Accenture plc
Form 4
August 07, 2015

FORM 4

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

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL	
OMB Number:	3235-0287
Expires:	January 31, 2005
Estimated average burden hours per response...	0.5

(Print or Type Responses)

1. Name and Address of Reporting Person *
CLARK RICHARD P

(Last) (First) (Middle)

161 N. CLARK STREET, C/O ACCENTURE

(Street)

CHICAGO, IL 60601

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
Accenture plc [ACN]

3. Date of Earliest Transaction (Month/Day/Year)
08/05/2015

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Chief Accounting Officer

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Class A ordinary shares	08/05/2015		A		195 (1)	A	$ 104.73	17,202	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
CLARK RICHARD P 161 N. CLARK STREET C/O ACCENTURE CHICAGO, IL 60601			Chief Accounting Officer	

Signatures

/s/ Danika Haueisen, Attorney-In-Fact for Richard P. Clark	08/07/2015
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Purchase of Accenture plc Class A ordinary shares from Accenture pursuant to the Accenture Leader Voluntary Equity Investment Program.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number.

; 10/31/14 2/19/15 3/16/15 $0.115 $1,096 751 $11 10/31/14 1/20/15 2/13/15 0.115 1,094 956 12 10/31/
Ended December 31, 2013
11/1/13 2/17/14 3/17/14 $0.115 $1,062 3,444 $44 11/1/13 1/20/14 2/14/14 0.115 1,058 3,249 47

On July 29, 2015, the Board declared monthly distributions per share, payable as set forth in the following table.

Record Dates	Payment Dates	Distributions Declared
November 19, 2015	December 15, 2015	$ 0.115
October 20, 2015	November 16, 2015	$ 0.115
September 18, 2015	October 15, 2015	$ 0.115

After paying second quarter distributions of $0.345 per share and earning $0.25 per share for the second quarter, the Company s undistributed spillover income as of June 30, 2015 was $0.22 per share. Spillover income includes any ordinary income and net capital gains from the preceding years that were not distributed during such years.

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Horizon Technology Finance Corporation and Subsidiaries

Notes to Consolidated Financial Statements

Note 10. Subsequent Events

On July 24, 2015, the Company exited its debt investment in Raydiance, Inc. (Raydiance). The Company received net proceeds of $4.9 million from the sale of substantially all of the assets of Raydiance which amount was equal to the fair value of this debt investment as of June 30, 2015 and therefore, we expect no further impact to net asset value in future periods.

Note 11. Financial highlights

The following table shows financial highlights for the Company:

	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
	(In thousands, except share and per share data)	
Per share data:		
Net asset value at beginning of period	$14.36	$14.14
Net investment income	0.54	0.45
Realized loss on investments	(0.02)	(0.68)
Unrealized appreciation on investments		1.01
Net increase in net assets resulting from operations	0.52	0.78
Net dilution from issuance of common stock	(0.18)	
Distributions declared[1]	(0.69)	(0.69)
From net investment income	(0.69)	(0.69)
From net realized gain on investments		
Return of capital		
Other[2]	(0.02)	
Net asset value at end of period	$13.99	$14.23
Per share market value, beginning of period	$13.99	$14.21
Per share market value, end of period	$12.68	$14.62
Total return based on a market value[3]	(4.4)%	7.7%
Shares outstanding at end of period	11,635,480	9,621,636
Ratios to average net assets:		
Expenses without incentive fees[5]	8.8%[4]	16.7%[4]
Incentive fees	1.9%[4]	0.6%[4]
Net expenses[5]	10.7%[4]	17.3%[4]

Net investment income with incentive fees[5]	7.5	%[4]	6.3	%[4]
Net assets at the end of the period	$162,802		$136,935	
Average net asset value	$155,354		$136,850	
Average debt per share	$7.05		$12.11	
Portfolio turnover ratio	35.6	%	20.3	%

(1) Distributions are determined based on taxable income calculated in accordance with income tax regulations, which may differ from amounts determined under GAAP due to (i) changes in unrealized appreciation and depreciation, (ii) temporary and permanent differences in income and expense recognition, and (iii) the amount of spillover income carried over from a given year for distribution in the following year. The final determination of taxable income for each tax year, as well as the tax attributes for distributions in such tax year, will be made after the close of the tax year.

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Notes to Consolidated Financial Statements

Note 11. Financial highlights - (continued)

(2) Includes the impact of the different share amounts as a result of calculating per share data based on the weighted average basic shares outstanding during the period and certain per share data based on the shares outstanding as of a period end or transaction date.

(3) The total return equals 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.

(4) Annualized.

(5) During the six months ended June 30, 2015, the Advisor waived $0.1 million of base management fee. Had this expense not been waived, the ratio of expenses without incentive fee to average net assets, the ratio of total expenses to average net assets and the ratio of net investment income with incentive fee to average net assets would have been 8.9%, 10.7% and 7.4%, respectively. During the six months ended June 30, 2014, the Advisor waived $0.2 million of base management fee and $0.1 million of incentive fee. Had these expenses not been waived, the ratio of expenses without incentive fee to average net assets, the ratio of total expenses to average net assets and the ratio of net investment income with incentive fee to average net assets would have been 16.9%, 17.5% and 6.3%, respectively.

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Management s Report on Internal Control over Financial Reporting

Management of Horizon Technology Finance Corporation (the Company) is responsible for establishing and maintaining adequate internal control over the Company s financial reporting. The Company s internal control system is a process designed to provide reasonable assurance to management and the board of directors regarding the preparation and fair presentation of published financial statements.

The Company s internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions recorded necessary to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles. The Company s policies and procedures also provide reasonable assurance that receipts and expenditures are being made only in accordance with authorizations of management and the directors of the Company, and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company s assets that could have a material effect on the Company s financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness as to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company s internal control over financial reporting as of December 31, 2014. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control Integrated Framework issued in 1992. Based on the assessment, management believes that, as of December 31, 2014, the Company s internal control over financial reporting is effective based on those criteria.

The Company s independent registered public accounting firm that audited the financial statements has issued an audit report on the effectiveness of the Company s internal control over financial reporting as of December 31, 2014, which appears in this annual report on Form 10-K.

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders
Horizon Technology Finance Corporation

We have audited the accompanying consolidated statements of assets and liabilities, including the consolidated schedules of investments, of Horizon Technology Finance Corporation and Subsidiaries (the Company) as of December 31, 2014 and 2013, and the related consolidated statements of operations, changes in net assets, and cash flows for each of the three years in the period ended December 31, 2014. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of investments as of December 31, 2014 and 2013, by correspondence with custodians or borrowers or by other appropriate auditing procedures where replies from custodian or borrowers were not received. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Horizon Technology Finance Corporation and Subsidiaries as of December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Horizon Technology Finance Corporation and Subsidiaries internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 1992, and our report dated March 10, 2015 expressed an unqualified opinion on the effectiveness of Horizon Technology Finance Corporation s internal control over financial reporting.

/s/ McGladrey LLP

New Haven, Connecticut
March 10, 2015

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Report of Independent Registered Public Accounting Firm on
Internal Control over Financial Reporting

To the Board of Directors and Stockholders
Horizon Technology Finance Corporation

We have audited Horizon Technology Finance Corporation and Subsidiaries (the Company) internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 1992. The Company s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that *(a)* pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; *(b)* provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and *(c)* provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Horizon Technology Finance Corporation and Subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 1992.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of Horizon Technology Finance Corporation and Subsidiaries as of December 31, 2014 and 2013, and for each of the three years in the period ended December 31, 2014, and our report dated March 10, 2015 expressed an unqualified opinion.

/s/McGladrey LLP

New Haven, Connecticut
March 10, 2015

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Horizon Technology Finance Corporation and Subsidiaries

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

	December 31, 2014	December 31, 2013
Assets		
Non-affiliate investments at fair value (cost of $209,838 and $234,310, respectively) (Note 4)	$ 205,101	$ 221,284
Investment in money market funds	27	1,188
Cash	8,417	25,341
Restricted investments in money market funds	2,906	5,951
Interest receivable	4,758	4,240
Other assets	3,987	5,733
Total assets	$ 225,196	$ 263,737
Liabilities		
Borrowings (Note 6)	$ 81,753	$ 122,343
Distribution payable	3,322	3,315
Base management fee payable (Note 3)	356	439
Incentive fee payable (Note 3)	799	852
Other accrued expenses	718	953
Total liabilities	86,948	127,902
Commitments and Contingencies (Notes 7 and 8)		
Net assets		
Preferred stock, par value $0.001 per share, 1,000,000 shares authorized, zero shares issued and outstanding as of December 31, 2014 and 2013		
Common stock, par value $0.001 per share, 100,000,000 shares authorized, 9,628,124 and 9,608,949 shares outstanding as of December 31, 2014 and 2013, respectively	10	10
Paid-in capital in excess of par	155,240	154,975
Accumulated (distributed in excess of) undistributed net investment income	(1,102)	1,463
Net unrealized depreciation on investments	(4,737)	(13,026)
Net realized loss on investments	(11,163)	(7,587)
Total net assets	138,248	135,835
Total liabilities and net assets	$ 225,196	$ 263,737
Net asset value per common share	$ 14.36	$ 14.14

See Notes to Consolidated Financial Statements

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Horizon Technology Finance Corporation and Subsidiaries

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

	Year Ended December 31, 2014	2013	2012
Investment income			
Interest income on non-affiliate investments	$28,636	$31,904	$25,289
Fee income on non-affiliate investments	2,618	1,739	1,375
Total investment income	31,254	33,643	26,664
Expenses			
Interest expense	8,707	8,124	4,283
Base management fee(1) (Note 3)	4,410	5,209	4,208
Performance based incentive fee(1) (Note 3)	2,005	3,318	2,847
Administrative fee (Note 3)	1,113	1,169	1,082
Professional fees	3,074	1,464	1,027
General and administrative	1,068	848	990
Total expenses	20,377	20,132	14,437
Net investment income before excise tax	10,877	13,511	12,227
Provision for excise tax (Note 7)	(160)	(240)	(231)
Net investment income	10,717	13,271	11,996
Net realized and unrealized (loss) gain on investments			
Net realized (loss) gain on investments	(3,576)	(7,509)	108
Net unrealized appreciation (depreciation) on investments	8,289	(2,254)	(8,113)
Net realized and unrealized gain (loss) on investments	4,713	(9,763)	(8,005)
Net increase in net assets resulting from operations	$15,430	$3,508	$3,991
Net investment income per common share	$1.11	$1.38	$1.41
Net increase in net assets per common share	$1.60	$0.37	$0.47
Distributions declared per share	$1.38	$1.38	$2.15
Weighted average shares outstanding	9,621,011	9,583,257	8,481,604

(1) During the years ended December 31, 2014 and 2013, the Advisor waived $238 and $144 of base management fee, respectively. During the year ended December 31, 2014, the Advisor waived $107 of performance based incentive fee. Had these expenses not been waived, the base management fee for the years ended December 31, 2014 and 2013 would have been $4,648 and $5,353, respectively, and performance based incentive fee for the year ended December 31, 2014 would have been $2,112.

See Notes to Consolidated Financial Statements

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Horizon Technology Finance Corporation and Subsidiaries

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

	Common Stock		Paid-In Capital in Excess of Par	Accumulated Undistributed (distributions in excess of) Net Investment Income	Net Unrealized (Depreciation) Appreciation on Investments	Net Realized Gain (Loss) on Investments	Total Net Assets
	Shares	Amount					
Balance at December 31, 2011	7,636,532	$ 8	$ 124,512	$ 4,965	$ (2,659)	$ 3,058	$ 129,884
Issuance of common stock, net of offering costs[1]	1,909,000	2	29,523				29,525
Net increase in net assets resulting from operations				11,996 [2]	(8,113)	108	3,991
Issuance of common stock under dividend reinvestment plan	21,693		349				349
Distributions declared				(15,533)		(3,244)	(18,777)
Balance at December 31, 2012	9,567,225	10	154,384	1,428	(10,772)	(78)	144,972
Net increase in net assets resulting from operations				13,271 [2]	(2,254)	(7,509)	3,508
Issuance of common stock under dividend reinvestment plan	41,724		591				591
Distributions declared				(13,236)			(13,236)
Balance at December 31, 2013	9,608,949	10	154,975	1,463	(13,026)	(7,587)	135,835
Net increase in net assets resulting from operations				10,717 [2]	8,289	(3,576)	15,430
Issuance of common stock under dividend	19,175		265				265

reinvestment plan							
Distributions declared				(13,282)			(13,282)
Balance at December 31, 2014	9,628,124	$ 10	$ 155,240	$ (1,102)	$ (4,737)	$ (11,163)	$ 138,248

(1) On July 18, 2012, the Company completed a follow-on public offering of 1,909,000 shares (including 249,000 shares of common stock that was issued pursuant to the underwriters options to purchase additional shares) of its common stock at a public offering price of $16.20 per share. Total offering costs were $1.4 million.

(2) Net of excise tax.

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Horizon Technology Finance Corporation and Subsidiaries

Consolidated Statements of Cash Flow (In thousands)

	Year Ended December 31, 2014	2013	2012
Cash flows from operating activities:			
Net increase in net assets resulting from operations	$15,430	$3,508	$3,991
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	2,682	1,484	471
Net realized loss (gain) on investments	3,576	7,299	(82)
Net unrealized (appreciation) depreciation on investments	(8,289)	2,254	8,113
Purchase of investments	(95,335)	(88,362)	(138,907)
Principal payments received on investments	109,505	87,497	81,383
Proceeds from sale of investments	7,673	200	281
Changes in assets and liabilities:			
Net decrease in investments in money market funds	1,161	1,372	10,958
Net decrease (increase) in restricted investments in money market funds	3,045	(5,951)	
Decrease (increase) in interest receivable	89	237	(98)
Increase in end-of-term payments	(607)	(1,666)	(260)
Decrease in unearned income	(947)	(1,559)	(855)
(Increase) decrease in other assets	(936)	307	(93)
Decrease in other accrued expenses	(235)	(155)	(152)
(Decrease) increase in base management fee payable	(83)	37	72
Decrease in incentive fee payable	(53)	(3)	(911)
Net cash provided by (used in) operating activities	36,676	6,499	(36,089)
Cash flows from financing activities:			
Proceeds from shares sold, net of offering costs			29,525
Proceeds from issuance of 2019 Notes			33,000
Proceeds from issuance of Asset-Backed Notes		90,000	
Repayment of Asset-Backed Notes	(40,590)	(10,657)	
Distributions paid	(13,010)	(12,632)	(15,128)
Net decrease in borrowings		(46,020)	(8,551)
Debt issuance costs		(2,897)	(3,007)
Net cash (used in) provided by financing activities	(53,600)	17,794	35,839
Net (decrease) increase in cash	(16,924)	24,293	(250)
Cash:			
Beginning of period	25,341	1,048	1,298

End of period	$8,417	$25,341	$1,048
Supplemental disclosure of cash flow information:			
Cash paid for interest	$6,156	$6,707	$3,002
Supplemental non-cash investing and financing activities:			
Warrant investments received and recorded as unearned income	$835	$704	$1,998
Distribution payable	$3,322	$3,315	$3,301
End of term payments receivable	$3,785	$3,178	$1,512
Receivables resulting from sale of investments	$	$	$25
Reclassification of receivables to investments	$	$	$532

See Notes to Consolidated Financial Statements

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Horizon Technology Finance Corporation and Subsidiaries Consolidated Statements of Cash Flow (In thousands)

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Horizon Technology Finance Corporation and Subsidiaries

Consolidated Schedule of Investments December 31, 2014 (In thousands)

Portfolio Company[1]	Sector	Type of Investment[3][4][7][10][11]	Principal Amount	Cost of Investments[6]	Fair Value
Debt Investments 144.1%[8]					
Debt Investments Life Science 31.4%[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	$ 4,872	$4,872
Inotek Pharmaceuticals Corporation[2]	Biotechnology	Term Loan (11.00% cash, 3.00% ETP, Due 10/1/16)	2,795	2,777	2,777
New Haven Pharmaceuticals, Inc.[2]	Biotechnology	Term Loan (11.50% cash (Libor + 11.00%; Floor 11.50%), 6.50% ETP, Due 11/1/17)	1,301	1,292	1,292
		Term Loan (11.50% cash (Libor + 11.00%; Floor 11.50%), 6.50% ETP, Due 11/1/17)	434	431	431
		Term Loan (10.50% cash (Libor + 10.00%; Floor 10.50%), 4.00% ETP, Due 7/1/18)	2,000	1,967	1,967
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	4,919	4,919
Sample6, Inc.[2]	Biotechnology	)	1,555	1,548	1,548

		Term Loan (9.50% cash (Libor + 9.00%; Floor 9.50%; Ceiling 11.00%), 4.00% ETP, Due 4/1/18			
		Term Loan (9.50% cash (Libor + 9.00%; Floor 9.50%; Ceiling 11.00%), 4.00% ETP, Due 4/1/18)	945	912	912
Sunesis Pharmaceuticals, Inc.(2)(5)	Biotechnology	Term Loan (8.95% cash, 3.75% ETP, Due 10/1/15)	677	675	675
		Term Loan (9.00% cash, 3.75% ETP, Due 10/1/15)	1,016	1,008	1,008
Xcovery Holding Company, LLC(2)	Biotechnology	Term Loan (12.50% cash, Due 8/1/15)	292	292	292
		Term Loan (12.50% cash, Due 8/1/15)	459	459	459
		Term Loan (12.50% cash, Due 10/1/15)	101	101	101
Accuvein, Inc.(2)	Medical Device	Term Loan (10.40% cash (Libor + 9.90%; Floor 10.40%; Ceiling 11.90%), 5.00% ETP, Due 2/1/18)	4,000	3,956	3,956
		Term Loan (10.00% cash (Libor + 9.50%; Floor 10.00%; Ceiling 12.50%), 4.00% ETP, Due 7/1/18)	1,000	981	981
IntegenX Inc.(2)	Medical Device	Term Loan (10.75% cash (Libor + 10.25%; Floor 10.75%; Ceiling 12.75%), 3.50% ETP, Due 7/1/18)	3,750	3,685	3,685
Lantos Technologies, Inc.(2)	Medical Device	Term Loan (10.50% cash (Libor + 10.00%; Floor 10.50%; Ceiling 12.00%), 3.00% ETP, Due 2/1/18)	3,500	3,449	3,449
Mederi Therapeutics, Inc.(2)	Medical Device	Term Loan (10.75% cash (Libor +	3,000	2,969	2,969

		10.25%; Floor 10.75%; Ceiling 12.75%), 4.00% ETP, Due 7/1/17)			
		Term Loan (10.75% cash (Libor + 10.25%; Floor 10.75%; Ceiling 12.75%), 4.00% ETP, Due 7/1/17)	3,000	2,969	2,969
Tryton Medical, Inc.(2)	Medical Device	Term Loan (10.41% cash (Prime + 7.16%), 2.50% ETP, Due 9/1/16)	2,813	2,789	2,789

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Horizon Technology Finance Corporation and Subsidiaries

Consolidated Schedule of Investments December 31, 2014 (Continued) (In thousands)

Portfolio Company[1]	Sector	Type of Investment[3][4][7][10][11]	Principal Amount	Cost of Investments[6]	Fair Value
ZetrOZ, Inc.[2]	Medical Device	Term Loan (11.00% cash (Libor + 10.50%; Floor 11.00%; Ceiling 12.50%), 3.00% ETP, Due 4/1/18)	1,500	1,427	1,427
Total Debt Investments — Life Science				43,478	43,478
Debt Investments — Technology — 78.9%[9]					
Ekahau, Inc.[2]	Communications	Term Loan (11.75% cash, 2.50% ETP, Due 2/1/17)	1,279	1,267	1,267
		Term Loan (11.75% cash, 2.50% ETP, Due 2/1/17)	426	422	422
mBlox, Inc.[2]	Communications	Term Loan (11.50% cash (Libor + 11.00%; Floor 11.50%; Ceiling 13.00%), 2.5% ETP, Due 7/1/18)	5,000	4,967	4,967
		Term Loan (11.50% cash (Libor + 11.00%; Floor 11.50%; Ceiling 13.00%), 2.5% ETP, Due 7/1/18)	5,000	4,967	4,967
Overture Networks, Inc.[2]	Communications	Term Loan (10.75% cash, (Libor + 10.25%; Floor 10.75%), 5.75% ETP, Due 12/1/17)	4,104	4,071	4,071

		Term Loan (10.75% cash (Libor + 10.25%; Floor 10.75%), 5.75% ETP, Due 12/1/17)	2,052	2,038	2,038
Additech, Inc.(2)	Consumer-related Technologies	Term Loan (11.75% cash (Libor + 11.25%; Floor 11.75%; Ceiling 13.25%), 4.00% ETP, Due 7/1/18)	2,500	2,417	2,417
Gwynnie Bee, Inc.(2)	Consumer-related Technologies	Term Loan (11.00% cash (Libor + 10.50%; Floor 11.00%; Ceiling 12.50%), 2.0% ETP, Due 11/1/17)	2,000	1,966	1,966
		Term Loan (11.00% cash (Libor + 10.50%; Floor 11.00%; Ceiling 12.50%), 2.0% ETP, Due 2/1/18)	1,000	974	974
		Term Loan (11.00% cash (Libor + 10.50%; Floor 11.00%; Ceiling 12.50%), 2.0% ETP, Due 4/1/18)	1,000	980	980
Nanocomp Technologies, Inc.(2)	Networking	Term Loan (11.50% cash, 3.00% ETP, Due 11/1/17)	1,000	981	981
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)	1,983	1,972	1,972
		Term Loan (10.00% cash (Libor + 9.25%; Floor 10.00%; Ceiling 11.75%),2.40% ETP, Due 10/1/18)	2,246	2,179	2,179
eASIC Corporation(2)	Semiconductors	Term Loan (11.00% cash, 2.50% ETP, Due 4/1/17)	2,000	1,982	1,982
		Term Loan (10.75% cash, 2.50% ETP, Due 4/1/18)	2,000	1,983	1,983
	Semiconductors		2,550	2,469	2,469

InVisage Technologies, Inc.(2)		Term Loan (12.00% cash (Libor + 11.50%; Floor 12.00%; Ceiling 14.00%), 2.0% ETP, Due 4/1/18)			
Kaminario, Inc.(2)	Semiconductors	Term Loan (10.50% cash, 2.50% ETP, Due 11/1/16)	2,275	2,255	2,255
		Term Loan (10.50% cash, 2.50% ETP, Due 11/1/16)	2,275	2,255	2,255
Luxtera, Inc.(2)	Semiconductors	Term Loan (10.25% cash, 13.00% ETP, Due 7/1/17)	2,632	2,590	2,590
		Term Loan (10.25% cash, 13.00% ETP, Due 7/1/17)	1,469	1,462	1,462
NexPlanar Corporation(2)	Semiconductors	Term Loan (10.50% cash, 2.50% ETP, Due 12/1/16)	2,368	2,352	2,352

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Consolidated Schedule of Investments December 31, 2014 - (Continued) (In thousands)

Portfolio Company[1]	Sector	Type of Investment[3][4][7][10][11]	Principal Amount	Cost of Investments[6]	Fair Value
		Term Loan (10.50% cash, 2.50% ETP, Due 12/1/16)	1,579	1,564	1,564
Xtera Communications, Inc.[2]	Semiconductors	Term Loan (11.50% cash, 15.65% ETP, Due 1/1/17)	5,846	5,708	5,708
		Term Loan (11.50% cash, 21.75% ETP, Due 1/1/17)	1,624	1,584	1,584
Courion Corporation[2]	Software	Term Loan (11.45% cash, Due 10/1/15)	1,279	1,277	1,277
		Term Loan (11.45% cash, Due 10/1/15)	1,279	1,277	1,277
Crowdstar, Inc.[2]	Software	Term Loan (10.75% cash (Libor + 10.25%; Floor 10.75%), 3.00% ETP, Due 9/1/18)	2,000	1,956	1,956
Decisyon, Inc.[2]	Software	Term Loan (11.65% cash, 5.00% ETP, Due 9/1/16)	2,919	2,899	2,899
		Term Loan (11.65% cash, 5.00% ETP, Due 11/1/17)	1,000	986	986
Lotame Solutions, Inc.[2]	Software	Term Loan (11.50% cash (Libor + 11.00%; Floor 11.50%), 5.25% ETP, Due 9/1/17)	3,410	3,390	3,390
		Term Loan (11.50% cash (Libor + 11.00%;	1,500	1,491	1,491

		Floor 11.50%), 5.25% ETP, Due 9/1/17)			
		Term Loan (11.50% cash (Libor + 11.00%; Floor 11.50%), 3.00% ETP, Due 4/1/18)	2,100	2,070	2,070
Netuitive, Inc.(2)	Software	Term Loan (12.75% cash, Due 7/1/16)	1,717	1,707	1,707
Raydiance, Inc.(2)	Software	Term Loan (11.50% cash, 2.75% ETP, Due 9/1/16)	3,490	3,468	3,468
		Term Loan (11.50% cash, 2.75% ETP, Due 9/1/16)	698	688	688
		Term Loan (11.50% cash (Libor + 11.00%; Floor 11.50%; Ceiling 13.50%), 2.75% ETP, Due 2/1/18)	3,000	2,955	2,955
Razorsight Corporation(2)	Software	Term Loan (11.75% cash, 3.00% ETP, Due 11/1/16)	1,142	1,132	1,132
		Term Loan (11.75% cash, 3.00% ETP, Due 8/1/16)	1,000	990	990
		Term Loan (11.75% cash, 3.00% ETP, Due 7/1/17)	1,000	988	988
SIGNiX, Inc.(2)	Software	Term Loan (11.50% cash (Libor + 11.00%; Floor 11.50%), Due 7/1/18)	3,000	2,902	2,902
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)	1,500	1,477	1,477
SpringCM, Inc.(2)	Software	Term Loan (11.50% cash (Libor + 11.00%; Floor 11.50%; Ceiling 13.00%), 2.00% ETP, Due 1/1/18)	4,500	4,412	4,412
Sys-Tech Solutions, Inc.(2)	Software	Term Loan (11.65% cash (Libor + 11.15%; Floor 11.65%; Ceiling 12.65%), 4.50% ETP,	6,000	5,954	5,954

		Due 3/1/18)			
		Term Loan (11.65% cash (Libor + 11.15%; Floor 11.65%; Ceiling 12.65%), 9.00% ETP, Due 5/1/18)	5,000	4,952	4,952
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)	3,000	2,979	2,979
Vidsys, Inc.(2)	Software	Term Loan (11.00% cash, 7.58% ETP, Due 4/1/15)	3,000	2,993	2,993

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Consolidated Schedule of Investments December 31, 2014 - (Continued) (In thousands)

Portfolio Company[1]	Sector	Type of Investment[3][4][7][10][11]	Principal Amount	Cost of Investments[6]	Fair Value
Visage Mobile, Inc.[2]	Software	Term Loan (12.00% cash, 3.50% ETP, Due 9/1/16)	645	640	640
Total Debt Investments Technology				108,988	108,988
Debt Investments Cleantech 9.3%[8]					
Renmatix, Inc.[2]	Alternative Energy	Term Loan (10.25% cash, 3.00% ETP, Due 2/1/16)	1,148	1,145	1,145
		Term Loan (10.25% cash, 3.00% ETP, Due 2/1/16)	1,148	1,145	1,145
		Term Loan (10.25% cash, Due 10/1/16)	3,488	3,469	3,469
Semprius, Inc.[2][8]	Alternative Energy	Term Loan (10.25% cash, 2.50% ETP, Due 6/1/16)	2,432	2,432	2,250
Aurora Algae, Inc.[2]	Consumer-related Technologies	Term Loan (10.50% cash, 2.00% ETP, Due 5/1/15)	397	396	396
Rypos, Inc.[2]			2,670	2,643	2,643

	Energy Efficiency	Term Loan (11.80% cash, Due 1/1/17)			
		Term Loan (11.80% cash, Due 9/1/17)	1,000	986	986
Tigo Energy, Inc.(2)	Energy Efficiency	Term Loan (13.00% cash, 3.16% ETP, Due 6/1/15)	786	785	785
Total Debt Investments — Cleantech				13,001	12,819
Debt Investments — Healthcare information and services — 24.5%(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)	5,000	4,837	4,837
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)	3,000	2,949	2,747
Radisphere National Radiology Group, Inc.(2)	Diagnostics	Revolver (11.25% cash (Prime + 8.00%), Due 10/1/15)	10,092	10,053	10,053
Watermark Medical, Inc.(2)	Other Healthcare	Term Loan (12.00% cash, 4.00% ETP, Due 4/1/17)	3,500	3,473	3,473
		Term Loan (12.00% cash, 4.00% ETP, Due 4/1/17)	3,500	3,473	3,473
Recondo Technology, Inc.(2)	Software	Term Loan (11.50% cash (Libor + 11.00%; Floor 11.50%), 6.60%	1,384	1,379	1,379

	ETP, Due 12/1/17)			
	Term Loan (11.00% cash (Libor + 10.50%; Floor 11.00%), 4.50% ETP, Due 12/1/17)	2,500	2,490	2,490
	Term Loan (10.50% cash (Libor + 10.00%; Floor 10.50%), 2.75% ETP, Due 12/1/17)	2,500	2,490	2,490
	Term Loan (10.50% cash (Libor + 10.00%; Floor 10.50%), 2.50% ETP, Due 1/1/19)	3,000	2,953	2,953
Total Debt Investments Healthcare information and services			34,097	33,895
Total Debt Investments			199,564	199,180

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Consolidated Schedule of Investments December 31, 2014 - (Continued) (In thousands)

Portfolio Company[1]	Sector	Type of Investment[3][4][7][10][11]	Principal Amount	Cost of Investments[6]	Fair Value
Warrant Investments 3.4%[9]					
Warrants Life Science 0.6%[9]					
ACT Biotech Corporation	Biotechnology	1,521,820 Preferred Stock Warrants		83	
Argos Therapeutics, Inc.[2][5]	Biotechnology	16,556 Common Stock Warrants		33	31
Celsion Corporation[5]	Biotechnology	5,708 Common Stock Warrants		15	
Inotek Pharmaceuticals Corporation	Biotechnology	33,762 Preferred Stock Warrants		17	15
N30 Pharmaceuticals, Inc.	Biotechnology	53,550 Common Stock Warrants		122	
New Haven Pharmaceuticals, Inc.[2]	Biotechnology	55,347 Preferred Stock Warrants		42	136
Palatin Technologies, Inc.[2][5]	Biotechnology	333,333 Common Stock Warrants		31	31
Revance Therapeutics, Inc.[5]	Biotechnology	34,377 Common Stock Warrants		68	120
Sample6, Inc.[2]	Biotechnology	351,018 Preferred Stock Warrants		45	39
Supernus Pharmaceuticals, Inc.[2][5]	Biotechnology	42,083 Preferred Stock Warrants		93	165
Tranzyme, Inc.[2][5]	Biotechnology	6,460 Common Stock Warrants		6	
Accuvein, Inc.[2]	Medical Device	75,769 Preferred Stock Warrants		24	29
Direct Flow Medical, Inc.	Medical Device	176,922 Preferred Stock Warrants		144	40
EnteroMedics, Inc.[5]	Medical Device	141,026 Common Stock Warrants		347	
IntegenX, Inc.[2]	Medical Device	158,006 Preferred Stock Warrants		33	31

Lantos Technologies, Inc.[2]	Medical Device	858,545 Preferred Stock Warrants	24	23
Mederi Therapeutics, Inc.[2]	Medical Device	248,736 Preferred Stock Warrants	26	40
Mitralign, Inc.[2]	Medical Device	641,909 Preferred Stock Warrants	52	37
OraMetrix, Inc.[2]	Medical Device	812,348 Preferred Stock Warrants	78	
Tengion, Inc.[2][5]	Medical Device	1,864,876 Common Stock Warrants	123	
Tryton Medical, Inc.[2]	Medical Device	122,362 Preferred Stock Warrants	15	13
ViOptix, Inc.	Medical Device	375,763 Preferred Stock Warrants	13	
Zetroz, Inc.[2]	Medical Device	475,561 Preferred Stock Warrants	25	24
Total Warrants Life Science			1,459	774
Warrants Technology 2.2%[9]				
Ekahau, Inc.[2]	Communications	978,261 Preferred Stock Warrants	33	19
OpenPeak, Inc.	Communications	18,997 Common Stock Warrants	89	
Overture Networks, Inc.	Communications	385,617 Preferred Stock Warrants	56	
Additech, Inc.[2]	Consumer-related Technologies	150,000 Preferred Stock Warrants	33	33
Everyday Health, Inc.[5]	Consumer-related Technologies	43,783 Common Stock Warrants	69	179
Gwynnie Bee, Inc.[2]	Consumer-related Technologies	268,591 Preferred Stock Warrants	68	312
SnagAJob.com, Inc.	Consumer-related Technologies	365,396 Preferred Stock Warrants	23	305
Tagged, Inc.	Consumer-related Technologies	190,868 Preferred Stock Warrants	26	62
XIOtech, Inc.	Data Storage	2,217,979 Preferred Stock Warrants	22	18
Cartera Commerce, Inc.	Internet and media	90,909 Preferred Stock Warrants	16	159
SimpleTuition, Inc.	Internet and media	189,573 Preferred Stock Warrants	63	29
IntelePeer, Inc.	Networking	141,549 Preferred Stock Warrants	39	33
Nanocomp Technologies, Inc.[2]	Networking	272,728 Preferred Stock Warrants	25	24

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Portfolio Company[1]	Sector	Type of Investment[3][4][7][10][11]	Principal Amount	Cost of Investments[6]	Fair Value
Aquion Energy, Inc.	Power Management	115,051 Preferred Stock Warrants		7	56
Avalanche Technology, Inc.[2]	Semiconductors	352,828 Preferred Stock Warrants		101	98
eASIC Corporation[2]	Semiconductors	40,445 Preferred Stock Warrants		25	28
InVisage Technologies, Inc.[2]	Semiconductors	165,147 Preferred Stock Warrants		43	41
Kaminario, Inc.	Semiconductors	1,087,203 Preferred Stock Warrants		59	64
Luxtera, Inc.	Semiconductors	2,087,766 Preferred Stock Warrants		43	105
NexPlanar Corporation	Semiconductors	216,001 Preferred Stock Warrants		36	56
Soraa, Inc.[2]	Semiconductors	180,000 Preferred Stock Warrants		80	77
Xtera Communications, Inc.	Semiconductors	983,607 Preferred Stock Warrants		206	
Bolt Solutions, Inc.[2]	Software	202,892 Preferred Stock Warrants		113	118
Clarabridge, Inc.	Software	53,486 Preferred Stock Warrants		14	104
Courion Corporation	Software	772,543 Preferred Stock Warrants		107	
Crowdstar, Inc.[2]	Software	75,428 Preferred Stock Warrants		14	14
Decisyon, Inc.[2]	Software	457,876 Preferred Stock Warrants		46	28
DriveCam, Inc.	Software	71,639 Preferred Stock Warrants		20	121
Lotame Solutions, Inc.[2]	Software			23	160

		288,115 Preferred Stock Warrants		
Netuitive, Inc.	Software	41,569 Preferred Stock Warrants	48	
Raydiance, Inc.[2]	Software	1,051,120 Preferred Stock Warrants	71	67
Razorsight Corporation[2]	Software	259,404 Preferred Stock Warrants	43	44
SIGNiX, Inc.[2]	Software	63,365 Preferred Stock Warrants	48	48
Riv Data Corp.[2]	Software	237,361 Preferred Stock Warrants	13	12
SpringCM, Inc.[2]	Software	2,385,686 Preferred Stock Warrants	55	53
Sys-Tech Solutions, Inc.	Software	375,000 Preferred Stock Warrants	242	536
Vidsys, Inc.	Software	37,346 Preferred Stock Warrants	23	
Visage Mobile, Inc.	Software	1,692,047 Preferred Stock Warrants	19	17
Total Warrants Technology			2,061	3,020
Warrants Cleantech 0.1%[9]				
Renmatix, Inc.	Alternative Energy	52,296 Preferred Stock Warrants	67	67
Semprius, Inc.	Alternative Energy	519,981 Preferred Stock Warrants	25	
Rypos, Inc.[2]	Energy Efficiency	5,627 Preferred Stock Warrants	44	40
Tigo Energy, Inc.[2]	Energy Efficiency	804,604 Preferred Stock Warrants	99	33
Total Warrants Cleantech			235	140
Warrants Healthcare information and services 0.5%[9]				
Accumetrics, Inc.	Diagnostics	100,928 Preferred Stock Warrants	107	63
BioScale, Inc.[2]	Diagnostics	315,618 Preferred Stock Warrants	55	
LifePrint Group, Inc.[2]	Diagnostics	49,000 Preferred Stock Warrants	29	29
Interleukin Genetics, Inc.[2][5]	Diagnostics	2,492,523 Common Stock Warrants	112	112
Helomics Corporation	Diagnostics	13,461 Preferred Stock Warrants	73	
Radisphere National Radiology Group, Inc.[2]	Diagnostics	519,992 Preferred Stock Warrants	378	

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Consolidated Schedule of Investments December 31, 2014 - (Continued) (In thousands)

Portfolio Company[1]	Sector	Type of Investment[3][4][7][10][11]	Principal Amount	Cost of Investments[6]	Fair Value
Singulex, Inc.	Other Healthcare	293,632 Preferred Stock Warrants		44	141
Talyst, Inc.	Other Healthcare	300,360 Preferred Stock Warrants		100	52
Watermark Medical, Inc.	Other Healthcare	12,216 Preferred Stock Warrants		67	62
Recondo Technology, Inc.[2]	Software	556,796 Preferred Stock Warrants		95	210
Total Warrants Healthcare information and services				1,060	669
Total Warrants				4,815	4,603
Other Investments 0.2%[9]					
Vette Technology, LLC	Data Storage	Royalty Agreement Due 4/18/2019		4,582	300
Total Other Investments				4,582	300
Equity 0.7%[9]					
Insmed Incorporated[5]	Biotechnology	33,208 Common Stock		239	514
Revance Therapeutics, Inc.[5]	Biotechnology	4,861 Common Stock		73	82
Sunesis Pharmaceuticals, Inc.[5]	Biotechnology	78,493 Common Stock		83	200
Overture Networks Inc.	Communications	386,191 Common Stock		482	222
Total Equity				877	1,018
Total Portfolio Investment Assets 148.4%[9]				$ 209,838	$ 205,101
Short Term Investments					
Money Market Funds 0.0%[9]					
US Bank Money Market Deposit Account				$ 27	$ 27
				$ 27	$ 27

Total Short Term Investments		
Money Market Funds		
Short Term Investments		
Restricted Investments		
2.1%(9)		
US Bank Money Market Deposit Account(2)	$ 2,906	$2,906
Total Short Term Investments Restricted Investments	$ 2,906	$2,906

(1) All of the Company s investments 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 or 2013-1 Securitization.

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

(4) All interest is payable in cash due monthly in arrears, unless otherwise indicated, and applies only to the Company s debt investments. Interest rate is the annual interest rate on the debt investment and does not include ETP and any additional fees related to the investments, such as deferred interest, commitment fees or prepayment fees. All debt investments are at fixed rates for the term of the debt investment, unless otherwise indicated. For each debt investment, the current interest rate in effect as of December 31, 2014 is provided.

(5) Portfolio company is a public company.

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

(7) Preferred and common stock warrants, equity interests and other investments are non-income producing.

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(8) Debt investment is on non-accrual status at December 31, 2014 and is, therefore, considered non-income producing.

(9) Value as a percent of net assets.

(10) The Company did not have any non-qualifying assets under Section 55(a) of the 1940 Act. 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.

(11) 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 end-of-term payment and will be recognized as non-cash income until it is actually paid. Therefore, a portion of the incentive fee will be based on income that the Company has not yet received in cash.

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Debt Investments 157.5%[8]					
Debt Investments Life Science 22.9%[8]					
Inotek Pharmaceuticals Corporation[2]	Biotechnology	Term Loan (11.00% cash, 3.00% ETP, Due 10/1/16)	$ 3,500	$ 3,460	$ 3,460
N30 Pharmaceuticals, Inc.[2]	Biotechnology	Term Loan (11.25% cash, 3.00% ETP, Due 9/1/14)	760	756	756
		Term Loan (11.25% cash, 3.00% ETP, Due 10/1/15)	2,230	2,209	2,209
New Haven Pharmaceuticals, Inc.[2]	Biotechnology	Term Loan (11.50% cash, 3.00% ETP, Due 5/1/16)	1,500	1,476	1,476
		Term Loan (11.50% cash, 3.00% ETP, Due 5/1/16)	500	492	492
Sample6, Inc.[2]	Biotechnology	Term Loan (11.00% cash, 3.00% ETP, Due 1/1/16)	2,252	2,229	2,229
Sunesis Pharmaceuticals, Inc.[2][5]	Biotechnology	Term Loan (8.95% cash, 3.75% ETP, Due 10/1/15)	1,425	1,418	1,418
		Term Loan (9.00% cash, 3.75% ETP, Due 10/1/15)	2,138	2,100	2,100
Xcovery Holding Company, LLC[2]	Biotechnology	Term Loan (12.50% cash, Due 8/1/15)	781	779	779
		Term Loan (12.50% cash,	1,228	1,226	1,226

		Due 8/1/15)			
		Term Loan (12.50% cash, Due 10/1/15)	231	231	231
Mederi Therapeutics, Inc.	Medical Device	Term Loan (10.75% cash (Libor + 10.25%; Floor 10.75%; Ceiling 12.75%), 4.00% ETP, Due 7/1/17)	3,000	2,957	2,957
		Term Loan (10.75% cash (Libor + 10.25%; Floor 10.75%; Ceiling 12.75%), 4.00% ETP, Due 7/1/17)	3,000	2,917	2,917
Mitralign, Inc.(2)	Medical Device	Term Loan (12.00% cash, 3.00% ETP, Due 10/1/15)	1,587	1,571	1,571
		Term Loan (10.88% cash, 3.00% ETP, Due 11/1/15)	1,100	1,089	1,089
		Term Loan (10.50% cash, 3.00% ETP, Due 7/1/16)	1,143	1,115	1,115
PixelOptics, Inc.(8)	Medical Device	Term Loan (10.75% cash, 3.00% ETP, Due 11/1/14)	5,000	4,985	562
		Term Loan (10.00% cash, Due 1/31/14)	219	219	219
Tengion, Inc.(2)(5)	Medical Device	Term Loan (13.00% cash, Due 5/1/14)	1,382	1,373	1,373
Tryton Medical, Inc.(2)	Medical Device	Term Loan (10.41% cash (Prime + 7.16%), 2.50% ETP, Due 9/1/16)	3,000	2,962	2,962
Total Debt Investments Life Science				35,564	31,141
Debt Investments Technology 98.3%(9)					
Ekahau, Inc.	Communications	Term Loan (11.75% cash, 2.50% ETP, Due 2/1/17)	1,500	1,474	1,474
		Term Loan (11.75% cash, 2.50% ETP, Due 2/1/17)	500	490	490
Overture Networks, Inc.(2)	Communications	Term Loan (10.75% cash, 4.75% ETP, Due 12/1/16)	5,000	4,935	4,935

Term Loan (10.75% cash, 4.75% ETP, Due 12/1/16)	2,500	2,460	2,460

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Horizon Technology Finance Corporation and Subsidiaries

Consolidated Schedule of Investments December 31, 2013 (Continued) (In thousands)

Portfolio Company[1]	Sector	Type of Investment[3][4][7][10][11]	Principal Amount	Cost of Investments[6]	Fair Value
Optaros, Inc.[2]	Internet and Media	Term Loan (11.95% cash, 3.00% ETP, Due 10/1/15)	1,670	1,660	1,660
		Term Loan (11.95% cash, 3.00% ETP, Due 3/1/16)	500	497	497
SimpleTuition, Inc.[2]	Internet and Media	Term Loan (11.75% cash, Due 3/1/16)	3,909	3,862	3,862
Nanocomp Technologies, Inc.	Networking	Term Loan (11.50% cash, 3.00% ETP, Due 11/1/17)	1,000	963	963
Aquion Energy, Inc.[2]	Power Management	Term Loan (10.25% cash, 4.00% ETP, Due 3/1/16)	2,704	2,693	2,693
		Term Loan (10.25% cash, 4.00% ETP, Due 3/1/16)	2,704	2,693	2,693
		Term Loan (10.25% cash, 4.00% ETP, Due 6/1/16)	2,978	2,966	2,966
Xtreme Power, Inc.[2][8]	Power Management	Term Loan (10.75% cash, 9.00% ETP, Due 5/1/16)	6,000	5,947	4,692
Avalanche Technology, Inc.[2]	Semiconductors	Term Loan (10.00% cash,	2,996	2,973	2,973

		2.00% ETP, Due 7/1/16)			
		Term Loan (10.00% cash, 2.00% ETP, Due 1/1/18)	2,500	2,455	2,455
eASIC Corporation(2)	Semiconductors	Term Loan (11.00% cash, 2.50% ETP, Due 4/1/17)	2,000	1,968	1,968
Kaminario, Inc.(2)	Semiconductors	Term Loan (10.50% cash, 2.50% ETP, Due 11/1/16)	3,000	2,954	2,954
		Term Loan (10.50% cash, 2.50% ETP, Due 11/1/16)	3,000	2,954	2,954
Luxtera, Inc.(2)	Semiconductors	Term Loan (10.25% cash, 8.00% ETP, Due 12/1/15)	2,734	2,714	2,714
		Term Loan (10.25% cash, 8.00% ETP, Due 3/1/16)	1,519	1,506	1,506
Newport Media, Inc.(2)	Semiconductors	Term Loan (11.00% cash, 2.86% ETP, Due 10/1/16)	3,500	3,418	3,418
		Term Loan (11.00% cash, 2.86% ETP, Due 10/1/16)	3,500	3,418	3,418
NexPlanar Corporation(2)	Semiconductors	Term Loan (10.50% cash, 2.50% ETP, Due 12/1/16)	3,000	2,964	2,964
		Term Loan (10.50% cash, 2.50% ETP, Due 12/1/16)	2,000	1,967	1,967
Xtera Communications, Inc.(2)	Semiconductors	Term Loan (11.50% cash, 14.77% ETP, Due 7/1/15)	6,468	6,441	6,441
		Term Loan (11.50% cash, 13.65% ETP, Due 2/1/16)	1,731	1,718	1,718
Bolt Solutions, Inc.(2)	Software		4,856	4,819	4,819

		Term Loan (11.65% cash, 4.00% ETP, Due 5/1/16)			
		Term Loan (11.65% cash, 4.00% ETP, Due 5/1/16)	4,856	4,819	4,819
Construction Software Technologies, Inc.(2)	Software	Term Loan (11.75% cash, 5.00% ETP, Due 10/1/16)	4,200	4,172	4,172
		Term Loan (11.75% cash, 5.00% ETP, Due 10/1/16)	4,200	4,172	4,172
Courion Corporation(2)	Software	Term Loan (11.45% cash, Due 10/1/15)	2,662	2,654	2,654
		Term Loan (11.45% cash, Due 10/1/15)	2,662	2,654	2,654
Decisyon, Inc.(2)	Software	Term Loan (11.65% cash, 5.00% ETP, Due 9/1/16)	4,000	3,932	3,932

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Horizon Technology Finance Corporation and Subsidiaries

Consolidated Schedule of Investments December 31, 2013 - (Continued) (In thousands)

Portfolio Company[1]	Sector	Type of Investment[3][4][7][10][11]	Principal Amount	Cost of Investments[6]	Fair Value
Kontera Technologies, Inc.[2]	Software	Term Loan (11.50% cash, 3.00% ETP, Due 10/1/16)	4,000	3,949	3,949
		Term Loan (11.50% cash, 3.00% ETP, Due 10/1/16)	4,000	3,949	3,949
Lotame Solutions, Inc.[2]	Software	Term Loan (11.50% cash, 3.00% ETP, Due 10/1/16)	4,000	3,971	3,971
		Term Loan (11.50% cash, 3.00% ETP, Due 9/1/16)	1,500	1,486	1,486
Netuitive, Inc.[2]	Software	Term Loan (11.75% cash, Due 1/1/16)	2,359	2,330	2,330
Raydiance, Inc.[2]	Software	Term Loan (11.50% cash, 2.75% ETP, Due 9/1/16)	5,000	4,948	4,948
		Term Loan (11.50% cash, 2.75% ETP, Due 9/1/16)	1,000	975	975
Razorsight Corporation[2]	Software	Term Loan (11.75% cash, 3.00% ETP, Due 11/1/16)	1,500	1,477	1,477
		Term Loan (11.75% cash, 3.00% ETP, Due 8/1/16)	1,500	1,475	1,475
		Term Loan (11.75% cash, 3.00% ETP, Due 7/1/17)	1,000	980	980
Sys-Tech Solutions, Inc.[2]	Software	Term Loan (11.65% cash, Due 6/1/16)	7,100	6,919	6,919

VBrick Systems, Inc.	Software	Term Loan (11.50% cash (Libor + 10.00%; Floor 10.50%; Ceiling 13.50%), 5.00% ETP, Due 7/1/17)	3,000	2,970	2,970
Vidsys, Inc.[(2)]	Software	Term Loan (11.00% cash, 6.50% ETP, Due 6/1/16)	3,000	2,970	2,970
Visage Mobile, Inc.[(2)]	Software	Term Loan (12.00% cash, 3.50% ETP, Due 9/1/16)	974	962	962
Total Debt Investments Technology				134,673	133,418
Debt Investments Cleantech 17.6%[(9)]					
Renmatix, Inc.[(2)]	Alternative Energy	Term Loan (10.25% cash, 9.00% ETP, Due 2/1/16)	2,028	2,015	2,015
		Term Loan (10.25% cash, 3.00% ETP, Due 2/1/16)	2,028	2,015	2,015
		Term Loan (10.25% cash, Due 10/1/16)	5,000	4,956	4,956
Semprius, Inc.[(2)(8)]	Alternative Energy	Term Loan (10.25% cash, 2.50% ETP, Due 6/1/16)	3,203	3,183	2,785
Aurora Algae, Inc.[(2)]	Energy Efficiency	Term Loan (10.50% cash, 2.00% ETP, Due 5/1/15)	1,280	1,276	1,276
Rypos, Inc.	Energy Efficiency	Term Loan (11.80% cash, Due 1/1/17)	3,000	2,928	2,928
Solarbridge Technologies, Inc.[(2)(8)]	Energy Efficiency	Term Loan (12.15% cash, 3.21% ETP, Due 12/1/16)	7,000	6,785	5,000
Tigo Energy, Inc.[(2)]	Energy Efficiency	Term Loan (13.00% cash, 3.16% ETP, Due 6/1/15)	2,214	2,199	2,199
Cereplast, Inc.[(5)(8)]	Waste Recycling	Term Loan (12.00% cash, Due 8/1/14)	1,081	978	328
		Term Loan (12.00% cash, Due 8/1/14)	1,160	1,141	352
Total Debt Investments Cleantech				27,476	23,854

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Horizon Technology Finance Corporation and Subsidiaries

Consolidated Schedule of Investments December 31, 2013 - (Continued) (In thousands)

Portfolio Company[1]	Sector	Type of Investment[3][4][7][10][11]	Principal Amount	Cost of Investments[6]	Fair Value
Debt Investments Healthcare information and services 18.7%[8]					
BioScale, Inc.[2]	Diagnostics	Term Loan (11.51% cash, Due 1/1/14)	232	232	232
Radisphere National Radiology Group, Inc.[2]	Diagnostics	Revolver (11.25% cash (Prime + 8.00%), Due 10/1/15)	12,000	11,908	11,908
Watermark Medical, Inc.[2]	Other Healthcare	Term Loan (12.00% cash, 4.00% ETP, Due 4/1/17)	3,500	3,452	3,452
		Term Loan (12.00% cash, 4.00% ETP, Due 4/1/17)	3,500	3,452	3,452
Recondo Technology, Inc.[2]	Software	Term Loan (11.50% cash, 4.14% ETP, Due 4/1/16)	1,384	1,356	1,356
		Term Loan (11.00% cash, 3.00% ETP, Due 1/1/17)	2,500	2,473	2,473
		Term Loan (10.50% cash, 2.50% ETP, Due 1/1/18)	2,500	2,468	2,468
Total Debt Investments Healthcare information and services				25,341	25,341

Total Debt Investments			223,054	213,754
Warrant Investments 4.5%[9]				
Warrants Life Science 2.1%[9]				
ACT Biotech Corporation	Biotechnology	1,521,820 Preferred Stock Warrants	83	
Ambit Biosciences, Inc.[5]	Biotechnology	44,795 Common Stock Warrants	143	9
Anacor Pharmaceuticals, Inc.[2][5]	Biotechnology	84,583 Common Stock Warrants	93	882
Celsion Corporation[5]	Biotechnology	5,708 Common Stock Warrants	15	
Inotek Pharmaceuticals Corporation	Biotechnology	114,387 Preferred Stock Warrants	17	15
N30 Pharmaceuticals, Inc.	Biotechnology	214,200 Preferred Stock Warrants	122	247
New Haven Pharmaceuticals, Inc.	Biotechnology	34,729 Preferred Stock Warrants	22	20
Revance Therapeutics, Inc.	Biotechnology	687,091 Preferred Stock Warrants	223	945
Sample6, Inc.	Biotechnology	200,582 Preferred Stock Warrants	27	23
Sunesis Pharmaceuticals, Inc.[5]	Biotechnology	116,203 Common Stock Warrants	83	308
Supernus Pharmaceuticals, Inc.[2][5]	Biotechnology	42,083 Preferred Stock Warrants	94	132
Tranzyme, Inc.[5]	Biotechnology	77,902 Common Stock Warrants	6	
Direct Flow Medical, Inc.	Medical Device	176,922 Preferred Stock Warrants	144	132
EnteroMedics, Inc.[5]	Medical Device	141,026 Common Stock Warrants	347	
Mederi Therapeutics, Inc.	Medical Device	248,736 Preferred Stock Warrants	26	26
Mitralign, Inc.	Medical Device	295,238 Common Stock Warrants	49	35
OraMetrix, Inc.[2]	Medical Device	812,348 Preferred Stock Warrants	78	
PixelOptics, Inc.	Medical Device	381,612 Preferred Stock Warrants	96	
Tengion, Inc.[2][5]	Medical Device	1,864,876 Common Stock Warrants	124	
Tryton Medical, Inc.[2]	Medical Device	47,977 Preferred Stock Warrants	14	14
ViOptix, Inc.	Medical Device	375,763 Preferred Stock Warrants	13	
Total Warrants Life Science			1,819	2,788

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Horizon Technology Finance Corporation and Subsidiaries

Consolidated Schedule of Investments December 31, 2013 - (Continued) (In thousands)

Portfolio Company[1]	Sector	Type of Investment[3][4][7][10][11]	Principal Amount	Cost of Investments[6]	Fair Value
Warrants Technology 1.8%[9]					
Ekahau, Inc.	Communications	978,261 Preferred Stock Warrants		34	26
OpenPeak, Inc.	Communications	18,997 Preferred Stock Warrants		89	
Overture Networks, Inc.	Communications	344,574 Preferred Stock Warrants		55	42
Everyday Health, Inc.	Consumer-related Technologies	65,674 Preferred Stock Warrants		69	94
SnagAJob.com, Inc.	Consumer-related Technologies	365,396 Preferred Stock Warrants		23	269
Tagged, Inc.	Consumer-related Technologies	190,868 Preferred Stock Warrants		26	72
XIOtech, Inc.	Data Storage	2,217,979 Preferred Stock Warrants		22	19
Cartera Commerce, Inc.	Internet and media	90,909 Preferred Stock Warrants		16	160
Optaros, Inc.	Internet and media	477,403 Preferred Stock Warrants		21	13
SimpleTuition, Inc.	Internet and media	189,573 Preferred Stock Warrants		63	9
IntelePeer, Inc.	Networking	141,549 Preferred Stock Warrants		39	34
Motion Computing, Inc.	Networking	104,283 Preferred Stock		4	18

		Warrants		
Nanocomp Technologies, Inc.	Networking	204,546 Preferred Stock Warrants	19	19
Aquion Energy, Inc.	Power Management	115,051 Preferred Stock Warrants	8	57
Xtreme Power, Inc.	Power Management	2,466,821 Preferred Stock Warrants	76	
Avalanche Technology, Inc.	Semiconductors	244,649 Preferred Stock Warrants	56	66
eASIC Corporation	Semiconductors	1,877,799 Preferred Stock Warrants	16	15
Kaminario, Inc.	Semiconductors	1,087,203 Preferred Stock Warrants	59	54
Luxtera, Inc.	Semiconductors	1,827,485 Preferred Stock Warrants	34	105
Newport Media, Inc.	Semiconductors	188,764 Preferred Stock Warrants	40	47
NexPlanar Corporation	Semiconductors	216,001 Preferred Stock Warrants	36	56
Xtera Communications, Inc.	Semiconductors	983,607 Preferred Stock Warrants	206	
Bolt Solutions, Inc.	Software	202,892 Preferred Stock Warrants	113	124
Clarabridge, Inc.	Software	53,486 Preferred Stock Warrants	14	104
Construction Software Technologies, Inc.(2)	Software	386,415 Preferred Stock Warrants	69	335
Courion Corporation	Software	772,543 Preferred Stock Warrants	106	89
Decisyon, Inc.	Software	314,686 Preferred Stock Warrants	44	39
DriveCam, Inc.	Software	71,639 Preferred Stock Warrants	20	120
Kontera Technologies, Inc.(2)	Software	99,476 Preferred Stock Warrants	102	82
Lotame Solutions, Inc.	Software	216,810 Preferred Stock	4	3

		Warrants		
Netuitive, Inc.	Software	748,453 Preferred Stock Warrants	75	45
Raydiance, Inc.	Software	735,784 Preferred Stock Warrants	51	48
Razorsight Corporation	Software	259,404 Preferred Stock Warrants	44	40
Sys-Tech Solutions, Inc.	Software	375,000 Preferred Stock Warrants	242	239
Vidsys, Inc.	Software	37,346 Preferred Stock Warrants	23	
Visage Mobile, Inc.	Software	1,692,047 Preferred Stock Warrants	20	18
Total Warrants Technology			1,938	2,461
Warrants Cleantech 0.2% (9)				
Renmatix, Inc.	Alternative Energy	52,296 Preferred Stock Warrants	68	69
Semprius, Inc.	Alternative Energy	519,981 Preferred Stock Warrants	26	

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Consolidated Schedule of Investments December 31, 2013 - (Continued) (In thousands)

Portfolio Company[1]	Sector	Type of Investment[3][4][7][10][11]	Principal Amount	Cost of Investments[6]	Fair Value
Enphase Energy, Inc.[5]	Energy Efficiency	161,959 Common Stock Warrants		175	126
Rypos, Inc.	Energy Efficiency	5,627 Preferred Stock Warrants		44	41
Solarbridge Technologies, Inc.[2]	Energy Efficiency	3,645,302 Preferred Stock Warrants		236	
Tigo Energy, Inc.[2]	Energy Efficiency	804,604 Preferred Stock Warrants		100	26
Cereplast, Inc.[5]	Waste Recycling	365,000 Common Stock Warrants		175	
Total Warrants Cleantech				824	262
Warrants Healthcare information and services 0.4%[8]					
Accumetrics, Inc.	Diagnostics	100,928 Preferred Stock Warrants		107	63
BioScale, Inc.[2]	Diagnostics	315,618 Preferred Stock Warrants		54	
Helomics Corporation	Diagnostics	13,461 Preferred Stock Warrants		73	
Radisphere National Radiology Group, Inc.[2]	Diagnostics	519,992 Preferred Stock Warrants		378	
Patientkeeper, Inc.	Other Healthcare	396,410 Preferred Stock Warrants		269	29
Singulex, Inc.	Other Healthcare	293,632 Preferred Stock Warrants		44	140
Talyst, Inc.	Other Healthcare	300,360 Preferred Stock Warrants		100	53
Watermark Medical, Inc.	Other Healthcare	12,216 Preferred Stock Warrants		66	64
Recondo Technology, Inc.	Software	436,088 Preferred Stock Warrants		73	176

Total Warrants Healthcare information and services			1,164	525
Total Warrants			5,745	6,036
Other Investments 0.3%[9]				
Vette Technology, LLC	Data Storage	Royalty Agreement Due 4/18/2019	4,729	400
Total Other Investments			4,729	400
Equity 0.8%[9]				
Insmed Incorporated[5]	Biotechnology	33,208 Common Stock	227	565
Revance Therapeutics, Inc.	Biotechnology	72,925 Preferred Stock	73	109
Overture Networks Inc.	Communications	386,191 Common Stock	482	420
Cereplast, Inc.[5]	Waste Recycling	200,000 Common Stock		
Total Equity			782	1,094
Total Portfolio Investment Assets 163.1%			$ 234,310	$ 221,284
Short Term Investments Money Market Funds 0.9%[9]				
US Bank Money Market Deposit Account			$ 1,188	$ 1,188
Total Short Term Investments Money Market Funds			$ 1,188	$ 1,188
Short Term Investments Restricted Investments 4.4%[9]				
US Bank Money Market Deposit Account[2]			$ 5,951	$ 5,951
Total Short Term Investments Restricted Investments			$ 5,951	$ 5,951

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Horizon Technology Finance Corporation and Subsidiaries

Consolidated Schedule of Investments December 31, 2013 - (Continued) (In thousands)

(1) All of the Company s investments 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 Credit Facilities or 2013-1 Securitization.

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

(4) All interest is payable in cash due monthly in arrears, unless otherwise indicated, and applies only to the Company s debt investments. Interest rate is the annual interest rate on the debt investment and does not include ETP and any additional fees related to the investments, such as deferred interest, commitment fees or prepayment fees. All debt investments are at fixed rates for the term of the debt investment, unless otherwise indicated. For each debt investment, the current interest rate in effect as of December 31, 2013 is provided.

(5) Portfolio company is a public company.

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

(7) Preferred and common stock warrants, equity interests and other investments are non-income producing.

(8) Debt investment is on non-accrual status at December 31, 2013 and is, therefore, considered non-income producing.

(9) Value as a percent of net assets.

(10) The Company did not have any non-qualifying assets under Section 55(a) of the 1940 Act. 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.

(11) 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 investment unless otherwise noted. Interest will accrue during the life of the debt investment on each end-of-term payment and will be recognized as non-cash income until it is actually paid. Therefore, a portion of the incentive fee will be based on income that the Company has not yet received in cash.

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Horizon Technology Finance Corporation and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Organization

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

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

Horizon Credit I LLC (Credit I) was formed as a Delaware limited liability company on January 23, 2008, with CHF as its sole equity member. Credit I is a separate legal entity from the Company and CHF. There has been no activity at Credit I during the twelve months ended December 31, 2014.

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

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

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

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

The Company has also established wholly owned subsidiaries, each of which is structured as a Delaware limited liability company, to hold portfolio companies assets acquired in connection with foreclosure or bankruptcy. Each is a separate legal entity from the Company.

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Notes to Consolidated Financial Statements

Note 1. Organization - (continued)

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

Note 2. Basis of presentation and significant accounting policies

The consolidated financial statements of the Company have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) and pursuant to the requirements for reporting on Form 10-K and Article 6 or 10 of Regulation S-X under the Securities Act of 1933, as amended (Regulation S-X). In the opinion of management, the consolidated financial statements reflect all adjustments and reclassifications that are necessary for the fair presentation of financial results as of and for the periods presented. All intercompany balances and transactions have been eliminated. Certain prior period amounts have been reclassified to conform to the current period presentation.

Principles of consolidation

As required under GAAP and Regulation S-X, the Company will generally consolidate its investment in a company that is an investment company subsidiary or a controlled operating company whose business consists of providing services to the Company. Accordingly, the Company consolidated the results of the Company s subsidiaries in its consolidated financial statements.

Use of estimates

In preparing the consolidated financial statements in accordance with GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities, as of the date of the balance sheet and income and expenses for the period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the valuation of investments.

Fair value

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

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

See Note 5 for additional information regarding fair value.

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Notes to Consolidated Financial Statements

Note 2. Basis of presentation and significant accounting policies - (continued)

Segments

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

Investments

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

Interest on debt investments is accrued and included in income based on contractual rates applied to principal amounts outstanding. Interest income is determined using a method that results in a level rate of return on principal amounts outstanding. Generally, when a debt investment becomes 90 days or more past due, or if the Company otherwise does not expect to receive interest and principal repayments, the debt investment is placed on non-accrual status and the recognition of interest income may be discontinued. Interest payments received on non-accrual debt investments may be recognized as income, on a cash basis, or applied to principal depending upon management s judgment at the time the debt investment is placed on non-accrual status. As of December 31, 2014, there was one investment on non-accrual status with a cost of $2.4 million and a fair value of $2.3 million. For the year ended December 31, 2014, we recognized as interest income interest payments of $0.3 million received from one portfolio company whose debt investment was on non-accrual status. As of December 31, 2013, there were five investments on non-accrual status with a cost of $23.2 million and a fair value of $13.9 million.

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

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

In connection with substantially all lending arrangements, the Company receives warrants to purchase shares of stock from the borrower. The warrants are recorded as assets at estimated fair value on the grant date using the Black-Scholes valuation model. The warrants are considered loan fees and are also recorded as unearned income on the grant date. The unearned income is recognized as interest income over the contractual life of the related debt investment in accordance with the Company s income recognition policy. Subsequent to debt investment origination, the fair value of the warrants is determined using the Black-Scholes valuation model. Any adjustment to fair value is recorded through earnings as net unrealized

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Notes to Consolidated Financial Statements

Note 2. Basis of presentation and significant accounting policies - (continued)

gain or loss on investments. Gains and losses from the disposition of the warrants or stock acquired from the exercise of warrants are recognized as realized gains and losses on investments.

Realized gains or losses on the sale of investments, or upon the determination that an investment balance or portion thereof is not recoverable, are calculated using the specific identification method. The Company measures realized gains or losses by calculating the difference between the net proceeds from the repayment or sale and the amortized cost basis of the investment. Net change in unrealized appreciation or depreciation reflects the change in the fair values of the Company s portfolio investments during the reporting period, including any reversal of previously recorded unrealized appreciation or depreciation, when gains or losses are realized.

Debt issuance costs

Debt issuance costs are fees and other direct incremental costs incurred by the Company in obtaining debt financing from its lenders and issuing debt securities. Debt issuance costs are recognized as assets and are amortized as interest expense over the term of the related debt financing. The unamortized balance of debt issuance costs as of December 31, 2014 and 2013, included in other assets, was $2.4 million and $5.1 million, respectively. The accumulated amortization balances as of December 31, 2014 and 2013 were $3.0 million and $2.0 million, respectively. The amortization expense for the years ended December 31, 2014, 2013 and 2012 was $2.7 million, $1.5 million and $0.5 million, respectively.

Income taxes

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

Depending on the level of taxable income earned in a tax year, the Company may choose to carry forward taxable income in excess of current year distributions into the next tax year and pay a 4% excise tax on such income, as required. To the extent that the Company determines that its estimated current year annual taxable income will be in excess of estimated current year distributions, the Company accrues excise tax, if any, on estimated excess taxable income as taxable income is earned. For each of the years ended December 31, 2014, 2013 and 2012, $0.2 million was recorded for U.S. federal excise tax.

The Company evaluates tax positions taken in the course of preparing the Company s tax returns to determine whether the tax positions are more-likely-than-not to be sustained by the applicable tax authority. Tax benefits of positions not deemed to meet the more-likely-than-not threshold, or uncertain tax positions, would be recorded as a tax expense in the current year. It is the Company s policy to recognize accrued interest and penalties related to uncertain tax benefits in income tax expense. The Company had no material uncertain tax positions at December 31, 2014 and 2013. The 2013, 2012 and 2011 tax years remain subject to examination by U.S. federal and state tax authorities.

Distributions

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

The Company has adopted a dividend reinvestment plan that provides for reinvestment of cash distributions and other distributions on behalf of its stockholders, unless a stockholder elects to receive cash. As a result, if the Board authorizes, and the Company declares, a cash distribution, then stockholders

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Notes to Consolidated Financial Statements

Note 2. Basis of presentation and significant accounting policies - (continued)

who have not opted out of the dividend reinvestment plan will have their cash distributions automatically reinvested in additional shares of the Company s common stock, rather than receiving the cash distribution. The Company may use newly issued shares to implement the plan (especially if the Company s shares are trading at a premium to net asset value), or the Company may purchase shares in the open market to fulfill its obligations under the plan.

Transfers of financial assets

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

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Company put presumptively beyond the reach of the transferor and its creditors, even in bankruptcy or other receivership, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the transferor does not maintain effective control over the transferred assets through either (a) an agreement that both entitles and obligates the transferor to repurchase or redeem the assets before maturity or (b) the ability to unilaterally cause the holder to return specific assets, other than through a cleanup call.

New accounting pronouncement

In June 2013, the Financial Accounting Standards Board issued Accounting Standards Update 2013-08, *Financial Services Investment Companies (Topic 946): Amendments to the Scope, Measurement and Disclosure Requirements*, or ASU 2013-08, containing new guidance on assessing whether an entity is an investment company, requiring non-controlling ownership interest in investment companies to be measured at fair value and requiring certain additional disclosures. This guidance is effective for annual and interim periods beginning on or after December 15, 2013. ASU 2013-08 did not have a material impact on the Company s consolidated financial position or disclosures.

Note 3. Related party transactions

Investment Management Agreement

On October 28, 2010, the Company entered into the Investment Management Agreement with the Advisor, which was amended and restated effective July 1, 2014, under which the Advisor manages the day-to-day operations of, and provides investment advisory services to, the Company. Under the terms of the amended and restated Investment Management Agreement, the Advisor determines the composition of the Company s investment portfolio, the nature and timing of the changes to the investment portfolio and the manner of implementing such changes; identifies, evaluates and negotiates the structure of the investments the Company makes (including performing due diligence on the Company s prospective portfolio companies); and closes, monitors and administers the investments the Company makes, including the exercise of any voting or consent rights.

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

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Notes to Consolidated Financial Statements

Note 3. Related party transactions - (continued)

The base management fee under the Investment Management Agreement through and including June 30, 2014 was calculated at an annual rate of 2.00% of the Company s gross assets, payable monthly in arrears. As a result of an amendment and restatement of the Investment Management Agreement, the base management fee on and after July 1, 2014 is calculated at an annual rate of 2.00% of (i) the Company s gross assets, less (ii) assets consisting of cash and cash equivalents, and is payable monthly in arrears. For purposes of calculating the base management fee, the term gross assets includes any assets acquired with the proceeds of leverage. During the first six months of the year ended December 31, 2014, the Advisor waived base management fees of $0.2 million, which the Advisor would have otherwise earned on cash held by the Company at the time of calculation. The base management fee payable for both December 31, 2014 and 2013 was $0.4 million. After giving effect of the waiver, the base management fee expense was $4.4 million, $5.2 million and $4.2 million for the years ended December 31, 2014, 2013 and 2012, respectively.

The incentive fee has two parts, as follows:

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

Pre-Incentive Fee Net Investment Income does not include any realized capital gains, realized capital losses or unrealized capital appreciation or depreciation. Because of the structure of the incentive fee, it is possible that the Company may pay an incentive fee in a quarter in which the Company incurs a loss. For example, if the Company receives Pre-Incentive Fee Net Investment Income in excess of the quarterly minimum hurdle rate, the Company will pay the applicable incentive fee up to the Incentive Fee Cap, defined below, even if the Company has incurred a loss in that quarter due to realized and unrealized capital losses. The Company s net investment income used to calculate this part of the incentive fee is also included in the amount of the Company s gross assets used to calculate the 2.00% base management fee. These calculations are appropriately prorated for any period of less than three months and adjusted for any share issuances or repurchases during the current quarter.

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Notes to Consolidated Financial Statements

Note 3. Related party transactions - (continued)

Commencing with the calendar quarter beginning July 1, 2014, 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 (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 (the Incentive Fee Cap) and a deferral mechanism through which the Advisor may recoup a portion of such deferred incentive fees (collectively, the Incentive Fee Cap and Deferral Mechanism). The Incentive Fee Cap is equal to (a) 20.00% 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. The Company only pays 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.

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

The performance based incentive fee expense was $2.0 million, $3.3 million and $2.8 million for the years ended December 31, 2014, 2013 and 2012, respectively. The performance based incentive fee payable for December 31, 2014 and 2013 was $0.8 million and $0.9 million, respectively. The entire incentive fee payable for each of the years ended December 31, 2014 and 2013 represented part one of the incentive fee.

Administration Agreement

The Company entered into an administration agreement (the Administration Agreement) with the Advisor to provide administrative services to the Company. For providing these services, facilities and personnel, the Company reimburses the Advisor for the Company s allocable portion of overhead and other expenses incurred by the Advisor in performing its obligations under the Administration Agreement, including rent, the fees and expenses associated with performing compliance functions and the Company s allocable portion of the costs of compensation and related expenses of the Company s chief compliance officer and chief financial officer and their respective staffs. The administrative fee expense was $1.1 million, $1.2 million and $1.1 million for the years ended December 31, 2014, 2013 and 2012, respectively.

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Notes to Consolidated Financial Statements

Note 4. Investments

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

	December 31, 2014		December 31, 2013	
	Cost	Fair Value	Cost	Fair Value
	(In thousands)			
Money market funds	$ 27	$ 27	$ 1,188	$ 1,188
Restricted investments in money market funds	$ 2,906	$ 2,906	$ 5,951	$ 5,951
Non-affiliate investments				
Debt	$ 199,564	$ 199,180	$ 223,054	$ 213,754
Warrants	4,815	4,603	5,745	6,036
Other Investments	4,582	300	4,729	400
Equity	877	1,018	782	1,094
Total non-affiliate investments	$ 209,838	$ 205,101	$ 234,310	$ 221,284

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

	December 31, 2014		December 31, 2013	
	Cost	Fair Value	Cost	Fair Value
	(In thousands)			
Life Science				
Biotechnology	$ 22,203	$ 22,586	$ 17,604	$ 19,631
Medical Device	23,129	22,462	20,079	14,972
Technology				
Communications	18,392	17,973	10,019	9,847
Consumer-Related	6,556	7,228	118	435
Data Storage	4,604	318	4,751	419
Internet and Media	79	188	6,119	6,201
Networking	1,045	1,038	1,025	1,034
Power Management	7	56	14,382	13,101
Semiconductors	30,948	30,824	37,897	37,793
Software	54,482	54,905	67,510	67,869
Cleantech				
Alternative Energy	8,283	8,076	12,263	11,840
Consumer-Related	396	396		
Energy Efficiency	4,557	4,487	13,743	11,596
Waste Recycling			2,294	680

Healthcare Information and Services				
Diagnostics	18,593	17,841	12,752	12,203
Other	7,157	7,201	7,384	7,190
Software	9,407	9,522	6,370	6,473
Total non-affiliate investments	$ 209,838	$ 205,101	$ 234,310	$ 221,284

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Notes to Consolidated Financial Statements

Note 5. Fair value

The Company uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in certain instances, there are no quoted market prices for certain assets or liabilities. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the asset or liability.

Fair value measurements focus on exit prices in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment.

The Company s fair value measurements are classified into a fair value hierarchy based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. The three categories within the hierarchy are as follows:

Level 1	Quoted prices in active markets for identical assets and liabilities.
Level 2	Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities in active markets, quoted prices in markets that are not active, and model-based valuation techniques for which all significant inputs are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
Level 3	Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

Investments are valued at fair value as determined in good faith by the Board, based on input of management, the audit committee and independent valuation firms which are engaged at the direction of the Board to assist in the valuation of each portfolio investment lacking a readily available market quotation at least once during a trailing twelve-month period under a valuation policy and a consistently applied valuation process. This valuation process is conducted at the end of each fiscal quarter, with 25% (based on fair value) of the Company s valuation of portfolio companies lacking readily available market quotations subject to review by an independent valuation firm.

Because there is not a readily available market value for most of the investments in its portfolio, the Company values substantially all of its portfolio investments at fair value as determined in good faith by the Board, as described herein. Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair value of the Company s investments may fluctuate from period to period. Additionally, the fair value of the Company s investments may differ significantly from the values that would have been used had a ready market existed for such investments and may differ materially from the values that the Company may ultimately realize. Further, such investments are generally subject to legal and other restrictions on resale or otherwise are less liquid than publicly traded

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Notes to Consolidated Financial Statements

Note 5. Fair value - (continued)

securities. If the Company was required to liquidate a portfolio investment in a forced or liquidation sale, the Company could realize significantly less than the value at which the Company has recorded such portfolio investment.

Cash and interest receivable: The carrying amount is a reasonable estimate of fair value. These financial instruments are not recorded at fair value on a recurring basis and are categorized as Level 1 within the fair value hierarchy described above.

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

Debt investments: For variable rate debt investments which re-price frequently and have no significant change in credit risk, carrying values are a reasonable estimate of fair values. The fair value of fixed rate debt investments is estimated by discounting the expected future cash flows using the year end rates at which similar debt investments would be made to borrowers with similar credit ratings and for the same remaining maturities. At December 31, 2014 and 2013, the hypothetical market yield used ranged from 9% to 18% and 9% to 25%, respectively. Significant increases (decreases) in this unobservable input would result in a significantly lower (higher) fair value measurement. These assets are recorded at fair value on a recurring basis and are categorized as Level 3 within the fair value hierarchy described above.

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

Warrant investments: The Company values its warrants using the Black-Scholes valuation model incorporating the following material assumptions:

Underlying asset value of the issuer is estimated based on information available, including any information regarding the most recent rounds of borrower funding. Significant increases (decreases) in this unobservable input would result in a significantly higher (lower) fair value measurement.

Volatility, or the amount of uncertainty or risk about the size of the changes in the warrant price, is based on indices of publicly traded companies similar in nature to the underlying company issuing the warrant. A total of seven such indices are used. Significant increases (decreases) in this unobservable input would result in a significantly higher (lower) fair value investment.

The risk-free interest rates are derived from the U.S. Treasury yield curve. The risk-free interest rates are calculated based on a weighted average of the risk-free interest rates that correspond closest to the expected remaining life of the warrant.

Other adjustments, including a marketability discount on private company warrants, are estimated based on management s judgment about the general industry environment. Significant increases (decreases) in this unobservable input would result in a significantly lower (higher) fair value measurement.
Historical portfolio experience on cancellations and exercises of the Company s warrants are utilized as the basis for determining the estimated time to exit of the warrants in each financial reporting period. Warrants may be exercised in the event of acquisitions, mergers or IPOs, and cancelled due to events such as bankruptcies, restructuring activities or additional financings.

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Notes to Consolidated Financial Statements

Note 5. Fair value - (continued)

These events cause the expected remaining life assumption to be shorter than the contractual term of the warrants. Significant increases (decreases) in this unobservable input would result in significantly higher (lower) fair value measurement.
Under certain circumstances the Company may use an alternative technique to value warrants that better reflects the warrants   fair value, such as an expected settlement of a warrant in the near term or a model that incorporates a put feature associated with the warrant. The fair value may be determined based on the expected proceeds to be received from such settlement or based on the net present value of the expected proceeds from the put option.

The fair value of the Company   s warrants held in publicly traded companies is determined based on inputs that are readily available in public markets or can be derived from information available in public markets. Therefore, the Company has categorized these warrants as Level 2 within the fair value hierarchy described above. The fair value of the Company   s warrants held in private companies is determined using both observable and unobservable inputs and represents management   s best estimate of what market participants would use in pricing the warrants at the measurement date. Therefore, the Company has categorized these warrants as Level 3 within the fair value hierarchy described above. These assets are recorded at fair value on a recurring basis.

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

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

The following tables provide a summary of quantitative information about the Company   s Level 3 fair value measurements of its investments as of December 31, 2014 and 2013. In addition to the techniques and inputs noted in the table below, according to the Company   s valuation policy, the Company may also use other valuation techniques and methodologies when determining its fair value measurements.

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Note 5. Fair value - (continued)

The following table is not intended to be all-inclusive, but rather provides information on the significant Level 3 inputs as they relate to the Company s fair value measurements for the year ended December 31, 2014.

			December 31, 2014		
Investment Type	Fair Value	Valuation Techniques/Methodologies	Unobservable Input	Range	Weighted Average
(In thousands, except share data)					
Debt investments	$193,937	Discounted Expected Future Cash Flows	Hypothetical Market Yield	9% 18%	11%
	5,243	Multiple Probability Weighted Cash Flow Model	Probability Weighting	10% 65%	33%
Warrant investments	3,966	Black-Scholes Valuation Model	Price per share	$0.04 $63.98	$3.81
			Average Industry Volatility	18%	18%
			Marketability Discount	20%	20%
			Estimated Time to Exit	1 to 5 years	3 years
Other investments	300	Multiple Probability Weighted Cash Flow Model	Discount Rate	25%	25%
			Probability Weighting	100%	100%
Equity investments	222	Market Comparable Companies	Price Per Share	$0.57	$0.57
Total Level 3 investments	$203,668				

The following table is not intended to be all-inclusive, but rather provides information on the significant Level 3 inputs as they relate to the Company s fair value measurements for the year ended December 31, 2013.

	December 31, 2013
Investment Type	Range

(In thousands, except share data)	Fair Value	Valuation Techniques/Methodologies	Unobservable Inputs			Weighted Average
Debt investments	$199,815	Discounted Expected Future Cash Flows	Hypothetical Market Yield	9%	25%	11%
	13,939	Multiple Probability Weighted Cash Flow Model	Probability Weighting	10%	100%	67%
Warrant investments	4,579	Black-Scholes Valuation Model	Price per share	$0.0	$63.98	$3.48
			Average Industry Volatility	19%		19%
			Marketability Discount	20%		20%
			Estimated Time to Exit	1 to 10 years		3 years
Other investments	400	Multiple Probability Weighted Cash Flow Model	Discount Rate	25%		25%
			Probability Weighting	100%		100%
Equity investments	529	Most Recent Equity Investment	Price Per Share	$1.09	$1.50	$1.17
Total Level 3 investments	$219,262					

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Note 5. Fair value - (continued)

Borrowings: The carrying amount of borrowings under the Credit Facilities (as defined in Note 6) approximates fair value due to the variable interest rate of the Credit Facilities and is categorized as Level 2 within the fair value hierarchy described above. Additionally, the Company considers its creditworthiness in determining the fair value of such borrowings. The fair value of the fixed rate 2019 Notes (as defined in Note 6) is based on the closing public share price on the date of measurement. At December 31, 2014, the 2019 Notes were trading on the New York Stock Exchange for $25.29 per note, or $33.4 million. Therefore, the Company has categorized this borrowing as Level 1 within the fair value hierarchy described above. Based on market quotations on or around December 31, 2014, the Asset-Backed Notes (as defined in Note 6) were trading at par value, or $38.8 million, and are categorized as Level 3 within the fair value hierarchy described above. These liabilities are not recorded at fair value on a recurring basis.

Off-balance-sheet instruments: Fair values for off-balance-sheet lending commitments are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties credit standings. Therefore, the Company has categorized these instruments as Level 3 within the fair value hierarchy described above.

The following tables detail the assets and liabilities that are carried at fair value and measured at fair value on a recurring basis as of December 31, 2014 and 2013, and indicate the fair value hierarchy of the valuation techniques utilized by the Company to determine the fair value:

	December 31, 2014			
	Total	Level 1	Level 2	Level 3
	(In thousands)			
Money market funds	$ 27	$	$ 27	$
Restricted investments in money market funds	$ 2,906	$	$ 2,906	$
Debt investments	$ 199,180	$	$	$ 199,180
Warrant investments	$ 4,603	$	$ 637	$ 3,966
Other investments	$ 300	$	$	$ 300
Equity investments	$ 1,018	$ 796	$	$ 222

	December 31, 2013			
	Total	Level 1	Level 2	Level 3
	(In thousands)			
Money market funds	$ 1,188	$	$ 1,188	$
Restricted investments in money market funds	$ 5,951	$	$ 5,951	$
Debt investments	$ 213,754	$	$	$ 213,754

Warrant investments	$ 6,036	$	$ 1,457	$ 4,579
Other investments	$ 400	$	$	$ 400
Equity investments	$ 1,094	$ 565	$	$ 529

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Notes to Consolidated Financial Statements

Note 5. Fair value - (continued)

The following table shows a reconciliation of the beginning and ending balances for Level 3 assets measured at fair value on a recurring basis for the year ended December 31, 2014:

	December 31, 2014				
	Debt Investments	Warrant Investments	Equity Investments	Other Investments	Total
	(In thousands)				
Level 3 assets, beginning of period	$213,754	$4,579	$529	$400	$219,262
Purchase of investments	95,323				95,323
Warrants and equity received and classified as Level 3		659			659
Principal payments received on investments	(109,358)			(147)	(109,505)
Proceeds from sale of investments		(1,441)	(2,046)		(3,487)
Net realized (loss) gain on investments	(7,268)	348	(254)		(7,174)
Unrealized appreciation (depreciation) included in earnings	8,915	141	(198)	47	8,905
Transfer out of Level 3		(320)	(109)		(429)
Transfer from debt to equity investments	(2,300)		2,300		
Other	114				114
Level 3 assets, end of period	$199,180	$3,966	$222	$300	$203,668

The Company s transfers between levels are recognized at the end of each reporting period. During the year ended December 31, 2014, there was one transfer between Level 1 and Level 2. The transfer from Level 2 to Level 1 related to the exercise of warrants held in one public portfolio company to purchase equity in such portfolio company. The transfer out of Level 3 relates to warrants held in two portfolio companies and equity held in one portfolio company, with an aggregate fair value of $0.4 million, that were transferred into Level 2 upon the portfolio companies becoming public companies during the period. Because the fair value of warrants and equity held in publicly traded companies is determined based on inputs that are readily available in public markets or can be derived from information available in public markets, the Company has categorized the warrants and equity as Level 2 within the fair value hierarchy described above as of December 31, 2014. During the year ended December 31, 2014, there was one transfer between debt investments and equity investments. The transfer out of debt investments relates to the settlement of one of the Company s debt investments for a cash payment of $2.7 million and $2.3 million in newly issued preferred stock of the applicable portfolio company.

The change in unrealized appreciation included in the consolidated statement of operations attributable to Level 3 investments still held at December 31, 2014 includes $0.4 million in unrealized depreciation for debt investments, $0.3 million in unrealized appreciation on warrants and $0.3 million in unrealized depreciation on equity.

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Notes to Consolidated Financial Statements

Note 5. Fair value - (continued)

The following table shows a reconciliation of the beginning and ending balances for Level 3 assets measured at fair value on a recurring basis for the year ended December 31, 2013:

	December 31, 2013				
	Debt Investments	Warrant Investments	Equity Investments	Other Investments	Total
	(In thousands)				
Level 3 assets, beginning of period	$220,297	$4,914	$526	$2,100	$227,837
Purchase of investments	88,362				88,362
Warrants and equity received and classified as Level 3		704			704
Principal payments received on investments	(87,434)			(63)	(87,497)
Sales of investments		(200)			(200)
Net realized loss on investments	(6,825)	(171)			(6,996)
Unrealized depreciation included in earnings	(1,428)	(552)	(70)	(1,637)	(3,687)
Transfer out of Level 3		(116)			(116)
Transfer from debt to other investments	(73)		73		
Other	855				855
Level 3 assets, end of period	$213,754	$4,579	$529	$400	$219,262

The Company s transfers between levels are recognized at the end of the applicable reporting period. During the year ended December 31, 2013, there were no transfers between Level 1 and Level 2. The transfer out of Level 3 relates to warrants held in one portfolio company, with a value of $0.1 million, that were transferred into Level 2 due to the portfolio company becoming a public company during the year ended December 31, 2013. Because the fair value of warrants held in publicly traded companies is determined based on inputs that are readily available in public markets or can be derived from information available in public markets, the Company has categorized the warrants as Level 2 within the fair value hierarchy described above as of December 31, 2013.

The change in unrealized appreciation included in the consolidated statement of operations attributable to Level 3 investments still held at December 31, 2013 includes $7.9 million unrealized depreciation on debt investments, $0.4 million unrealized depreciation on warrants, $0.1 million unrealized depreciation on equity and $1.6 million unrealized depreciation on other investments.

The Company discloses fair value information about financial instruments, whether or not recognized in the statement of assets and liabilities, for which it is practicable to estimate that value. Certain financial instruments are excluded from the disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Company.

The fair value amounts for 2014 and 2013 have been measured as of the reporting date, and have not been reevaluated or updated for purposes of these financial statements subsequent to that date. As such, the fair values of these financial instruments subsequent to the reporting date may be different than amounts reported at year-end.

As of December 31, 2014 and 2013, the recorded balances equaled fair values of all the Company s financial instruments, except for the Company s 2019 Notes, as previously described.

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Horizon Technology Finance Corporation and Subsidiaries

Notes to Consolidated Financial Statements

Note 5. Fair value - (continued)

Off-balance-sheet instruments

The Company assumes interest rate risk (the risk that general interest rate levels will change) as a result of its normal operations. As a result, the fair values of the Company s financial instruments will change when interest rate levels change, and that change may be either favorable or unfavorable to the Company. Management attempts to match maturities of assets and liabilities to the extent believed necessary to minimize interest rate risk. Management monitors rates and maturities of assets and liabilities and attempts to minimize interest rate risk by adjusting terms of new debt investments and by investing in securities with terms that mitigate the Company s overall interest rate risk.

Note 6. Borrowings

The following table shows the Company s borrowings as of December 31, 2014 and 2013:

	December 31, 2014			December 31, 2013		
	Total Commitment	Balance Outstanding	Unused Commitment	Total Commitment	Balance Outstanding	Unused Commitment
	(In thousands)					
Asset-Backed Notes	$38,753	$ 38,753	$	$79,343	$ 79,343	$
Fortress Facility				75,000	10,000	65,000
Key Facility	50,000	10,000	40,000	50,000		50,000
2019 Notes	33,000	33,000		33,000	33,000	
Total	$121,753	$ 81,753	$ 40,000	$237,343	$ 122,343	$ 115,000

In accordance with the 1940 Act, with certain limited exceptions, the Company is only allowed to borrow amounts such that the Company s asset coverage, as defined in the 1940 Act, is at least 200% after such borrowings. As of December 31, 2014, the asset coverage for borrowed amounts was 269%.

On November 4, 2013, the Company renewed and amended the revolving credit facility (referred to herein as the Key Facility) which it originally entered into with Wells Fargo Capital Finance LLC and facilitated the assignment of all rights and obligations thereunder to Key Equipment Finance (Key). 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 all loans and warrants held by Credit II and permits an advance rate of up to 50% of eligible loans held by Credit II. The Key Facility contains covenants that, among other things, require the Company to maintain a minimum net worth and to restrict the loans securing the Key Facility to certain criteria for qualified loans and includes portfolio company concentration limits as defined in the related loan agreement. The Key Facility has a three-year revolving period followed by a two-year amortization period and matures on November 4, 2018. The interest rate is based upon the one-month London Interbank Offered Rate (LIBOR), plus a spread of 3.25%, with a LIBOR floor of 0.75%. The rate at December 31, 2014 and 2013 was 4.00%. As of December 31, 2014, the Company had borrowing capacity of $40.0 million, of which $35.6 million was available, subject to existing terms and advance rates.

On March 23, 2012, the Company issued and sold an aggregate principal amount of $30 million of 7.375% senior unsecured notes due in 2019 and on April 18, 2012, pursuant to the underwriters 30 day option to purchase additional notes, the Company sold an additional $3 million of such notes (collectively, the 2019 Notes). The 2019 Notes will mature on March 15, 2019 and may be redeemed in whole or in part at the Company s option at any time or from time to time on or after March 15, 2015 at a redemption price of $25 per security plus accrued and unpaid interest. The 2019 Notes bear interest at a rate of 7.375% per year payable quarterly on March 15, June 15, September 15 and December 15 of each year. The 2019 Notes are the Company s direct unsecured obligations and (i) rank equally in right of payment with the Company s future senior unsecured indebtedness; (ii) are senior in right of payment to any of the

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Notes to Consolidated Financial Statements

Note 6. Borrowings - (continued)

Company s future indebtedness that expressly provides it is subordinated to the 2019 Notes; (iii) are effectively subordinated to all of the Company s existing and future secured indebtedness (including indebtedness that is initially unsecured to which the Company subsequently grants security), to the extent of the value of the assets securing such indebtedness, and (iv) are structurally subordinated to all existing and future indebtedness and other obligations of any of the Company s subsidiaries. As of December 31, 2014, the Company was in material compliance with the terms of the 2019 Notes. The 2019 Notes are listed on the New York Stock Exchange under the symbol HTF.

The Company entered into a term loan facility (the Fortress Facility and, together with the Key Facility, the Credit Facilities) with Fortress Credit Co LLC (Fortress) effective August 23, 2012. The Fortress Facility was collateralized by all loans and warrants held by Credit III. The Fortress Facility contained covenants that, among other things, required the Company to maintain a minimum net worth and restricted the loans securing the Fortress Facility to certain criteria for qualified loans and includes portfolio company concentration limits as defined in the related loan agreement. The Fortress Facility, among other things, had a three-year term subject to two one-year extensions with a draw period of up to four years. The Fortress Facility required the payment of an unused line fee in an amount equal to 1.00% of unborrowed amounts available under the facility annually and had an effective advance rate of 66% against eligible loans. The Fortress Facility bore interest based upon the one-month LIBOR plus a spread of 6.00%, with a LIBOR floor of 1.00%. The rate at December 31, 2013 was 7.00%, and the average rate for the period within the year ended December 31, 2013, in which the loan was outstanding, was 7.00%.

Effective June 17, 2014, the Company 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, the Company had no borrowing capacity under the Fortress Facility as of December 31, 2014. Upon termination of the Fortress Facility, the Company accelerated $1.1 million of unamortized debt issuance costs and paid a $0.8 million prepayment fee, which were recorded as interest expense. The Company expects to incur no ongoing obligations or expenses in connection with the termination and prepayment of the Fortress Facility.

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

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

Notes, the Company has made customary representations, warranties and covenants in the Note Purchase Agreement. The Asset-Backed Notes are secured obligations of 2013-1 Trust and are non-recourse to the Company.

As part of the transaction, the Company entered into a sale and contribution agreement, dated as of June 28, 2013 (the Sale and Contribution Agreement), with 2013-1 LLC, pursuant to which the Company sold or contributed to 2013-1 LLC certain secured loans made to certain portfolio companies of the Company (the Loans). The Company made customary representations, warranties and covenants in the Sale and Contribution Agreement with respect to the Loans as of the date of the transfer of the Loans to 2013-1 LLC. The Company also entered into a sale and servicing agreement, dated as of June 28, 2013 (the Sale and Servicing Agreement), with 2013-1 LLC and 2013-1 Trust pursuant to which 2013-1 LLC sold or contributed the Loans to 2013-1 Trust. The Company has made customary representations, warranties and

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Horizon Technology Finance Corporation and Subsidiaries

Notes to Consolidated Financial Statements

Note 6. Borrowings - (continued)

covenants in the Sale and Servicing Agreement. The Company serves as administrator to 2013-1 Trust pursuant to an administration agreement, dated as of June 28, 2013, with 2013-1 Trust, Wilmington Trust, National Association, and U.S. Bank National Association. 2013-1 Trust also entered into an indenture, dated as of June 28, 2013, which governs the Asset-Backed Notes and includes customary covenants and events of default. In addition, 2013-1 LLC entered into an amended and restated trust agreement, dated as of June 28, 2013, which includes customary representations, warranties and covenants. The Asset-Backed Notes were sold through an unregistered private placement to qualified institutional buyers in compliance with the exemption from registration provided by Rule 144A under the Securities Act of 1933, as amended (the Securities Act), and to institutional accredited investors (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act) who, in each case, are qualified purchasers for purposes of Section 3(c)(7) under the 1940 Act.

Under the terms of the Asset-Backed Notes, the Company is 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. The Company has segregated these funds and classified them as restricted investments in money market funds on the Consolidated Statements of Assets and Liabilities. The balance of restricted investments in money market funds was $2.9 million and $6.0 million as of December 31, 2014 and December 31, 2013, respectively.

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

The following table shows information about our senior securities as of December 31, 2014, 2013, 2012, 2011 and 2010:

Class and Year	Total Amount Outstanding Exclusive of Treasury Securities[1]	Asset Coverage per Unit[2]	Involuntary Liquidation Preference per Unit[3]	Average Market Value per Unit[4]
	(In thousands, except unit data)			

Credit Facilities			
2014	$ 10,000	$ 22,000	N/A
2013	10,000	25,818	N/A
2012	56,020	4,177	N/A
2011	64,571	3,012	N/A
2010	87,425	2,455	N/A
2019 Notes			
2014	$ 33,000	$ 6,667	$ 25.64
2013	33,000	7,824	25.70
2012	33,000	7,091	25.38
2013-1 Securitization			
2014	$ 38,753	$ 5,677	N/A
2013	79,343	3,254	N/A

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Notes to Consolidated Financial Statements

Note 6. Borrowings - (continued)

(1) Total amount of senior securities outstanding at the end of the period presented.

(2) Asset coverage per unit is the ratio of the original cost less accumulated depreciation, amortization or impairment of the Company s total consolidated assets, less all liabilities and indebtedness not represented by senior securities, to the aggregate amount of senior securities representing indebtedness. Asset coverage per unit is expressed in terms of dollar amounts per $1,000 of indebtedness.

(3) The amount which the holder of such class of senior security would be entitled upon the voluntary liquidation of the applicable issuer in preference to any security junior to it. The in this column indicates that the SEC expressly does not require this information to be disclosed for certain types of securities.

(4) Not applicable to the Company s Credit Facilities and 2013-1 Securitization because such securities are not registered for public trading.

Note 7. Federal income tax

The Company elected to be treated as a RIC under Subchapter M of the Code and to distribute substantially all of its respective net taxable income. Accordingly, no provision for federal income tax has been recorded in the financial statements. Taxable income differs from net increase in net assets resulting from operations primarily due to unrealized appreciation on investments as investment gains and losses are not included in taxable income until they are realized.

The following table reconciles net increase in net assets resulting from operations to taxable income:

	Year Ended December 31,		
	2014	2013	2012
	(In thousands)		
Net increase in net assets resulting from operations	$ 15,430	$ 3,508	$ 3,991
Net unrealized (appreciation) depreciation on investments	(8,289)	2,254	8,113
Other book-tax differences	183	113	869
Capital loss carry forward	3,576	7,509	
Taxable income before deductions for distributions	$ 10,900	$ 13,384	$ 12,973

The tax characters of distributions paid are as follows:

Year Ended December 31,		
2014	2013	2012
(In thousands)		

Ordinary income	$ 13,276	$ 13,171	$ 12,232
Long-term capital gains		52	3,244
Total	$ 13,276	$ 13,223	$ 15,476

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Notes to Consolidated Financial Statements

Note 7. Federal income tax - (continued)

The components of undistributed ordinary income earnings (accumulated losses) on a tax basis were as follows:

	As of December 31, 2014	2013	2012
	(In thousands)		
Undistributed ordinary income	$ 3,963	$ 6,338	$ 6,139
Undistributed long-term gain			52
Unexpiring capital loss carry forward	(11,085)	(7,509)	
Unrealized depreciation	(4,737)	(13,026)	(10,772)
Other temporary differences	(4,187)	(4,157)	(4,269)
Total	$ (16,046)	$ (18,354)	$ (8,850)

Depending on the level of taxable income earned in a tax year, the Company may choose to carry forward taxable income in excess of current year distributions into the next tax year and pay a 4% excise tax on such income, as required. For the years ended December 31, 2014 and 2013, the Company 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.

For federal income tax purposes, the tax cost of investments at December 31, 2014 and 2013 was $209.8 million and $234.3 million, respectively. The net unrealized depreciation on investments at December 31, 2014 and 2013 was $4.7 million and $13.0 million, respectively.

Note 8. Financial instruments with off-balance-sheet risk

In the normal course of business, the Company is party to financial instruments with off-balance-sheet risk to meet the financing needs of its borrowers. These financial instruments include commitments to extend credit and involve, to varying degrees, elements of credit risk in excess of the amount recognized in the consolidated statement of assets and liabilities. The Company attempts to limit its credit risk by conducting extensive due diligence and obtaining collateral where appropriate.

The balance of unfunded commitments to extend credit was $25.7 million and $9.0 million as of December 31, 2014 and 2013, respectively. Commitments to extend credit consist principally of the unused portions of commitments that obligate the Company to extend credit, such as revolving credit arrangements or similar transactions. Commitments may also include a financial or non-financial milestone that has to be achieved before the commitment can be drawn. Commitments generally have fixed expiration dates or other termination clauses. Since commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

Note 9. Concentrations of credit risk

The Company s debt investments consist primarily of loans to development-stage companies at various stages of development in the technology, life science, healthcare information and services and cleantech industries. Many of these companies may have relatively limited operating histories and also may experience variation in operating results. Many of these companies conduct business in regulated industries and could be affected by changes in government regulations. Most of the Company s borrowers will need additional capital to satisfy their continuing working capital needs and other requirements, and in many instances, to service the interest and principal payments on the loans.

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Notes to Consolidated Financial Statements

Note 9. Concentrations of credit risk - (continued)

The largest debt investments may vary from year to year as new debt investments are recorded and repaid. The Company s 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 the total debt investments as of December 31, 2014 or 2013. Investment income, consisting of interest and fees, can fluctuate significantly upon repayment of large debt investments. Interest income from the five largest debt investments accounted for 20%, 23% and 22% of total interest and fee income on investments for the years ended December 31, 2014, 2013 and 2012, respectively.

Note 10. Distributions

The Company s distributions are recorded on the declaration date. The following table summarizes the Company s distribution activity during the years end December 31, 2014 and 2013:

Date Declared	Record Date	Payment Date	Amount Per Share	Cash Distribution	DRIP Shares Issued	DRIP Share Value
			(In thousands, except share data)			
Year Ended December 31, 2014						
10/31/14	2/19/15	3/16/15	$ 0.115	$		$
10/31/14	1/20/15	2/13/15	0.115	1,094	956	13
10/31/14	12/17/14	1/15/15	0.115	1,096	786	11
8/1/14	11/19/14	12/15/14	0.115	1,093	1,099	15
8/1/14	10/20/14	11/17/14	0.115	1,095	850	12
8/1/14	9/18/14	10/15/14	0.115	1,095	901	12
5/1/14	8/19/14	9/15/14	0.115	1,095	812	12
5/1/14	7/21/14	8/15/14	0.115	1,080	2,042	29
5/1/14	6/18/14	7/17/14	0.115	1,093	784	11
3/6/14	5/20/14	6/16/14	0.115	1,091	1,128	15
3/6/14	4/17/14	5/15/14	0.115	1,090	1,174	16
3/6/14	3/19/14	4/15/14	0.115	1,097	644	8
			$ 1.380	$ 12,019	11,176	$ 154
Year Ended December 31, 2013						
11/1/13	2/17/14	3/17/14	$ 0.115	$ 1,062	3,444	$ 44
11/1/13	1/20/14	2/14/14	0.115	1,058	3,249	47
11/1/13	12/16/13	1/15/14	0.115	1,061	3,048	44

8/2/13	11/19/13	12/16/13	0.115	1,045	4,225	59
8/2/13	10/17/13	11/15/13	0.115	937	11,851	167
8/2/13	9/18/13	10/15/13	0.115	1,051	3,882	52
5/3/13	8/19/13	9/16/13	0.115	1,057	3,376	46
5/3/13	7/17/13	8/15/13	0.115	1,060	2,980	42
5/3/13	6/20/13	7/15/13	0.115	1,070	2,191	31
3/8/13	5/20/13	6/17/13	0.115	1,086	1,099	15
3/8/13	4/18/13	5/15/13	0.115	1,087	1,035	15
3/8/13	3/20/13	4/15/13	0.115	1,046	3,867	55
			$ 1.380	$ 12,620	44,247	$ 617

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Notes to Consolidated Financial Statements

Note 10. Distributions - (continued)

On March 6, 2015, the Board declared monthly distributions per share, payable as set forth in the following table.

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

After paying distributions of $1.38 per share and earning $1.11 per share for the year, the Company s undistributed spillover income as of December 31, 2014 was $0.41 per share. Spillover income includes any ordinary income and net capital gains from the preceding years that were not distributed during such years.

Note 11. Financial highlights

The following table shows financial highlights for the Company:

	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
	(In thousands, except share data)				
Per share data:					
Net asset value at beginning of period	$14.14	$15.15	$17.01	$16.75	$7.15
Net investment income	1.11	1.38	1.41	1.38	0.18
Realized (loss) gain on investments	(0.37)	(0.78)	0.01	0.81	0.08
Unrealized appreciation (depreciation) on investments	0.86	(0.23)	(0.95)	(0.75)	0.19
Net increase in net assets resulting from operations	1.60	0.37	0.47	1.44	0.45
Issuance of common stock and capital contributions					9.67
Offering costs					(0.30)
Net dilution from issuance of			(0.28)		

common stock					
Distributions declared[1]	(1.38)	(1.38)	(2.15)	(1.18)	(0.22)
From net investment income	(1.38)	(1.38)	(1.72)	(0.70)	(0.20)
From net realized gain on investments			(0.43)	(0.48)	(0.02)
Return of capital					
Other[2]			0.10		
Net asset value at end of period	$14.36	$14.14	$15.15	$17.01	$16.75
Per share market value, end of period	$13.99	$14.21	$14.92	$16.32	$14.44
Total return based on a market value[3]	8.2%	4.5%	2.5%	21.2%	(8.4)%
Shares outstanding at end of period	9,628,124	9,608,949	9,567,225	7,636,532	7,593,421

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Notes to Consolidated Financial Statements

Note 11. Financial highlights - (continued)

	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	
	(In thousands, except share data)									
Ratios to average net assets:										
Expenses without incentive fees(4)	13.3	%	11.8	%	8.4	%	7.9	%	9.8	%(5)
Incentive fees	1.5	%	2.3	%	2.1	%	2.3	%	2.8	%(5)
Total expenses(4)	14.8	%	14.1	%	10.5	%	10.2	%	12.6	%(5)
Net investment income with incentive fees(4)	7.8	%	9.2	%	8.7	%	8.1	%	9.0	%(5)
Net assets at the end of the period	$138,248		$135,835		$144,972		$129,884		$127,195	
Average net asset value	$137,848		$142,327		$137,741		$130,385		$90,205	(5)
Average debt per share	10.68		12.06		7.42		10.26		9.76	
Portfolio turnover ratio	46.5	%	37.9	%	74.0	%	59.4	%	15.3	%

(1) Distributions are determined based on taxable income calculated in accordance with income tax regulations, which may differ from amounts determined under GAAP due to (i) changes in unrealized appreciation and depreciation, (ii) temporary and permanent differences in income and expense recognition, and (iii) the amount of spillover income carried over from a given year for distribution in the following year. The final determination of taxable income for each tax year, as well as the tax attributes for distributions in such tax year, will be made after the close of the tax year.

(2) Includes the impact of the different share amounts as a result of calculating per share data based on the weighted average basic shares outstanding during the period and certain per share data based on the shares outstanding as of a period end or transaction date.

(3) The total return equals 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.

(4) During the year ended December 31, 2014, the Advisor waived $0.2 million of base management fee and $0.1 million of incentive fee. Had these expenses not been waived, the ratio of expenses without incentive fee to average net assets, the ratio of total expenses to average net assets and the ratio of net investment income with incentive fee to average net assets would have been 13.5%, 15.0% and 7.5%, respectively. During the year ended December 31, 2013, the Advisor waived $0.1 million of management fees. Had this expense not been waived, the ratio of expenses without incentive fees to average net assets, the ratio of total expenses to average net assets and the ratio of net investment income with incentive fees to average net assets would have been 11.9%, 14.3% and

9.1% respectively.

(5) Annualized.

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Horizon Technology Finance Corporation and Subsidiaries

Notes to Consolidated Financial Statements

Note 12. Selected quarterly financial data (unaudited)

	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014
	(In thousands, except share data)			
Total investment income	$ 7,284	$ 7,739	$ 8,697	$ 7,534
Net investment income	3,196	3,201	1,836	2,484
Net realized and unrealized (loss) gain	(91)	1,559	599	2,646
Net increase in net asset resulting from operations	3,105	4,760	2,435	5,130
Net investment income per share[1]	0.33	0.33	0.19	0.26
Net earnings per share[1]	0.32	0.50	0.25	0.53
Net asset value per share at period end[2]	$ 14.36	$ 14.38	$ 14.23	$ 14.32

	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013
	(In thousands, except share data)			
Total investment income	$8,776	$ 8,712	$8,787	$ 7,368
Net investment income	3,410	3,487	3,601	2,773
Net realized and unrealized (loss) gain	(7,921)	401	(2,453)	210
Net (decrease) increase in net asset resulting from operations	(4,511)	3,888	1,148	2,983
Net investment income per share[1]	0.35	0.36	0.38	0.29
Net (loss) earnings per share[1]	(0.47)	0.41	0.12	0.31
Net asset value per share at period end[2]	$14.14	$ 14.95	$14.89	$ 15.12

(1) Based on weighted average shares outstanding for the respective period.

(2) Based on shares outstanding at the end of the respective period.

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$250,000,000

Horizon Technology Finance Corporation

Common Stock

Preferred Stock

Subscription Rights

Debt Securities

Warrants

And

891,414 Shares of Common Stock Offered by the Selling Stockholder

PRELIMINARY PROSPECTUS

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Part C

OTHER INFORMATION

Item 25. ***Financial Statements and Exhibits***

1. *Financial Statements*

The following financial statements of Horizon Technology Finance Corporation (the Registrant or the Company) are included in Part A of this registration statement (this Registration Statement):

	Page
UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS	
Consolidated Statements of Assets and Liabilities as of June 30, 2015 and December 31, 2014 (unaudited)	F-2
Consolidated Statements of Operations for the six months ended June 30, 2015 and 2014 (unaudited)	F-3
Consolidated Statements of Changes in Net Assets for the six months ended June 30, 2015 and 2014 (unaudited)	F-4
Consolidated Statements of Cash Flows for the six months ended June 30, 2015 and 2014 (unaudited)	F-5
Consolidated Schedules of Investments as of June 30, 2015 and December 31, 2014 (unaudited)	F-6
Notes to the Consolidated Financial Statements (unaudited)	F-23
AUDITED FINANCIAL STATEMENTS	
Management s Report on Internal Control over Financial Reporting	F-47
Report of Independent Registered Public Accounting Firm	F-48
Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting	F-49
Consolidated Statements of Assets and Liabilities as of December 31, 2014 and 2013	F-50
Consolidated Statements of Operations for the Years Ended December 31, 2014, 2013 and 2012,	F-51
Consolidated Statements of Changes in Net Assets for the Years Ended December 31, 2014, 2013 and 2012	F-52
Consolidated Statements of Cash Flows for the Years Ended December 31, 2014, 2013 and 2012	F-53
Consolidated Schedules of Investments as of December 31, 2014 and 2013	F-54
Notes to the Consolidated Financial Statements	F-69

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2. *Exhibits*

Exhibit No.	Description
(a)	Amended and Restated Certificate of Incorporation (Incorporated by reference to exhibit (a) of the Company s Pre-effective Amendment No. 2 to the Registration Statement on Form N-2, File No. 333-165570, filed on July 2, 2010)
(b)	Amended and Restated Bylaws (Incorporated by reference to exhibit (b) of the Company s Pre-effective Amendment No. 2 to the Registration Statement on Form N-2, File No. 333-165570, filed on July 2, 2010)
(c)	Not applicable
(d)(1)	Form of Stock Certificate (Incorporated by reference to exhibit (d) of the Company s Pre-effective Amendment No. 3 to the Registration Statement on Form N-2, File No. 333-165570, filed on July 19, 2010)
(d)(2)	Form of Certificate of Designation for Preferred Stock (Incorporated by reference to Exhibit (d)(2) of the Company s Registration Statement on Form N-2, File No. 333-178516, filed on December 15, 2011)
(d)(3)	Form of Subscription Certificate (Incorporated by reference to Exhibit (d)(3) of the Company s Registration Statement on Form N-2, File No. 333-178516, filed on December 15, 2011)
(d)(4)	Form of Indenture (Incorporated by reference to Exhibit (d)(4) of the Company s Registration Statement on Form N-2, File No. 333-178516, filed on December 15, 2011)
(d)(5)	Form of Subscription Agent Agreement (Incorporated by reference to Exhibit (d)(5) of the Company s Registration Statement on Form N-2, File No. 333-178516, filed on December 15, 2011)
(d)(6)	Form of Warrant Agreement (Incorporated by reference to Exhibit (d)(6) of the Company s Registration Statement on Form N-2, File No. 333-178516, filed on December 15, 2011)
(d)(7)	Indenture, dated as of March 23, 2012, between the Company and U.S. Bank National Association. (Incorporated by reference to Exhibit (d)(7) of the Company s Post-Effective Amendment No. 2 to the Registration Statement on Form N-2, File No. 333-178516, filed on March 23, 2012)
(d)(8)	First Supplemental Indenture, dated as of March 23, 2012, between the Company and U.S. Bank National Association (Incorporated by reference to Exhibit (d)(8) of the Company s Post-Effective Amendment No. 2 to the Registration Statement on Form N-2, File No. 333-178516, filed on March 23, 2012)
(d)(9)	Form of 7.375% Senior Notes due 2019 (included as part of Exhibit (d)(8))
(d)(10)	Statement of Eligibility on Form T-1 (Incorporated by reference to Form T-1 filed pursuant to Section 305(b)(2) of the Trust Indenture Act of 1939, as amended, on February 7, 2012)
(d)(11)	Indenture, dated as of June 28, 2013, between Horizon Technology Funding Trust 2013-1 and U.S. Bank National Association (Incorporated by reference to Exhibit 4.1 of the Company s Quarterly Report on Form 10-Q, filed on August 6, 2013)
(e)	Form of Dividend Reinvestment Plan (Incorporated by reference to exhibit (e) of the Company s Pre-effective Amendment No. 2 to the Registration Statement on Form N-2, File No. 333-165570, filed on July 2, 2010)
(g)	Amended and Restated Investment Management Agreement (Incorporated by reference to Exhibit 10.1 of the Company s Current Report on Form 8-K, filed on Auqust 5, 2014)
(h)(1)	Form of Underwriting Agreement for equity securities (Incorporated by reference to Exhibit (h)(1) of the Company s Registration Statement on Form N-2, File No. 333-178516, filed on

	December 15, 2011)
(h)(2)	Form of Underwriting Agreement for debt securities (Incorporated by reference to Exhibit (h)(2) of the Company s Registration Statement on Form N-2, File No. 333-178516, filed on December 15, 2011)

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Exhibit No.	Description
(i)	Not Applicable
(j)	Form of Custody Agreement (Incorporated by reference to exhibit (j) of the Company s Pre-effective Amendment No. 3 to the Registration Statement on Form N-2, File No. 333-165570, filed on July 19, 2010)
(k)(1)	Form of Administration Agreement (Incorporated by reference to exhibit (k)(1) of the Company s Pre-effective Amendment No. 2 to the Registration Statement on Form N-2, File No. 333-165570, filed on July 2, 2010)
(k)(2)	Form of Trademark License Agreement by and between the Company and Horizon Technology Finance, LLC (Incorporated by reference to exhibit (k)(2) of the Company s Pre-effective Amendment No. 2 to the Registration Statement on Form N-2, File No. 333-165570, filed on July 2, 2010)
(k)(3)	Form of Registration Rights Agreement among Compass Horizon Partners, LP, HTF-CHF Holdings LLC and the Company (Incorporated by reference to exhibit (k)(3) of the Company s Pre-effective Amendment No. 2 to the Registration Statement on Form N-2, File No. 333-165570, filed on July 2, 2010)
(k)(4)	Form of Exchange Agreement by and among Compass Horizon Partners, LP, HTF-CHF Holdings LLC, Compass Horizon Funding Company LLC and the Company (Incorporated by reference to Exhibit(k)(4) of the Company s Pre-Effective Amendment No. 3 to the Registration Statement on Form N-2, File No. 333-165570, filed July 19, 2010)
(k)(5)	Promissory Note, dated as of June 3, 2013, by and between Horizon Technology Finance Corporation, as the borrower, and Guggenheim Securities, LLC, as the lender (Incorporated by reference to Exhibit 10.1 of the Company s Current Report on Form 8-K, filed on June 3, 2013)
(k)(6)	Amended and Restated Trust Agreement, dated as of June 28, 2013, by and between Horizon Funding 2013-1 LLC and Wilmington Trust, National Association (Incorporated by reference to Exhibit 10.1 of the Company s Quarterly Report on Form 10-Q, filed on August 6, 2013)
(k)(7)	Sale and Servicing Agreement, dated as of June 28, 2013, by and among the Company, Horizon Funding Trust 2013-1, Horizon Funding 2013-1 LLC and U.S. Bank National Association (Incorporated by reference to Exhibit 10.2 of the Company s Quarterly Report on Form 10-Q, filed on August 6, 2013)
(k)(8)	Sale and Contribution Agreement, dated as of June 28, 2013, between the Company and Horizon Funding 2013-1 LLC (Incorporated by reference to Exhibit 10.3 of the Company s Quarterly Report on Form 10-Q, filed on August 6, 2013)
(k)(9)	Note Purchase Agreement, dated as of June 28, 2013, by and among the Company, Horizon Funding 2013-1 LLC, Horizon Funding Trust 2013-1 and Guggenheim Securities, LLC (Incorporated by reference to Exhibit 10.4 of the Company s Quarterly Report on Form 10-Q, filed on August 6, 2013)
(k)(10)	Amended and Restated Loan and Security Agreement, dated as of November 4, 2013, by and among Horizon Credit II LLC, as the borrower, the Lenders that are signatories thereto, as the lenders, and Key Equipment Finance Inc,. as the arranger and the agent (Incorporated by reference to Exhibit 10.14 of the Company s Annual Report on Form 10-K, filed on March 11, 2014)
(k)(11)	Amended and Restated Sale and Servicing Agreement, dated as of November 4, 2013, by and among Horizon Credit II LLC, as the buyer, Horizon Technology Finance Corporation, as the originator and the servicer, Horizon Technology Finance Management LLC, as the sub-servicer, U.S. Bank National Association, as the collateral custodian and backup servicer,

and Key Equipment Finance Inc., as the agent (Incorporated by reference to Exhibit 10.15 of the Company s Annual Report on Form 10-K, filed on March 11, 2014)

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Exhibit No.	Description
(k)(12)	Agreement Regarding Loan Assignment and Related Matters, dated as of November 4, 2013, by and among Horizon Credit II LLC, Wells Fargo Capital Finance, LLC and Key Equipment Finance Inc. (Incorporated by reference to Exhibit 10.16 of the Company s Annual Report on Form 10-K, filed on March 11, 2014)
(k)(13)*	Amendment No. 1 to Amended and Restated Loan Agreement, dated as of August 12, 2015, by and among Horizon Credit II LLC, as the borrower, the Lenders that are signatory thereto, as the lenders, and KeyBank National Association, as the arranger and agent
(l)	Opinion and Consent of Dechert LLP (Incorporated by reference to Exhibit (l) to the Company s Pre-Effective Amendment No. 1 to the Registration Statement on Form N-2, File No. 333-201866, filed on June 17, 2015)
(m)	not applicable
(n)*	Consent of independent registered public accounting firm
(o)	not applicable
(p)	not applicable
(q)	not applicable
(r)(1)	Code of Ethics of the Company (Incorporated by reference to exhibit (r)(1) of the Company s Pre-effective Amendment No. 3 to the Registration Statement on Form N-2, filed on July 19, 2010)
(r)(2)	Code of Ethics of the Advisor (Incorporated by reference to exhibit (r)(2) of the Company s Pre-effective Amendment No. 3 to the Registration Statement on Form N-2, filed on July 19, 2010)
(s)(1)	Form of prospectus supplement for Common Stock Offerings (Incorporated by reference to Exhibit (s)(1) of the Company s Pre-Effective Amendment No. 2 to the Registration Statement on Form N-2, File No. 333-178516, filed on February 6, 2012)
(s)(2)	Form of prospectus supplement for Preferred Stock Offerings (Incorporated by reference to Exhibit (s)(2) of the Company s Pre-Effective Amendment No. 1 to the Registration Statement on Form N-2, File No. 333-178516, filed on January 24, 2012)
(s)(3)	Form of prospectus supplement for Subscription Rights Offerings (Incorporated by reference to Exhibit (s)(3) of the Company s Pre-Effective Amendment No. 2 to the Registration Statement on Form N-2, File No. 333-178516, filed on February 6, 2012)
(s)(4)	Form of prospectus supplement for Debt Securities Offerings (Incorporated by reference to Exhibit (s)(4) of the Company s Pre-Effective Amendment No. 1 to the Registration Statement on Form N-2, File No. 333-201866, filed on June 17, 2015)
(s)(5)	Form of prospectus supplement for Warrant Offerings (Incorporated by reference to Exhibit (s)(5) of the Company s Pre-Effective Amendment No. 2 to the Registration Statement on Form N-2, File No. 333-178516, filed on February 6, 2012)

* Filed herewith

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Item 26. ***Marketing Arrangements***

The information contained under the heading Plan of Distribution in this Registration Statement is incorporated herein by reference.

Item 27. ***Other Expenses of Issuance and Distribution***

The following table sets forth the estimated expenses to be incurred in connection with the offering described in this Registration Statement:

SEC registration fee	$ 30,432
FINRA filing fee	$ 31,335
NASDAQ listing fee	$ 125,000
Printing expenses	$ 100,000
Accounting fees and expenses	$ 200,000
Legal fees and expenses	$ 400,000
Miscellaneous fees and expenses	$ 50,000
Total	$ 936,767

* Estimated for filing purposes.

All of the expenses set forth above shall be borne by the Registrant. However, underwriting discounts and commissions with respect to the shares offered by the selling stockholder will be borne by the selling stockholder.

Item 28. ***Persons Controlled by or Under Common Control***

Compass Horizon Funding Company LLC, a Delaware limited liability company and wholly owned subsidiary of the Registrant

Horizon Credit I LLC, a Delaware limited liability company and wholly owned subsidiary of Compass Horizon Funding Company LLC, which is a wholly owned subsidiary of the Registrant

Horizon Credit II LLC, a Delaware limited liability company and wholly owned subsidiary of the Registrant

Horizon Credit III LLC, a Delaware limited liability company and wholly owned subsidiary of the Registrant

Longview SBIC GP LLC, a Delaware limited liability company and wholly owned subsidiary of the Registrant

Longview SBIC LP, a Delaware limited partnership and wholly owned subsidiary of the Registrant

Horizon Funding 2013-1 LLC, a Delaware limited liability company and wholly owned subsidiary of the Registrant

Horizon Funding Trust 2013-1, a Delaware trust and wholly owned subsidiary of the Registrant

HPO Assets LLC, a Delaware limited liability company and wholly owned subsidiary of the Registrant

All subsidiaries listed above are included in the Registrant s consolidated financial statements as of June 30, 2015 and December 31, 2014.

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Item 29. ***Number of Holders of Securities***

The following table sets forth the approximate number of record holders of the Company s securities as of August 18, 2015:

Title of Class	Number of Record Holders
Common Stock, $0.001 par value	14
7.375% senior notes due 2019	1

Item 30. ***Indemnification***

The information contained under the heading Description of Common Stock That We May Issue Limitations of liability and indemnification is incorporated herein by reference.

Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended (the Securities Act), may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission (the SEC) such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is again public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The investment management agreement (the Investment Management Agreement) provides that, absent willful misfeasance, bad faith or gross negligence in the performance of its duties or by reason of the reckless disregard of its duties and obligations, Horizon Technology Finance Management LLC (the Advisor) and its officers, managers, partners, agents, employees, controlling persons, members and any other person or entity affiliated with it are entitled to indemnification from the Registrant for any damages, liabilities, costs and expenses (including reasonable attorneys fees and amounts reasonably paid in settlement) arising from the rendering of the Advisor s services under the Investment Management Agreement or otherwise as an investment adviser of the Registrant.

The administration agreement (the Administration Agreement) provides that, absent willful misfeasance, bad faith or negligence in the performance of its duties or by reason of the reckless disregard of its duties and obligations, Horizon Technology Finance Management LLC (in such capacity, the Administrator) and its officers, managers, partners, agents, employees, controlling persons, members and any other person or entity affiliated with it are entitled to indemnification from the Registrant for any damages, liabilities, costs and expenses (including reasonable attorneys fees and amounts reasonably paid in settlement) arising from the rendering of the Administrator s services under the Administration Agreement or otherwise as administrator for the Registrant.

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Each of the underwriting agreement relating to equity securities and the underwriting agreement relating to debt securities (each, an Underwriting Agreement) provides that each of the Registrant, the Advisor and the Administrator jointly and severally agrees to indemnify and hold harmless the underwriters listed on Schedule A to the applicable Underwriting Agreement (each an Underwriter), its affiliates, as such term is defined in Rule 501(b) under the Securities Act, its selling agents and each person, if any, who controls any Underwriter within the meaning of Section 15 of the Securities Act or Section 20 of the Securities Exchange Act of 1934, as amended (the Exchange Act), against specified liabilities for actions taken in their capacity as such, including liabilities under the Securities Act. The Underwriting Agreement also provides that each Underwriter severally agrees to indemnify and hold harmless the Registrant, its directors, its officers, each person, if any, who controls the Registrant, the Advisor or the Administrator within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act, the Advisor and the Administrator against specified liabilities for actions taken in their capacity as such.

The Registrant carries liability insurance for the benefit of its directors and officers (other than with respect to claims resulting from the willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his or her office) on a claims-made basis.

Item 31. ***Business and Other Connections of Investment Advisor***

A description of any other business, profession, vocation or employment of a substantial nature in which our Advisor and each managing director, director or executive officer of our Advisor, is or has been during the past two fiscal years, engaged in for his or her own account or in the capacity of director, officer, employee, partner or trustee, is set forth in Part A of this Registration Statement in the sections entitled Management and Our Advisor. Additional information regarding our Advisor and its executive officers and directors is set forth in its Form ADV, as filed with the SEC (SEC File No. 801-71141), and is incorporated herein by reference.

Item 32. ***Location of Accounts and Records***

All accounts, books and other documents required to be maintained by Section 31(a) of the Investment Company Act of 1940 and the rules thereunder are maintained at the offices of:

(1) the Registrant, Horizon Technology Finance Corporation, 312 Farmington Avenue, Farmington, Connecticut 06032;

(2) the Transfer Agent, Computershare Shareowner Services (formerly known as BNY Mellon Shareowner Services), Newport Office Center VII, 480 Washington Boulevard, Jersey City, New Jersey 07310;

(3) the Custodian, Bank of America, N.A., 100 West 33rd Street, New York, New York 1001; and

(4) the Advisor, Horizon Technology Finance Management LLC, 312 Farmington Avenue, Farmington, Connecticut 06032.

Item 33. ***Management Services***

Not applicable.

Item 34. ***Undertakings***

(1) The Registrant hereby undertakes to suspend the offering of its common stock until it amends its prospectus if (a) subsequent to the effective date of its Registration Statement, the net asset value declines more than 10% from its net asset value as of the effective date of the Registration Statement or (b) the net asset value increases to an amount greater than its net proceeds as stated in the prospectus.

(2) Not applicable.

(3) The Registrant hereby undertakes, in the event that the securities being registered are to be offered to existing stockholders pursuant to warrants or rights, and any securities not taken by stockholders are to be reoffered to the public, to supplement the prospectus, after the expiration of the subscription period, to set forth the results of the subscription offer, the transactions by

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underwriters during the subscription period, the amount of unsubscribed securities to be purchased by underwriters, and the terms of any subsequent reoffering thereof; and further, if any public offering by the underwriters of the securities being registered is to be made on terms differing from those set forth on the cover page of the prospectus, to file a post-effective amendment to set forth the terms of such offering.

(4) The Registrant hereby undertakes:

(a) to file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement: (i) to include any prospectus required by Section 10(a)(3) of the Securities Act; (ii) to reflect in the prospectus any facts or events after the effective date of this Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in this Registration Statement; and (iii) to include any material information with respect to the plan of distribution not previously disclosed in this Registration Statement or any material change to such information in this Registration Statement;

(b) that, for the purpose of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered herein, and the offering of those securities at that time shall be deemed to be the initial bona fide offering thereof;

(c) to remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering;

(d) that, for the purpose of determining liability under the Securities Act to any purchaser, if the Registrant is subject to Rule 430C: Each prospectus filed pursuant to Rule 497(b), (c), (d) or (e) under the Securities Act as part of a registration statement relating to an offering, other than prospectuses filed in reliance on Rule 430A under the Securities Act, shall be deemed to be part of and included in this Registration Statement as of the date it is first used after effectiveness; provided, however, that no statement made in a registration statement or prospectus that is part of this Registration Statement or made in a document incorporated or deemed incorporated by reference into this Registration Statement or prospectus that is part of this Registration Statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in this Registration Statement or prospectus that was part of this Registration Statement or made in any such document immediately prior to such date of first use; and

(e) that, for the purpose of determining liability of the Registrant under the Securities Act to any purchaser in the initial distribution of securities, the undersigned Registrant undertakes that in a primary offering of securities of the undersigned Registrant pursuant to this Registration Statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned Registrant will be a seller to the purchaser and will be considered to offer or sell such securities to the purchaser: (i) any preliminary prospectus or prospectus of the undersigned Registrant relating to the offering required to be filed pursuant to Rule 497 under the Securities Act; (ii) the portion of any advertisement pursuant to Rule 482 under the Securities Act relating to the offering containing material information about the undersigned Registrant or its securities provided by or on behalf of the undersigned Registrant; and (iii) any other communication that is an offer in the offering made by the undersigned Registrant to the purchaser.

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(5) The Registrant hereby undertakes:

(a) for the purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant under Rule 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective; and

(b) for the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of the securities at that time shall be deemed to be the initial bona fide offering thereof.

(6) Not applicable.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this Amendment No. 2 to its Registration Statement on Form N-2 to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Farmington, in the State of Connecticut, on the 19th day of August 2015.

HORIZON TECHNOLOGY FINANCE CORPORATION

By:	/s/ Robert D. Pomeroy, Jr. Robert D. Pomeroy, Jr. Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, as amended, this Amendment No. 2 to its Registration Statement on Form N-2 has been signed by the following persons on behalf of the Registrant, and in the capacities indicated, on the 19th day of August 2015.

Signature	Title
/s/ Robert D. Pomeroy, Jr. Robert D. Pomeroy, Jr.	Chief Executive Officer and Chairman of the Board of Directors (Principal Executive Officer)
* Christopher M. Mathieu	Senior Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
* Gerald A. Michaud	President and Director
* James J. Bottiglieri	Director
* Edmund V. Mahoney	Director
* Elaine A. Sarsynski	Director

*By:	/s/ Robert D. Pomeroy Name: Robert D. Pomeroy Title: Attorney-in-fact

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