interest expense, which includes the amortization of debt issuance costs, increased primarily due to the acceleration of $1.1 million of unamortized debt issuance costs and a $0.8 million prepayment fee related to the termination of our term loan facility, offset by a decrease in average borrowings of $12.8 million, or 11.1%. Interest expense increased by $3.8 million, or 89.7%, to $8.1 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012. Interest expense increased primarily due to an increase in average borrowings of $52.6 million, or 83.5%.

Base management fee expense decreased by $0.8 million, or 15.3%, to $4.4 million for the year ended December 31, 2014 as compared to the year ended December 31, 2013. Base management fee expense decreased primarily due to (i) a decrease in average gross assets of $19.6 million, or 7.4%, (ii) our Advisor s waiver of base management fees of $0.2 million, and (iii) as of July 1, 2014, the base management fee was calculated on gross assets less cash and cash equivalents. Base management fee expense increased by $1.0 million, or 23.8%, to $5.2 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012. Base management fee expense increased primarily due to an increase in average gross assets of $56.4 million, or 26.9%.

Performance based incentive fee expense decreased by $1.3 million, or 39.6%, to $2.0 million for the year ended December 31, 2014 as compared to the year ended December 31, 2013. Performance based incentive fee decreased primarily due to lower Pre-Incentive Fee Net Investment Income as a result of the one-time costs associated with the termination of our term loan facility. Performance based incentive fee increased by $0.5 million, or 16.5%, to $3.3 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012. Performance based incentive fee increased primarily due to part one of the incentive fee increasing as Pre-Incentive Fee Net Investment Income increased year over year.

In 2014 and 2013 we elected to carry forward taxable income in excess of current year distributions into the next tax year and pay a 4% excise tax on such income. For the years ended December 31, 2014 and 2013, we elected to carry forward taxable income in excess of current year distributions of $4.0 million and $6.1 million, respectively, and recorded at both December 31, 2014 and 2013 an excise tax payable of $0.2 million.

Professional fees and general and administrative expenses primarily include legal and audit fees and insurance premiums. These expenses for the year ended December 31, 2014 increased compared to the year ended December 31, 2013 due to increased legal fees and other costs associated with certain non-accrual investments and other assets. We believe there will be no ongoing expenses associated with these non-accrual investments.

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Net realized gains and losses and net unrealized appreciation and depreciation

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

During the year ended December 31, 2014, we realized net losses totaling $3.6 million primarily due to the resolution of three debt investments that were previously on non-accrual status which were partially offset by realized gains on the sale of equity received upon the exercise of warrants. As a result of the resolution of the debt investments that were on non-accrual, we recognized $5.0 million of realized net losses and $7.6 million of unrealized appreciation. During the year ended December 31, 2013, we realized losses totaling $7.5 million primarily due to two debt investments that were on non-accrual status. During the year ended December 31, 2012, we realized net gains totaling $0.1 million primarily due to the sale of equity received upon the exercise of warrants of one portfolio company.

During the year ended December 31, 2014, net unrealized appreciation on investments totaled $8.3 million which was primarily due to the reversal of previously recorded unrealized depreciation on three debt investments that were settled in the period and one debt investment that returned to accrual status. During the year ended December 31, 2013, net unrealized depreciation on investments totaled $2.3 million which was primarily due to the unrealized depreciation on debt investments on non-accrual status offset by the reversal of previously recorded unrealized depreciation on debt investments that were settled in the period. During the year ended December 31, 2012, net unrealized depreciation on investments totaled $8.1 million which was primarily due to the unrealized depreciation on the debt investments on non-accrual status.

Liquidity and capital resources

As of December 31, 2014 and 2013, we had cash and investments in money market funds of $8.4 million and $26.5 million, respectively. Cash and investments in money market funds are available to fund new investments, reduce borrowings, pay expenses and pay distributions. In addition, as of December 31, 2014 and 2013, we had $2.9 million and $6.0 million, respectively, of restricted investments in money market funds. Restricted investments in money market funds may be used to make monthly interest and principal payments on our $90 million aggregate principal amount of fixed-rate asset-backed notes issued in conjunction with the 2013-1 Securitization, or the Asset-Backed Notes. Our primary sources of capital have been from our private and public equity offerings, use of our revolving credit facilities and issuance of our 2019 Notes and Asset-Backed Notes.

As of December 31, 2014, the outstanding principal balance under the Key Facility was $10.0 million. As of December 31, 2014 and 2013, we had borrowing capacity under the Key Facility of $40.0 million and $50.0 million, respectively, of which $35.6 million and $4.8 million, respectively, was available, subject to existing terms and advance rates.

Our operating activities provided cash of $36.7 million for the year ended December 31, 2014, and our financing activities used cash of $53.6 million for the same period. Our operating activities provided cash primarily from principal payments received on debt investments, partially offset by investments made in portfolio companies. Our financing activities used cash primarily to pay down borrowings and pay distributions to our stockholders.

Our operating activities provided cash of $6.5 million for the year ended December 31, 2013, and our financing activities provided cash of $17.8 million for the same period. Our operating activities provided cash primarily from principal payments received on debt investments, offset by investments made in portfolio companies. Our financing activities provided cash primarily from the issuance of our Asset-Backed Notes. This increase from investing activities was partially offset by repayments of $56.7 million of borrowings and $12.6 million of distributions paid to our stockholders.

Our operating activities used cash of $36.1 million for the year ended December 31, 2012, and our financing activities provided cash of $35.8 million for the same period. Our operating activities used cash

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primarily for investing in portfolio companies, net of principal payments received. Our financing activities provided cash primarily from the issuance of our 2019 Notes for net proceeds of $31.7 million, and the completion of a follow-on public offering of 1.9 million shares of common stock for net proceeds of $29.5 million. These increases from investing activities were partially offset by repayments of $8.6 million of borrowings and $15.1 million of distributions paid to our stockholders.

Our primary use of available funds is to make debt investments in portfolio companies and for general corporate purposes. We expect to raise additional equity and debt capital opportunistically as needed, and subject to market conditions, to support our future growth to the extent permitted by the 1940 Act.

In order to satisfy the Code requirements applicable to a RIC, we intend to distribute to our stockholders all or substantially all of our investment company taxable income. In addition, as a BDC, we are required to maintain asset coverage of at least 200%. This requirement limits the amount that we may borrow.

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

Current borrowings

The following table shows our borrowings as of December 31, 2014 and 2013:

	December 31, 2014		
	Total Commitment	Balance Outstanding	Unused Commitment
	(In thousands)		
Asset-Backed Notes	$ 38,753	$ 38,753	$
Key Facility	50,000	10,000	40,000
2019 Notes	33,000	33,000	
Total	$ 121,753	$ 81,753	$ 40,000

	December 31, 2013		
	Total Commitment	Balance Outstanding	Unused Commitment
	(In thousands)		
Asset-Backed Notes	$ 79,343	$ 79,343	$
Fortress Facility	75,000	10,000	65,000
Key Facility	50,000		50,000
2019 Notes	33,000	33,000	
Total	$ 237,343	$ 122,343	$ 115,000

On November 4, 2013, through our wholly owned subsidiary, Credit II, we renewed and amended our revolving credit facility which, among other things, assigned all rights and obligations to Key. The interest rate on the Key Facility is based upon the one-month London Interbank Offered Rate, or LIBOR, plus a spread of 3.25%, with a LIBOR floor of 0.75%. The interest rate was 4.00% as of December 31, 2014 and 2013.

The Key Facility has an accordion feature which allows for an increase in the total loan commitment to $150 million from the current $50 million commitment provided by Key. The Key Facility is collateralized by loans held by Credit II and permits an advance rate of up to 50% of eligible loans held by Credit II. The Key Facility contains covenants that, among other things, require us to maintain a minimum net worth, to restrict the loans securing the Key Facility to certain criteria for qualified loans and to comply with portfolio company concentration limits as defined in the related loan agreement. We may request advances under the Key Facility through November 4, 2016, or the Revolving Period. After the Revolving Period, we may not request new advances, and we must repay the outstanding advances under the Key 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 Key Facility, particularly the condition that the principal balance of the Key Facility not exceed 50% of the aggregate principal balance of our eligible loans to our portfolio companies. All outstanding advances under the Key Facility are due and payable on November 4, 2018.

On March 23, 2012, we issued and sold aggregate principal amount of $30 million 2019 Notes, and on April 18, 2012, pursuant to the underwriters 30-day option to purchase additional notes, we sold an additional $3 million of the 2019 Notes. The 2019 Notes will mature on March 15, 2019 and may be redeemed in whole or in part at our option at any time or from time to time on or after March 15, 2015 at a redemption price of $25 per security plus accrued and unpaid interest. The 2019 Notes bear interest at a rate of 7.375% per year payable quarterly on March 15, June 15, September 15 and December 15 of each year. The 2019 Notes are our direct, unsecured obligations and (1) rank equally in right of payment with our future senior unsecured indebtedness; (2) are senior in right of payment to any of our future indebtedness that expressly provides it is subordinated to the 2019 Notes; (3) are effectively subordinated to all of our existing and future secured indebtedness (including indebtedness that is initially unsecured to which we subsequently grant security), to the extent of the value of the assets securing such indebtedness and (4) are structurally subordinated to all existing and future indebtedness and other obligations of any of our subsidiaries. As of December 31, 2014, we were in material compliance with the terms of the 2019 Notes. The 2019 Notes are listed on the NYSE under the symbol HTF .

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

The Fortress Facility permitted advances through August 23, 2016, or the Draw Period. After the Draw Period, we would have been required to repay the outstanding advances under the Fortress Facility as of such date, at such times and in such amounts as were necessary to maintain compliance with the terms and conditions of the Fortress Facility, particularly the condition that the principal balance of the Fortress Facility not exceed 66% of the aggregate principal balance of our eligible loans to our portfolio companies. The unused line fee equaled 1.00% of any unborrowed amount available under the Fortress Facility annually. All outstanding advances under the Fortress Facility were due and payable on August 23, 2017.

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

Effective June 17, 2014, we terminated the Fortress Facility. In connection therewith, a loan and security agreement and other related documents governing the Fortress Facility were also terminated. As such, we have no borrowing capacity under the Fortress Facility as of December 31, 2014. Upon termination of the Fortress Facility, we accelerated $1.1 million of unamortized debt issuance cost and paid a $0.8 million prepayment fee.

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

The Asset-Backed Notes were issued by 2013-1 Trust pursuant to a note purchase agreement, or the Note Purchase Agreement, dated as of June 28, 2013, by and among us, the Trust Depositor, as the Trust Depositor, 2013-1 Trust and Guggenheim Securities, LLC, or Guggenheim Securities, as initial purchaser, and are backed by a pool of loans, or the Trust Loans, made to certain portfolio companies of ours and secured by certain assets of such portfolio companies.

The Trust Loans are serviced by us. In connection with the issuance and sale of the Asset-Backed Notes, we have made customary representations, warranties and covenants in the Note Purchase Agreement. The Asset-Backed Notes are secured obligations of 2013-1 Trust and are non-recourse to us.

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

Under the terms of the Asset-Backed Notes, we are required to maintain a reserve cash balance, funded through principal collections from the underlying securitized debt portfolio, which may be used to make monthly interest and principal payments on the Asset-Backed Notes.

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

As of December 31, 2014 and 2013, our other assets were $4.0 million and $5.7 million, respectively, which is primarily comprised of debt issuance costs and prepaid expenses.

Contractual obligations and off-balance sheet arrangements

The following table shows our significant contractual payment obligations and off-balance sheet arrangements as of December 31, 2014: