

Horizon Technology Finance Corp
Form 10-Q
August 02, 2016

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2016

OR

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

FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NUMBER: 814-00802

HORIZON TECHNOLOGY FINANCE CORPORATION

(Exact name of registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of incorporation or organization)

27-2114934

(I.R.S. Employer Identification No.)

**312 Farmington Avenue
Farmington, CT**

06032

(Address of principal executive offices) (Zip Code)

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

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

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

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

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

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

As of August 2, 2016, the Registrant had 11,548,564 shares of common stock, \$0.001 par value, outstanding.

HORIZON TECHNOLOGY FINANCE CORPORATION

FORM 10-Q

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PART I: FINANCIAL INFORMATION**Item 1. Consolidated Financial Statements****Horizon Technology Finance Corporation and Subsidiaries****Consolidated Statements of Assets and Liabilities (Unaudited)****(Dollars in thousands, except share and per share data)**

	June 30, 2016	December 31, 2015
Assets		
Non-affiliate investments at fair value (cost of \$243,221 and \$255,494, respectively) (Note 4)	\$ 233,266	\$ 250,267
Investments in money market funds	—	285
Cash	16,280	20,765
Restricted investments in money market funds	—	1,091
Interest receivable	8,114	6,258
Other assets	2,259	2,230
Total assets	\$ 259,919	\$ 280,896
Liabilities		
Borrowings (Note 6)	\$ 100,502	\$ 114,954
Distributions payable	3,984	3,980
Base management fee payable (Note 3)	406	385
Incentive fee payable (Note 3)	1,027	1,028
Other accrued expenses	770	798
Total liabilities	106,689	121,145
Commitments and Contingencies (Note 7)		
Net assets		
Preferred stock, par value \$0.001 per share, 1,000,000 shares authorized, zero shares issued and outstanding as of June 30, 2016 and December 31, 2015	—	—
Common stock, par value \$0.001 per share, 100,000,000 shares authorized, 11,661,531 and 11,648,594 shares issued and 11,548,149 and 11,535,212 shares	12	12

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outstanding as of June 30, 2016 and December 31, 2015, respectively

Paid-in capital in excess of par	179,833	179,707
Distributions in excess of net investment income	(1,063)	(2,006)
Net unrealized depreciation on investments	(9,955)	(5,227)
Net realized loss on investments	(15,597)	(12,735)
Total net assets	153,230	159,751
Total liabilities and net assets	\$259,919	\$ 280,896
Net asset value per common share	\$13.27	\$ 13.85

See Notes to Consolidated Financial Statements

Horizon Technology Finance Corporation and Subsidiaries**Consolidated Statements of Operations (Unaudited)****(Dollars in thousands, except share and per share data)**

	For the Three Months Ended		For the Six Months Ended	
	June 30,		June 30,	
	2016	2015	2016	2015
Investment income				
Interest income on non-affiliate investments	\$ 8,788	\$ 6,599	\$ 17,790	\$ 13,161
Prepayment fee income on non-affiliate investments	263	208	429	728
Fee income on non-affiliate investments	41	50	170	234
Total investment income	9,092	6,857	18,389	14,123
Expenses				
Interest expense	1,512	1,263	3,046	2,850
Base management fee (Note 3)	1,247	1,146	2,531	2,177
Performance based incentive fee (Note 3)	1,027	722	2,126	1,458
Administrative fee (Note 3)	275	309	556	577
Professional fees	343	287	844	718
General and administrative	261	299	462	559
Total expenses	4,665	4,026	9,565	8,339
Management and performance based incentive fees waived (Note 3)	—	(67)	—	(67)
Net expenses	4,665	3,959	9,565	8,272
Net investment income before excise tax	4,427	2,898	8,824	5,851
(Credit) provision for excise tax	(85)	10	(85)	20
Net investment income	4,512	2,888	8,909	5,831
Net realized and unrealized loss on investments				
Net realized loss on investments	(876)	(29)	(2,862)	(259)
Net unrealized (depreciation) appreciation on investments	(3,714)	(1,114)	(4,728)	18
Net realized and unrealized loss on investments	(4,590)	(1,143)	(7,590)	(241)
Net (decrease) increase in net assets resulting from operations	\$(78)	\$ 1,745	\$ 1,319	\$ 5,590
Net investment income per common share	\$ 0.39	\$ 0.25	\$ 0.77	\$ 0.54
Net (decrease) increase in net assets per common share	\$(0.01)	\$ 0.15	\$ 0.11	\$ 0.52
Distributions declared per share	\$ 0.345	\$ 0.345	\$ 0.69	\$ 0.69
Weighted average shares outstanding	11,544,412	11,632,724	11,541,208	10,725,004

See Notes to Consolidated Financial Statements

Horizon Technology Finance Corporation and Subsidiaries**Consolidated Statements of Changes in Net Assets (Unaudited)****(Dollars in thousands, except share data)**

	Common Stock		Paid-In Capital in Excess of Par	Distributions in Excess of Net Investment Income	Net Unrealized Depreciation on Investments	Net Realized Loss on Investments	Total Net Assets
	Shares	Amount					
Balance at December 31, 2014	9,628,124	\$ 10	\$ 155,240	\$ (1,102)	\$ (4,737)	\$ (11,163)	\$ 138,248
Issuance of common stock, net of offering costs	2,000,000	2	26,657	—	—	—	26,659
Net increase in net assets resulting from operations	—	—	—	5,831	18	(259)	5,590
Issuance of common stock under dividend reinvestment plan	7,356	—	102	—	—	—	102
Distributions declared	—	—	—	(7,797)	—	—	(7,797)
Reclassification of permanent tax differences (Note 2)	—	—	(971)	893	—	78	—
Balance at June 30, 2015	11,635,480	\$ 12	\$ 181,028	\$ (2,175)	\$ (4,719)	\$ (11,344)	\$ 162,802
Balance at December 31, 2015	11,535,212	\$ 12	\$ 179,707	\$ (2,006)	\$ (5,227)	\$ (12,735)	\$ 159,751
Net increase in net assets resulting from operations	—	—	—	8,909	(4,728)	(2,862)	1,319
Issuance of common stock under dividend reinvestment plan	12,937	—	142	—	—	—	142
Repurchases of common stock	—	—	(16)	—	—	—	(16)
Distributions declared	—	—	—	(7,966)	—	—	(7,966)
Balance at June 30, 2016	11,548,149	\$ 12	\$ 179,833	\$ (1,063)	\$ (9,955)	\$ (15,597)	\$ 153,230

See Notes to Consolidated Financial Statements

Horizon Technology Finance Corporation and Subsidiaries**Consolidated Statements of Cash Flows (Unaudited)****(Dollars in thousands)**

	For the Six Months Ended June 30,	
	2016	2015
Cash flows from operating activities:		
Net increase in net assets resulting from operations	\$1,319	\$5,590
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by (used in) operating activities:		
Amortization of debt issuance costs	306	523
Net realized loss on investments	2,862	259
Net unrealized depreciation (appreciation) on investments	4,728	(18)
Purchase of investments	(31,687)	(71,933)
Principal payments received on investments	40,466	36,577
Proceeds from sale of investments	935	—
Changes in assets and liabilities:		
Net decrease (increase) in investments in money market funds	285	(307)
Net decrease in restricted investments in money market funds	1,091	1,064
Increase in interest receivable	(372)	(194)
Increase in end-of-term payments	(1,510)	(673)
(Decrease) increase in unearned income	(278)	97
(Increase) decrease in other assets	(19)	431
(Decrease) increase in other accrued expenses	(28)	38
Increase in base management fee payable	21	11
Decrease in incentive fee payable	(1)	(77)
Net cash provided by (used in) operating activities	18,118	(28,612)
Cash flows from financing activities:		
Proceeds from issuance of common stock, net of offering costs	—	26,659
Repayment of Asset-Backed Notes	(14,546)	(14,191)
Advances on credit facility	—	26,000
Distributions paid	(7,820)	(7,003)
Repurchase of common stock	(16)	—
Debt issuance costs	(221)	—
Net cash (used in) provided by financing activities	(22,603)	31,465
Net (decrease) increase in cash	(4,485)	2,853
Cash:		
Beginning of period	20,765	8,417
End of period	\$16,280	\$11,270

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Supplemental disclosure of cash flow information:

Cash paid for interest	\$2,722	\$2,317
Supplemental non-cash investing and financing activities:		
Warrant investments received and recorded as unearned income	\$149	\$485
Distributions payable	\$3,984	\$4,014
End-of-term payments receivable	\$6,570	\$4,458

See Notes to Consolidated Financial Statements

Horizon Technology Finance Corporation and Subsidiaries

Consolidated Schedule of Investments (Unaudited)

June 30, 2016

(Dollars in thousands)

Portfolio Company (1)	Sector	Type of Investment (3)(4)(7)(9)(10)	Principal Amount	Cost of Investments (6)	Fair Value
Debt Investments — 148.1% (8)					
Debt Investments — Life Science — 33.0% (8)					
Argos Therapeutics, Inc. (2)(5)	Biotechnology	Term Loan (9.25% cash (Libor + 8.75%; Floor 9.25%; Ceiling 10.75%), 5.00% ETP, Due 10/1/18)	\$ 5,000	\$ 4,953	\$4,953
		Term Loan (9.25% cash (Libor + 8.75%; Floor 9.25%; Ceiling 10.75%), 5.00% ETP, Due 3/1/19)	5,000	4,962	4,962
New Haven Pharmaceuticals, Inc. (2)(11)	Biotechnology	Term Loan (11.50% cash (Libor + 11.00%; Floor 11.50%), 11.42% ETP, Due 3/1/19)	1,301	1,293	1,293
		Term Loan (11.50% cash (Libor + 11.00%; Floor 11.50%), 11.42% ETP, Due 3/1/19)	434	431	431
		Term Loan (10.50% cash (Libor + 10.00%; Floor 10.50%), 6.10% ETP, Due 3/1/19)	2,000	1,988	1,988
		Term Loan (10.00% cash (Libor + 9.50%; Floor 10.00%), 4.00% ETP, Due 4/1/19)	6,265	6,198	6,198
Palatin Technologies, Inc. (2)(5)	Biotechnology	Term Loan (9.00% cash (Libor + 8.50%; Floor 9.00%), 5.00% ETP, Due 1/1/19)	5,000	4,950	4,950
		Term Loan (9.00% cash (Libor + 8.50%; Floor 9.00%), 5.00% ETP, Due 8/1/19)	5,000	4,946	4,946
Sample6, Inc. (2)	Biotechnology	Term Loan (9.50% cash (Libor + 9.00%; Floor	1,361	1,357	1,357

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		9.50%; Ceiling 11.00%), 4.00% ETP, Due 4/1/18)			
		Term Loan (9.50% cash (Libor + 9.00%; Floor	827	823	823
		9.50%; Ceiling 11.00%), 4.00% ETP, Due 4/1/18)			
		Term Loan (9.50% cash (Libor + 9.00%; Floor	2,500	2,485	2,485
		9.50%; Ceiling 11.00%), 4.00% ETP, Due 4/1/18)			
Lantos Technologies, Inc. (2)	Medical Device	Term Loan (11.50% cash (Libor + 10.50%; Floor	2,917	2,881	2,881
		11.50%), 5.00% ETP, Due 2/1/18)			
Mederi Therapeutics, Inc. (2)	Medical Device	Term Loan (12.29% cash (Libor + 11.82%), 4.00% ETP, Due 7/1/17)	2,121	2,105	2,105
		Term Loan (12.29% cash (Libor + 11.82%), 4.00% ETP, Due 7/1/17)	2,121	2,105	2,105
		9.50%; Ceiling 11.00%), 4.00% ETP, Due 4/1/18)			
NinePoint Medical, Inc. (2)	Medical Device	Term Loan (9.25% cash (Libor + 8.75%; Floor	5,000	4,952	4,952
		9.25%), 4.50% ETP, Due 3/1/19)			
		Term Loan (9.25% cash (Libor + 8.75%; Floor	2,500	2,470	2,470
		9.25%), 4.50% ETP, Due 3/1/19)			
Tryton Medical, Inc. (2)	Medical Device	Term Loan (10.66% cash (Prime + 7.16%), 2.50% ETP, Due 9/1/16)	1,688	1,685	1,685
Total Debt Investments — Life Science Debt Investments — Technology — 83.8% (8)				50,584	50,584
Ekahau, Inc. (2)	Communications	Term Loan (11.75% cash, 2.50% ETP, Due 2/1/17)	390	388	388
		Term Loan (11.75% cash, 2.50% ETP, Due 2/1/17)	130	130	130
mBlox, Inc. (2)	Communications	Term Loan (11.50% cash (Libor + 11.00%; Floor	4,464	4,446	4,446
		11.50%; Ceiling 13.00%), 3.40% ETP, Due 7/1/18)			
		Term Loan (11.50% cash (Libor + 11.00%; Floor	4,464	4,446	4,446
		11.50%; Ceiling 13.00%), 3.40% ETP, Due 7/1/18)			
Additech, Inc. (2)	Consumer-related Technologies	Term Loan (11.75% cash (Libor + 11.25%; Floor	2,083	2,060	2,060
		11.75%; Ceiling 13.25%), 4.00% ETP, Due 7/1/18)			
		Term Loan (11.75% cash (Libor + 11.25%; Floor	2,500	2,470	2,470

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		11.75%; Ceiling 13.25%), 4.00% ETP, Due 1/1/19)			
Gwynnie Bee, Inc. (2)	Consumer-related Technologies	Term Loan (11.00% cash (Libor + 10.50%; Floor 11.00%; Ceiling 12.50%), 2.00% ETP, Due 11/1/17)	1,067	1,051	1,051
		Term Loan (11.00% cash (Libor + 10.50%; Floor 11.00%; Ceiling 12.50%), 2.00% ETP, Due 2/1/18)	633	620	620
		Term Loan (11.00% cash (Libor + 10.50%; Floor 11.00%; Ceiling 12.50%), 2.00% ETP, Due 4/1/18)	700	689	689
Rhapsody International, Inc. (2)	Consumer-related Technologies	Term Loan (11.00% cash (Libor + 10.50%; Floor 11.00%), 3.00% ETP, Due 10/1/19)	7,500	7,306	7,306
SavingStar, Inc. (2)	Consumer-related Technologies	Term Loan (10.90% cash (Libor + 10.40%; Floor 10.90%), 3.00% ETP, Due 6/1/19)	3,000	2,952	2,952
		Term Loan (10.90% cash (Libor + 10.40%; Floor 10.90%), 3.00% ETP, Due 3/1/20)	2,000	1,960	1,960
MediaBrix, Inc. (2)	Internet and Media	Term Loan (11.50% cash (Libor + 11.00%; Floor 11.50%), 3.00% ETP, Due 1/1/20)	4,000	3,960	3,960
Zinio Holdings, LLC (2)	Internet and Media	Term Loan (11.75% cash (Libor + 11.25%; Floor 11.75%), 4.00% ETP, Due 2/1/20)	4,000	3,962	3,962

See Notes to Consolidated Financial Statements

Horizon Technology Finance Corporation and Subsidiaries**Consolidated Schedule of Investments (Unaudited)****June 30, 2016****(Dollars in thousands)**

Portfolio Company (1)	Sector	Type of Investment (3)(4)(7)(9)(10)	Principal Amount	Cost of Investments (6)	Fair Value
The NanoSteel Company, Inc. (2)	Materials	Term Loan (10.00% cash (Libor + 9.50%; Floor 10.00%), 5.00% ETP, Due 7/1/19)	5,000	4,928	4,928
		Term Loan (10.00% cash (Libor + 9.50%; Floor 10.00%), 5.00% ETP, Due 7/1/19)	2,500	2,464	2,464
		Term Loan (10.00% cash (Libor + 9.50%; Floor 10.00%), 5.00% ETP, Due 7/1/19)	2,500	2,458	2,458
Nanocomp Technologies, Inc. (2)	Networking	Term Loan (11.50% cash, 3.00% ETP, Due 11/1/17)	524	520	520
		Term Loan (11.50% cash (Libor + 11.00%; Floor 11.50%), 3.00% ETP, Due 4/1/20)	3,000	2,944	2,944
Powerhouse Dynamics, Inc. (2)	Power Management	Term Loan (11.20% cash (Libor + 10.70%; Floor 11.20%), 3.00% ETP, Due 3/1/19)	2,500	2,463	2,463
Avalanche Technology, Inc. (2)	Semiconductors	Term Loan (10.00% cash (Libor + 9.25%; Floor 10.00%; Ceiling 11.75%), 2.40% ETP, Due 4/1/17)	1,044	1,041	1,041
		Term Loan (10.00% cash (Libor + 9.25%; Floor 10.00%; Ceiling 11.75%), 2.40% ETP, Due 10/1/18)	1,700	1,695	1,695
		Term Loan (10.00% cash (Libor + 9.25%; Floor 10.00%; Ceiling 11.75%), 2.00% ETP, Due 2/1/19)	1,905	1,867	1,867
InVisage Technologies, Inc. (2)	Semiconductors	Term Loan (12.00% cash (Libor + 11.50%; Floor	1,955	1,913	1,913

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		12.00%; Ceiling 14.00%), 2.50% ETP, Due 12/31/16)			
		Term Loan (12.00% cash (Libor + 11.50%; Floor 12.00%; Ceiling 14.00%), 2.50% ETP, Due 12/31/16)	822	811	811
Luxtera, Inc. (2)	Semiconductors	Term Loan (10.25% cash (Libor + 9.75%; Floor 10.25%; Ceiling 12.25%), 13.00% ETP, Due 7/1/17)	1,140	1,126	1,126
		Term Loan (10.25% cash (Libor + 9.75%; Floor 10.25%; Ceiling 12.25%), 13.00% ETP, Due 7/1/17)	636	634	634
		Term Loan (9.00% cash (Libor + 8.50%; Floor 9.00%), 4.50% ETP, Due 12/1/18)	833	829	829
		Term Loan (9.00% cash (Libor + 8.50%; Floor 9.00%), 4.50% ETP, Due 12/1/18)	833	828	828
		Term Loan (9.50% cash (Libor + 9.00%; Floor 9.50%), 4.50% ETP, Due 11/1/19)	2,000	1,989	1,989
Xtera Communications, Inc. (5)	Semiconductors	Term Loan (12.50% cash, 17.50% ETP, Due 7/31/16)	3,056	3,047	3,047
		Term Loan (12.50% cash, 17.50% ETP, Due 7/31/16)	849	847	847
Bridge2 Solutions, Inc.	Software	Term Loan (11.50% cash (Libor + 11.00%; Floor 11.50%; Ceiling 14.50%), 2.00% ETP, Due 7/1/19)	4,000	3,971	3,971
		Term Loan (11.50% cash (Libor + 11.00%; Floor 11.50%; Ceiling 14.50%), 2.00% ETP, Due 1/1/20)	1,000	996	996
ControlScan, Inc. (2)	Software	Term Loan (10.70% cash (Libor + 10.25%), 3.00% ETP, Due 7/1/20)	4,500	4,406	4,406
Crowdstar, Inc. (2)	Software	Term Loan (10.75% cash (Libor + 10.25%; Floor 10.75%), 3.00% ETP, Due 9/1/18)	1,636	1,616	1,616
Decisyon, Inc. (2)	Software	Term Loan (12.78% cash (Libor + 12.308%; Floor 12.50%), 6.50% ETP, Due 10/1/17)	1,523	1,520	1,434
		Term Loan (12.78% cash (Libor + 12.308%; Floor 12.50%), 6.50% ETP, Due 1/1/18)	833	703	663
Digital Signal Corporation	Software	Term Loan (10.72% cash (Libor + 10.25%; Floor 10.43%), 5.00% ETP, Due 7/1/19)	1,500	1,463	1,214
			1,500	1,463	1,214

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		Term Loan (10.72% cash (Libor + 10.25%; Floor 10.43%), 5.00% ETP, Due 7/1/19)			
Education Elements, Inc. (2)	Software	Term Loan (10.50% cash (Libor + 10.00%; Floor 10.50%), 4.00% ETP, Due 1/1/19)	2,000	1,973	1,973
		Term Loan (10.50% cash (Libor + 10.00%; Floor 10.50%), 4.00% ETP, Due 8/1/19)	1,500	1,474	1,474
Netuitive, Inc.	Software	Term Loan (12.72% cash (Libor + 12.25%; Floor 12.50%), 3.33% ETP, Due 9/1/17)	663	662	662
Nomi Corporation (11)	Software	Term Loan (10.62% cash (Libor + 10.15%; Floor 10.35%), 2.00% ETP, Due 1/1/20)	3,184	3,148	850
		Term Loan (10.62% cash (Libor + 10.15%; Floor 10.35%), 2.00% ETP, Due 1/1/20)	3,184	3,148	850
ScoreBig, Inc. (2)	Software	Term Loan (10.50% cash (Libor + 10.00%; Floor 10.50%), 4.00% ETP, Due 4/1/19)	3,403	3,327	3,327
		Term Loan (10.50% cash (Libor + 10.00%; Floor 10.50%), 4.00% ETP, Due 4/1/19)	3,403	3,357	3,357
		Term Loan (10.50% cash (Libor + 10.00%; Floor 10.50%), 4.00% ETP, Due 4/1/19)	2,000	1,948	1,948

See Notes to Consolidated Financial Statements

Horizon Technology Finance Corporation and Subsidiaries**Consolidated Schedule of Investments (Unaudited)****June 30, 2016****(Dollars in thousands)**

Portfolio Company (1)	Sector	Type of Investment (3)(4)(7)(9)(10)	Principal Amount	Cost of Investments (6)	Fair Value
SIGNiX, Inc. (2)	Software	Term Loan (10.50% cash (Libor + 4.00% ETP, Due 3/1/20) 11.00%; Floor 11.50%), Due 8/1/18)	2,600	2,524	2,235
SilkRoad Technology, Inc. (2)	Software	Term Loan (10.85% cash (Libor + 10.35%; Floor 10.85%; Ceiling 12.85%), 3.00% ETP, Due 6/1/19)	7,500	7,445	7,445
Skyword, Inc.	Software	Term Loan (11.45% cash (Libor + 10.95%; Floor 11.45%), 3.00% ETP, Due 8/1/19)	4,000	3,934	3,934
Social Intelligence Corp. (2)	Software	Term Loan (11.00% cash (Libor + 10.50%; Floor 11.00%; Ceiling 13.00%), 3.50% ETP, Due 12/1/17)	484	473	467
Sys-Tech Solutions, Inc. (2)	Software	Term Loan (11.65% cash (Libor + 11.15%; Floor 11.65%; Ceiling 12.65%), 4.50% ETP, Due 3/1/18)	4,000	3,976	3,976
		Term Loan (11.65% cash (Libor + 11.15%; Floor 11.65%; Ceiling 12.65%), 9.00% ETP, Due 5/1/18)	3,667	3,640	3,640
VBrick Systems, Inc. (2)	Software	Term Loan (11.50% cash (Libor + 11.00%; Floor 11.50%; Ceiling 13.50%), 5.00% ETP, Due 7/1/17)	1,300	1,291	1,291
Vidsys, Inc. (2)	Software	Term Loan (13.00% cash, 7.58% ETP, Due 12/1/17)	2,770	2,770	2,770
xTech Holdings, Inc. (2)	Software	Term Loan (11.00% cash (Libor + 10.50%; Floor 11.00%), 3.00% ETP, Due 4/1/19)	1,833	1,808	1,808

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		Term Loan (11.00% cash (Libor + 10.50%; Floor 11.00%), 3.00% ETP, Due 3/1/20)	2,000	1,966	1,966
Total Debt Investments — Technology				133,846	128,331
Debt Investments — Cleantech — 6.1% (8)					
Renmatix, Inc. (2)	Alternative Energy	Term Loan (10.25% cash, Due 10/1/16)	684	684	684
Rypos, Inc. (2)	Energy Efficiency	Term Loan (12.02% cash, 4.25% ETP, Due 6/1/17)	1,995	1,978	1,978
		Term Loan (12.02% cash, 4.25% ETP, Due 1/1/18)	852	841	841
Lehigh Technologies, Inc. (2)	Waste Recycling	Term Loan (10.19% cash (Libor + 9.72%), 6.75% ETP, Due 8/1/19)	3,000	2,964	2,964
		Term Loan (10.19% cash (Libor + 9.72%), 6.75% ETP, Due 8/1/19)	3,000	2,978	2,978
Total Debt Investments — Cleantech				9,445	9,445
Debt Investments — Healthcare information and services — 25.2% (8)					
Interleukin Genetics, Inc. (2)(5)	Diagnostics	Term Loan (9.00% cash (Libor + 8.50%; Floor 9.00%) 4.50% ETP, Due 10/1/18)	4,500	4,403	4,156
LifePrint Group, Inc. (2)	Diagnostics	Term Loan (11.00% cash (Libor + 10.50%; Floor 11.00%; Ceiling 12.50%), 3.00% ETP, Due 1/1/18)	1,800	1,775	1,775
Watermark Medical, Inc. (2)	Other Healthcare	Term Loan (10.00% cash (Libor + 9.50%; Floor 10.00%; Ceiling 11.00%); 4.00% ETP, Due 4/1/18)	3,208	3,203	3,203
		Term Loan (10.00% cash (Libor + 9.50%; Floor 10.00%; Ceiling 11.00%); 4.00% ETP, Due 4/1/18)	3,208	3,203	3,203
		Term Loan (10.00% cash (Libor + 9.50%; Floor 10.00%; Ceiling 11.00%); 4.00% ETP, Due 4/1/18)	1,250	1,248	1,248
MedAvante, Inc. (2)	Software	Term Loan (9.75% cash (Libor + 9.25%; Floor 9.75%), 4.00% ETP, Due 1/1/19)	3,000	2,964	2,964
		Term Loan (9.75% cash (Libor + 9.25%; Floor 9.75%), 4.00% ETP, Due 1/1/19)	3,000	2,964	2,964
		Term Loan (9.75% cash (Libor + 9.25%; Floor 9.75%; Floor 9.25%)	4,000	3,943	3,943

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Medsphere Systems Corporation (2)	Software	9.75%), 4.00% ETP, Due 7/1/19) Term Loan (10.50% cash (Libor + 10.00%; Floor	5,000	4,933	4,933
		10.50%), 7.00% ETP, Due 7/1/19) Term Loan (10.50% cash (Libor + 10.00%; Floor	2,500	2,466	2,466
Recondo Technology, Inc. (2)	Software	10.50%), 7.00% ETP, Due 7/1/19) Term Loan (11.50% cash (Libor + 11.00%; Floor	1,038	1,035	1,035
		11.50%), 6.60% ETP, Due 12/1/17) Term Loan (11.00% cash (Libor + 10.50%; Floor	1,875	1,870	1,870
		11.00%), 4.50% ETP, Due 12/1/17) Term Loan (10.50% cash (Libor + 10.00%; Floor	1,875	1,872	1,872
		10.50%), 2.75% ETP, Due 12/1/17) Term Loan (10.50% cash (Libor + 10.00%; Floor	3,000	2,971	2,971
		10.50%), 2.50% ETP, Due 1/1/19)			
Total Debt Investments — Healthcare information and services				38,850	38,603
Total Debt Investments				232,725	226,963

See Notes to Consolidated Financial Statements

Horizon Technology Finance Corporation and Subsidiaries**Consolidated Schedule of Investments (Unaudited)****June 30, 2016****(Dollars in thousands)**

Portfolio Company (1)	Sector	Type of Investment (3)(4)(7)(9)(10)	Cost of Investments (6)	Fair Value
Warrant Investments — 3.3% (8)				
Warrants — Life Science — 0.2%				
(8)				
ACT Biotech Corporation	Biotechnology	1,521,820 Preferred Stock Warrants	83	—
Argos Therapeutics, Inc. (2)(5)	Biotechnology	33,112 Common Stock Warrants	33	4
Celsion Corporation (5)	Biotechnology	5,708 Common Stock Warrants	15	—
Inotek Pharmaceuticals Corporation (5)	Biotechnology	28,204 Common Stock Warrants	17	43
New Haven Pharmaceuticals, Inc. (2)	Biotechnology	103,982 Preferred Stock Warrants	88	1
Nivalis Therapeutics, Inc. (5)	Biotechnology	18,534 Common Stock Warrants	122	—
Ocera Therapeutics, Inc. (2)(5)	Biotechnology	6,491 Common Stock Warrants	6	—
Palatin Technologies, Inc. (2)(5)	Biotechnology	608,058 Common Stock Warrants	51	—
Revanche Therapeutics, Inc. (5)	Biotechnology	34,377 Common Stock Warrants	68	47
Sample6, Inc. (2)	Biotechnology	351,018 Preferred Stock Warrants	45	30
Sunesis Pharmaceuticals, Inc. (5)	Biotechnology	12,302 Common Stock Warrants	5	—
AccuVein Inc. (2)	Medical Device	75,769 Preferred Stock Warrants	24	28
Direct Flow Medical, Inc.	Medical Device	176,922 Preferred Stock Warrants	144	—
EnteroMedics, Inc. (5)	Medical Device	9,402 Common Stock Warrants	347	—
IntegenX, Inc. (2)	Medical Device	170,646 Preferred Stock Warrants	34	25
Lantos Technologies, Inc. (2)	Medical Device	1,287,817 Preferred Stock Warrants	38	40
Mederi Therapeutics, Inc. (2)	Medical Device	248,736 Preferred Stock Warrants	26	38
Mitralign, Inc. (2)	Medical Device	641,909 Preferred Stock Warrants	52	36
NinePoint Medical, Inc. (2)	Medical Device	566,038 Preferred Stock Warrants	33	32
OraMetrix, Inc. (2)	Medical Device	812,348 Preferred Stock Warrants	78	—
Tryton Medical, Inc. (2)	Medical Device	122,362 Preferred Stock Warrants	15	10
ViOptix, Inc.	Medical Device	375,763 Preferred Stock Warrants	13	—
Total Warrants — Life Science			1,337	334
Warrants — Technology — 2.5% (8)				
Ekahau, Inc. (2)	Communications	978,261 Preferred Stock Warrants	33	19

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OpenPeak, Inc.	Communications	18,997 Common Stock Warrants	89	—
Additech, Inc. (2)	Consumer-related Technologies	150,000 Preferred Stock Warrants	33	26
Everyday Health, Inc. (5)	Consumer-related Technologies	43,783 Common Stock Warrants	69	8
Gwynnie Bee, Inc. (2)	Consumer-related Technologies	268,591 Preferred Stock Warrants	68	689
If(we), Inc.	Consumer-related Technologies	190,868 Preferred Stock Warrants	27	61
Rhapsody International Inc. (2)	Consumer-related Technologies	852,273 Common Stock Warrants	164	146
SavingStar, Inc. (2)	Consumer-related Technologies	98,860 Preferred Stock Warrants	59	57
XIOtech, Inc.	Data Storage	2,217,979 Preferred Stock Warrants	22	—
SimpleTuition, Inc.	Internet and media	189,573 Preferred Stock Warrants	63	64
The NanoSteel Company, Inc. (2)	Materials	147,424 Preferred Stock Warrants	93	88
IntelePeer, Inc.	Networking	141,549 Common Stock Warrants	39	26
Nanocomp Technologies, Inc. (2)	Networking	681,819 Preferred Stock Warrants	54	48
Aquion Energy, Inc.	Power Management	115,051 Preferred Stock Warrants	7	60
Powerhouse Dynamics, Inc. (2)	Power Management	290,698 Preferred Stock Warrants	28	27
Avalanche Technology, Inc. (2)	Semiconductors	202,602 Preferred Stock Warrants	101	41
eASIC Corporation (2)	Semiconductors	40,445 Preferred Stock Warrants	25	27
InVisage Technologies, Inc. (2)	Semiconductors	395,009 Preferred Stock Warrants	48	43
Kaminario, Inc.	Semiconductors	1,087,203 Preferred Stock Warrants	59	61
Luxtera, Inc.(2)	Semiconductors	2,508,671 Preferred Stock Warrants	49	100
Soraa, Inc. (2)	Semiconductors	180,000 Preferred Stock Warrants	80	411
Xtera Communications, Inc. (5)	Semiconductors	37,831 Common Stock Warrants	205	—
Bolt Solutions Inc. (2)	Software	202,892 Preferred Stock Warrants	113	109
Bridge2 Solutions, Inc.	Software	75,458 Common Stock Warrants	18	333
Clarabridge, Inc.	Software	53,486 Preferred Stock Warrants	14	81
ControlScan, Inc. (2)	Software	2,295,918 Preferred Stock Warrants	19	19
Crowdstar, Inc. (2)	Software	75,428 Preferred Stock Warrants	14	11
Decisyon, Inc. (2)	Software	82,967 Common Stock Warrants	46	—
Digital Signal Corporation	Software	85,308 Common Stock Warrants	32	—
Education Elements, Inc. (2)	Software	238,122 Preferred Stock Warrants	28	22
Lotame Solutions, Inc. (2)	Software	288,115 Preferred Stock Warrants	22	267
Netuitive, Inc.	Software	41,569 Common Stock Warrants	48	—
Nomi Corporation	Software	2,535,864 Preferred Stock Warrants	—	—
Riv Data Corp. (2)	Software	237,361 Preferred Stock Warrants	12	10
ScoreBig, Inc. (2)	Software	879,014 Preferred Stock Warrants	88	45
SIGNiX, Inc. (2)	Software	72,166 Preferred Stock Warrants	88	85
Skyword, Inc.	Software	301,056 Preferred Stock Warrants	48	46
SpringCM, Inc. (2)	Software	2,385,686 Preferred Stock Warrants	55	118

See Notes to Consolidated Financial Statements

Horizon Technology Finance Corporation and Subsidiaries**Consolidated Schedule of Investments (Unaudited)****June 30, 2016****(Dollars in thousands)**

Portfolio Company (1)	Sector	Type of Investment (3)(4)(7)(9)(10)	Cost of Investments (6)	Fair Value
Sys-Tech Solutions, Inc.	Software	375,000 Preferred Stock Warrants	242	555
Vidsys, Inc.	Software	85,399 Preferred Stock Warrants	23	21
Visage Mobile, Inc.	Software	1,692,047 Preferred Stock Warrants	19	—
xTech Holdings, Inc. (2)	Software	158,730 Preferred Stock Warrants	43	43
Total Warrants — Technology			2,387	3,768
Warrants — Cleantech — 0.1% (8)				
Renmatix, Inc.	Alternative Energy	53,022 Preferred Stock Warrants	68	—
Semprius, Inc.	Alternative Energy	519,981 Preferred Stock Warrants	25	20
Rypos, Inc. (2)	Energy Efficiency	5,627 Preferred Stock Warrants	44	21
Tigo Energy, Inc. (2)	Energy Efficiency	804,604 Preferred Stock Warrants	100	108
Lehigh Technologies, Inc. (2)	Waste Recycling	272,727 Preferred Stock Warrants	33	32
Total Warrants — Cleantech			270	181
Warrants — Healthcare information and services — 0.5% (8)				
Accumetrics, Inc.	Diagnostics	100,928 Preferred Stock Warrants	107	63
Candescent Health, Inc. (2)	Diagnostics	519,991 Preferred Stock Warrants	378	—
Helomics Corporation	Diagnostics	13,461 Common Stock Warrants	73	—
Interleukin Genetics, Inc. (2)(5)	Diagnostics	2,492,523 Common Stock Warrants	112	88
LifePrint Group, Inc. (2)	Diagnostics	49,000 Preferred Stock Warrants	29	1
ProterixBio, Inc. (2)	Diagnostics	3,156 Common Stock Warrants	54	—
Singulex, Inc.	Other Healthcare	293,632 Preferred Stock Warrants	44	44
Verity Solutions Group, Inc.	Other Healthcare	300,360 Preferred Stock Warrants	100	35
Watermark Medical, Inc. (2)	Other Healthcare	27,373 Preferred Stock Warrants	74	61
MedAvante, Inc. (2)	Software	114,285 Preferred Stock Warrants	66	64
Medsphere Systems Corporation (2)	Software	7,097,791 Preferred Stock Warrants	60	194
Recondo Technology, Inc. (2)	Software	556,796 Preferred Stock Warrants	95	193
Total Warrants — Healthcare information and services			1,192	743
Total Warrants			5,186	5,026

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Other Investments — 0.4% (8)				
ZetrOZ, Inc.	Medical Device	Royalty Agreement	375	400
Vette Technology, LLC	Data Storage	Royalty Agreement Due 4/18/2019	4,375	200
Total Other Investments			4,750	600
Equity — 0.4% (8)				
Insmed Incorporated (5)	Biotechnology	33,208 Common Stock	238	328
Revance Therapeutics, Inc.(5)	Biotechnology	4,861 Common Stock	73	66
Sunesis Pharmaceuticals, Inc. (5)	Biotechnology	78,493 Common Stock	83	43
SnagAJob.com, Inc.	Consumer-related Technologies	82,974 Common Stock	9	83
Decisyon, Inc.	Software	3,573,173 Common Stock	157	157
Total Equity			560	677
Total Portfolio Investment				
Assets — 152.2%			\$ 243,221	\$ 233,266

(1) All investments of the Company are in entities which are organized under the laws of the United States and have a principal place of business in the United States.

(2) Has been pledged as collateral under the Key Facility.

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

(4) All interest is payable in cash due monthly in arrears, unless otherwise indicated, and applies only to the Company's debt investments. Interest rate is the annual interest rate on the debt investment and does not include end-of-term payments ("ETPs") and any additional fees related to the investments, such as deferred interest, commitment fees or prepayment fees. All debt investments are at fixed rates for the term of the debt investment, unless otherwise indicated. Debt investments based on LIBOR are based on one-month LIBOR. For each debt investment, the current interest rate in effect as of June 30, 2016 is provided.

(5) Portfolio company is a public company.

(6) For debt investments, represents principal balance less unearned income.

(7) Warrants, Equity and Other Investments are non-income producing.

(8) Value as a percent of net assets.

(9) The Company did not have any non-qualifying assets under Section 55(a) of the Investment Company Act of 1940, as amended (the "1940 Act"), as of June 30, 2016. Under the 1940 Act, the Company may not acquire any non-qualifying assets unless, at the time the acquisition is made, qualifying assets represent at least 70% of the Company's total assets.

(10) ETPs are contractual fixed-interest payments due in cash at the maturity date of the applicable debt investment, including upon any prepayment, and are a fixed percentage of the original principal balance of the debt investments unless otherwise noted. Interest will accrue during the life of the debt investment on each ETP and will be recognized as non-cash income until it is actually paid. Therefore, a portion of the incentive fee the

Company may pay its Advisor will be based on income that the Company has not yet received in cash.

(11)Debt investment is on non-accrual status at June 30, 2016.

See Notes to Consolidated Financial Statements

Horizon Technology Finance Corporation and Subsidiaries

Consolidated Schedule of Investments (Unaudited)

December 31, 2015

(Dollars in thousands)

Portfolio Company (1)	Sector	Type of Investment (3)(4)(7)(9)(10)	Principal Amount	Cost of Investments (6)	Fair Value
Debt Investments — 151.6 % (8)					
Debt Investments — Life Science — 36.6% (8)					
Argos Therapeutics, Inc. (2)(5)	Biotechnology	Term Loan (9.25% cash (Libor + 8.75%; Floor 9.25%; Ceiling 10.75%), 5.00% ETP, Due 10/1/18)	\$ 5,000	\$ 4,944	\$4,944
		Term Loan (9.25% cash (Libor + 8.75%; Floor 9.25%; Ceiling 10.75%), 5.00% ETP, Due 3/1/19)	5,000	4,954	4,954
New Haven Pharmaceuticals, Inc. (2)	Biotechnology	Term Loan (11.50% cash (Libor + 11.00%; Floor 11.50%), 11.42% ETP, Due 3/1/19)	1,301	1,293	1,293
		Term Loan (11.50% cash (Libor + 11.00%; Floor 11.50%), 11.42% ETP, Due 3/1/19)	434	431	431
		Term Loan (10.50% cash (Libor + 10.00%; Floor 10.50%), 6.10% ETP, Due 3/1/19)	2,000	1,987	1,987
		Term Loan (10.00% cash (Libor + 9.50%; Floor 10.00%), 4.00% ETP, Due 4/1/19)	6,265	6,190	6,190
Palatin Technologies, Inc. (2)(5)	Biotechnology	Term Loan (9.00% cash (Libor + 8.50%; Floor 9.00%), 5.00% ETP, Due 1/1/19)	5,000	4,939	4,939
		Term Loan (9.00% cash (Libor + 8.50%; Floor 9.00%), 5.00% ETP, Due 8/1/19)	5,000	4,937	4,937
Sample6, Inc. (2)	Biotechnology	Term Loan (9.50% cash (Libor + 9.00%; Floor 9.50%; Ceiling 11.00%), 4.00% ETP, Due 4/1/18)	1,555	1,550	1,550

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		Term Loan (9.50% cash (Libor + 9.00%; Floor 9.50%; Ceiling 11.00%), 4.00% ETP, Due 4/1/18)	945	940	940
		Term Loan (9.50% cash (Libor + 9.00%; Floor 9.50%; Ceiling 11.00%), 4.00% ETP, Due 4/1/18)	2,500	2,481	2,481
Sunesis Pharmaceuticals, Inc. (2)(5)	Biotechnology	Term Loan (8.95% cash, 4.65% ETP, Due 10/1/16)	545	544	544