

Horizon Technology Finance Corp
Form 10-Q
May 03, 2016

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2016

OR

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

FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NUMBER: 814-00802

HORIZON TECHNOLOGY FINANCE CORPORATION

(Exact name of registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of incorporation or organization)

27-2114934

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

312 Farmington Avenue

Farmington, CT

06032

(Address of principal executive offices) (Zip Code)

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

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

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

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

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

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

As of May 3, 2016, the Registrant had 11,542,430 shares of common stock, \$0.001 par value, outstanding.

HORIZON TECHNOLOGY FINANCE CORPORATION

FORM 10-Q

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

	March 31,	December 31,
	2016	2015
Assets		
Non-affiliate investments at fair value (cost of \$251,276 and \$255,494, respectively) (Note 4)	\$ 245,035	\$ 250,267
Investments in money market funds	291	285
Cash	17,263	20,765
Restricted investments in money market funds	652	1,091
Interest receivable	7,558	6,258
Other assets	2,036	2,230
Total assets	\$ 272,835	\$ 280,896
Liabilities		
Borrowings (Note 6)	\$ 109,151	\$ 114,954
Distributions payable	3,982	3,980
Base management fee payable (Note 3)	425	385
Incentive fee payable (Note 3)	1,099	1,028
Other accrued expenses	958	798
Total liabilities	115,615	121,145
Commitments and Contingencies (Note 7)		
Net assets		
Preferred stock, par value \$0.001 per share, 1,000,000 shares authorized, zero shares issued and outstanding as of March 31, 2016 and December 31, 2015	—	—
Common stock, par value \$0.001 per share, 100,000,000 shares authorized, 11,653,972 and 11,648,594 shares issued and 11,540,590 and 11,535,212 shares outstanding as of	12	12

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March 31, 2016 and December 31, 2015, respectively

Paid-in capital in excess of par	179,761	179,707
Distributions in excess of net investment income	(1,591)	(2,006)
Net unrealized depreciation on investments	(6,241)	(5,227)
Net realized loss on investments	(14,721)	(12,735)
Total net assets	157,220	159,751
Total liabilities and net assets	\$ 272,835	\$ 280,896
Net asset value per common share	\$ 13.62	\$ 13.85

See Notes to Consolidated Financial Statements

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

	For the Three Months Ended	
	March 31,	
	2016	2015
Investment income		
Interest income on non-affiliate investments	\$ 9,003	\$ 6,562
Prepayment fee income on non-affiliate investments	167	520
Fee income on non-affiliate investments	127	184
Total investment income	9,297	7,266
Expenses		
Interest expense	1,534	1,587
Base management fee (Note 3)	1,284	1,031
Performance based incentive fee (Note 3)	1,099	736
Administrative fee (Note 3)	281	268
Professional fees	501	431
General and administrative	201	260
Total expenses	4,900	4,313
Net investment income before excise tax	4,397	2,953
Provision for excise tax	—	10
Net investment income	4,397	2,943
Net realized and unrealized (loss) gain on investments		
Net realized loss on investments	(1,986) (230
Net unrealized (depreciation) appreciation on investments	(1,014) 1,132
Net realized and unrealized (loss) gain on investments	(3,000) 902
Net increase in net assets resulting from operations	\$ 1,397	\$ 3,845
Net investment income per common share	\$ 0.38	\$ 0.30
Net increase in net assets per common share	\$ 0.12	\$ 0.39
Distributions declared per share	\$ 0.345	\$ 0.345
Weighted average shares outstanding	11,538,003	9,807,198

See Notes to Consolidated Financial Statements

Horizon Technology Finance Corporation and Subsidiaries

Consolidated Statements of Changes in Net Assets (Unaudited)

(Dollars in thousands, except share data)

	Common Stock		Paid-In Capital in Excess of	Accumulated			Total Net
				Investment Income	Undistributed Net (Distribution in Excess of) Net	Unrealized Depreciation on	
	Shares	Amount Par					
Balance at December 31, 2014	9,628,124	\$ 10	\$ 155,240	\$ (1,102)	\$ (4,737)	\$ (11,163)	\$ 138,248
Issuance of common stock, net of offering costs	2,000,000	2	26,667	—	—	—	26,669
Net increase in net assets resulting from operations	—	—	—	2,943	1,132	(230)	3,845
Issuance of common stock under dividend reinvestment plan	2,493	—	34	—	—	—	34
Distributions declared	—	—	—	(3,783)	—	—	(3,783)
Reclassification of permanent tax differences (Note 2)	—	—	(971)	893	—	78	—
Balance at March 31, 2015	11,630,617	\$ 12	\$ 180,970	\$ (1,049)	\$ (3,605)	\$ (11,315)	\$ 165,013
Balance at December 31, 2015	11,535,212	\$ 12	\$ 179,707	\$ (2,006)	\$ (5,227)	\$ (12,735)	\$ 159,751
Net increase in net assets resulting from operations	—	—	—	4,397	(1,014)	(1,986)	1,397
Issuance of common stock under dividend reinvestment plan	5,378	—	54	—	—	—	54
Distributions declared	—	—	—	(3,982)	—	—	(3,982)
Balance at March 31, 2016	11,540,590	\$ 12	\$ 179,761	\$ (1,591)	\$ (6,241)	\$ (14,721)	\$ 157,220

See Notes to Consolidated Financial Statements

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

	For the Three Months Ended March 31,	
	2016	2015
Cash flows from operating activities:		
Net increase in net assets resulting from operations	\$ 1,397	\$ 3,845
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by operating activities:		
Amortization of debt issuance costs	153	278
Net realized loss on investments	1,986	230
Net unrealized (depreciation) appreciation on investments	1,014	(1,132)
Purchase of investments	(16,500)	(23,933)
Principal payments received on investments	18,033	25,790
Proceeds from sale of investments	836	—
Changes in assets and liabilities:		
Net increase in investments in money market funds	(6)	(372)
Net decrease in restricted investments in money market funds	439	555
(Increase) decrease in interest receivable	(243)	71
Increase in end-of-term payments	(1,075)	(370)
Decrease in unearned income	(118)	(154)
Decrease in other assets	89	212
Increase in other accrued expenses	160	486
Increase (decrease) in base management fee payable	40	(2)
Increase (decrease) in incentive fee payable	71	(63)
Net cash provided by operating activities	6,276	5,441
Cash flows from financing activities:		
Proceeds from issuance of common stock, net of offering costs	—	26,667
Repayment of Asset-Backed Notes	(5,850)	(7,411)
Distributions paid	(3,928)	(3,286)
Net cash (used in) provided by financing activities	(9,778)	15,970
Net (decrease) increase in cash	(3,502)	21,411
Cash:		
Beginning of period	20,765	8,417
End of period	\$ 17,263	\$ 29,828
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 1,350	\$ 1,032
Supplemental non-cash investing and financing activities:		
Warrant investments received and recorded as unearned income	\$ 81	\$ 156

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Distributions payable	\$ 3,982	\$ 3,783
End-of-term payments receivable	\$ 6,143	\$ 4,155

See Notes to Consolidated Financial Statements

Horizon Technology Finance Corporation and Subsidiaries**Consolidated Schedule of Investments (Unaudited)****March 31, 2016****(Dollars in thousands)**

Portfolio Company (1)	Sector	Type of Investment (3)(4)(7)(9)(10)	Principal Amount	Cost of Investments (6)	Fair Value
Debt Investments — 151.7% (8)					
Debt Investments — Life Science — 35.6% (8)					
Argos Therapeutics, Inc. (2)(5)	Biotechnology	Term Loan (9.25% cash (Libor + 8.75%; Floor 9.25%; Ceiling 10.75%), 5.00% ETP, Due 10/1/18)	\$ 5,000	\$ 4,948	\$4,948
		Term Loan (9.25% cash (Libor + 8.75%; Floor 9.25%; Ceiling 10.75%), 5.00% ETP, Due 3/1/19)	5,000	4,958	4,958
New Haven Pharmaceuticals, Inc. (2)	Biotechnology	Term Loan (11.50% cash (Libor + 11.00%; Floor 11.50%), 11.42% ETP, Due 3/1/19)	1,301	1,293	1,293
		Term Loan (11.50% cash (Libor + 11.00%; Floor 11.50%), 11.42% ETP, Due 3/1/19)	434	431	431
		Term Loan (10.50% cash (Libor + 10.00%; Floor 10.50%), 6.10% ETP, Due 3/1/19)	2,000	1,988	1,988
		Term Loan (10.00% cash (Libor + 9.50%; Floor 10.00%), 4.00% ETP, Due 4/1/19)	6,265	6,196	6,196
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	4,944	4,944
		Term Loan (9.00% cash (Libor + 8.50%; Floor 9.00%), 5.00% ETP, Due 8/1/19)	5,000	4,942	4,942
Sample6, Inc. (2)	Biotechnology	Term Loan (9.50% cash (Libor + 9.00%; Floor	1,555	1,551	1,551

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		9.50%; Ceiling 11.00%), 4.00% ETP, Due 4/1/18)			
		Term Loan (9.50% cash (Libor + 9.00%; Floor	945	941	941
		9.50%; Ceiling 11.00%), 4.00% ETP, Due 4/1/18)			
		Term Loan (9.50% cash (Libor + 9.00%; Floor	2,500	2,483	2,483
		9.50%; Ceiling 11.00%), 4.00% ETP, Due 4/1/18)			
IntegenX Inc. (2)	Medical Device	Term Loan (10.75% cash (Libor + 10.25%; Floor	3,750	3,708	3,708
		10.75%; Ceiling 12.75%), 3.50% ETP, Due 7/1/18)			
Lantos Technologies, Inc. (2)	Medical Device	Term Loan (11.50% cash (Libor + 11.00%; Floor	3,354	3,313	3,313
		11.50%), 5.00% ETP, Due 2/1/18)			
Mederi Therapeutics, Inc. (2)	Medical Device	Term Loan (12.26% cash (Libor + 11.82%), 4.00% ETP, Due 7/1/17)	2,490	2,470	2,463
		Term Loan (12.26% cash (Libor + 11.82%), 4.00% ETP, Due 7/1/17)	2,490	2,470	2,463
NinePoint Medical, Inc. (2)	Medical Device	Term Loan (9.25% cash (Libor + 8.75%; Floor	5,000	4,948	4,948
		9.25%), 4.50% ETP, Due 3/1/19)			
		Term Loan (9.25% cash (Libor + 8.75%; Floor	2,500	2,467	2,467
		9.25%), 4.50% ETP, Due 3/1/19)			
Tryton Medical, Inc. (2)	Medical Device	Term Loan (10.41% cash (Prime + 7.16%), 2.50% ETP, Due 9/1/16)	1,875	1,869	1,869
Total Debt Investments — Life Science				55,920	55,906
Debt Investments — Technology — 83.1% (8)					
Ekahau, Inc. (2)	Communications	Term Loan (11.75% cash, 2.50% ETP, Due 2/1/17)	549	548	548
		Term Loan (11.75% cash, 2.50% ETP, Due 2/1/17)	183	182	182
mBlox, Inc. (2)	Communications	Term Loan (11.50% cash (Libor + 11.00%; Floor	5,000	4,979	4,979
		11.50%; Ceiling 13.00%), 3.40% ETP, Due 7/1/18)			
		Term Loan (11.50% cash (Libor + 11.00%; Floor	5,000	4,979	4,979
		11.50%; Ceiling 13.00%), 3.40% ETP, Due 7/1/18)			
		Term Loan (12.00% cash, 100.00% ETP, Due 7/1/16)	1,000	1,000	1,000
			500	500	500

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		Term Loan (12.00% cash, 100.00% ETP, Due 7/1/16)			
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)	2,333	2,307	2,307
		Term Loan (11.75% cash (Libor + 11.25%; Floor 11.75%; Ceiling 13.25%), 4.00% ETP, Due 1/1/19)	2,500	2,467	2,467
Gwynnie Bee, Inc. (2)	Consumer-related Technologies	Term Loan (11.00% cash (Libor + 10.50%; Floor 11.00%; Ceiling 12.50%), 2.00% ETP, Due 11/1/17)	1,267	1,248	1,248
		Term Loan (11.00% cash (Libor + 10.50%; Floor 11.00%; Ceiling 12.50%), 2.00% ETP, Due 2/1/18)	733	718	718
		Term Loan (11.00% cash (Libor + 10.50%; Floor 11.00%; Ceiling 12.50%), 2.00% ETP, Due 4/1/18)	800	788	788
Rhapsody International, Inc. (2)	Consumer-related Technologies	Term Loan (11.00% cash (Libor + 10.50%; Floor 11.00%), 3.00% ETP, Due 10/1/19)	7,500	7,291	7,291
SavingStar, Inc. (2)	Consumer-related Technologies	Term Loan (10.90% cash (Libor + 10.40%; Floor 10.90%), 3.00% ETP, Due 6/1/19)	3,000	2,947	2,947
		Term Loan (10.90% cash (Libor + 10.40%; Floor 10.90%), 3.00% ETP, Due 3/1/20)	2,000	1,957	1,957

See Notes to Consolidated Financial Statements

Horizon Technology Finance Corporation and Subsidiaries

Consolidated Schedule of Investments (Unaudited)

March 31, 2016

(Dollars in thousands)

Portfolio Company (1)	Sector	Type of Investment (3)(4)(7)(9)(10)	Principal Amount	Cost of Investments (6)	Fair Value
The NanoSteel Company, Inc. (2)	Materials	Term Loan (10.00% cash (Libor + 9.50%; Floor 10.00%), 5.00% ETP, Due 7/1/19)	5,000	4,922	4,922
		Term Loan (10.00% cash (Libor + 9.50%; Floor 10.00%), 5.00% ETP, Due 7/1/19)	2,500	2,461	2,461
		Term Loan (10.00% cash (Libor + 9.50%; Floor 10.00%), 5.00% ETP, Due 7/1/19)	2,500	2,455	2,455
Nanocomp Technologies, Inc. (2)	Networking	Term Loan (11.50% cash, 3.00% ETP, Due 11/1/17)	614	607	607
		Term Loan (11.50% cash (Libor + 11.00%; Floor 11.50%), 3.00% ETP, Due 4/1/20)	3,000	2,941	2,941
Powerhouse Dynamics, Inc. (2)	Power Management	Term Loan (11.20% cash (Libor + 10.70%; Floor 11.20%), 3.00% ETP, Due 3/1/19)	2,500	2,459	2,459
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)	1,357	1,353	1,353
		Term Loan (10.00% cash (Libor + 9.25%; Floor 10.00%; Ceiling 11.75%), 2.40% ETP, Due 10/1/18)	1,882	1,876	1,876
		Term Loan (10.00% cash (Libor + 9.25%; Floor 10.00%; Ceiling 11.75%), 2.00% ETP, Due 2/1/19)	2,083	2,042	2,042
InVisage Technologies, Inc. (2)	Semiconductors	Term Loan (12.00% cash (Libor + 11.50%; Floor	2,125	2,094	2,014

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		12.00%; Ceiling 14.00%), 2.00% ETP, Due 4/1/18)			
		Term Loan (12.00% cash (Libor + 11.50%; Floor 12.00%; Ceiling 14.00%), 2.00% ETP, Due 10/1/18)	850	836	805
Luxtera, Inc. (2)	Semiconductors	Term Loan (10.25% cash (Libor + 9.75%; Floor 10.25%; Ceiling 12.25%), 13.00% ETP, Due 7/1/17)	1,404	1,386	1,386
		Term Loan (10.25% cash (Libor + 9.75%; Floor 10.25%; Ceiling 12.25%), 13.00% ETP, Due 7/1/17)	783	780	780
		Term Loan (9.00% cash (Libor + 8.50%; Floor 9.00%), 4.50% ETP, Due 12/1/18)	833	829	829
		Term Loan (9.00% cash (Libor + 8.50%; Floor 9.00%), 4.50% ETP, Due 12/1/18)	833	828	828
Xtera Communications, Inc. (2)(5)	Semiconductors	Term Loan (12.50% cash, 15.65% ETP, Due 12/31/16)	3,380	3,353	3,353
		Term Loan (12.50% cash, 21.75% ETP, Due 12/31/16)	939	931	931
Bridge2 Solutions, Inc.	Software	Term Loan (11.50% cash (Libor + 11.00%; Floor 11.50%; Ceiling 14.50%), 2.00% ETP, Due 7/1/19)	4,000	3,970	3,970
		Term Loan (11.50% cash (Libor + 11.00%; Floor 11.50%; Ceiling 14.50%), 2.00% ETP, Due 1/1/20)	1,000	995	995
Crowdstar, Inc. (2)	Software	Term Loan (10.75% cash (Libor + 10.25%; Floor 10.75%), 3.00% ETP, Due 9/1/18)	1,758	1,735	1,735
Decisyon, Inc. (2)	Software	Term Loan (12.75% cash (Libor + 12.308%; Floor 12.50%), 6.50% ETP, Due 10/1/17)	1,603	1,599	1,490
		Term Loan (12.75% cash (Libor + 12.308%; Floor 12.50%), 6.50% ETP, Due 1/1/18)	853	714	665
Digital Signal Corporation	Software	Term Loan (10.69% cash (Libor + 10.25%; Floor 10.43%), 5.00% ETP, Due 7/1/19)	1,500	1,460	1,425
		Term Loan (10.69% cash (Libor + 10.25%; Floor 10.43%), 5.00% ETP, Due 7/1/19)	1,500	1,460	1,425
Education Elements, Inc. (2)	Software	Term Loan (10.50% cash (Libor + 10.00%; Floor 10.50%), 4.00% ETP, Due 1/1/19)	2,000	1,970	1,970
			1,500	1,472	1,472

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		Term Loan (10.50% cash (Libor + 10.00%; Floor 10.50%), 4.00% ETP, Due 8/1/19)			
Netuitive, Inc. (2)	Software	Term Loan (12.75% cash, Due 7/1/16)	760	759	759
Nomi Corporation	Software	Term Loan (10.59% cash (Libor + 10.15%; Floor 10.35%), 2.00% ETP, Due 1/1/20)	3,750	3,714	3,226
		Term Loan (10.59% cash (Libor + 10.15%; Floor 10.35%), 2.00% ETP, Due 1/1/20)	3,750	3,714	3,226
ScoreBig, Inc. (2)	Software	Term Loan (10.50% cash (Libor + 10.00%; Floor 10.50%), 4.00% ETP, Due 4/1/19)	3,500	3,453	3,453
		Term Loan (10.50% cash (Libor + 10.00%; Floor 10.50%), 4.00% ETP, Due 4/1/19)	3,500	3,453	3,453
		Term Loan (10.50% cash (Libor + 10.00%; Floor 10.50%), 4.00% ETP, Due 3/1/20)	2,000	1,944	1,944
SIGNiX, Inc. (2)	Software	Term Loan (11.50% cash (Libor + 11.00%; Floor 11.50%), Due 7/1/18)	2,800	2,757	2,430
SilkRoad Technology, Inc. (2)	Software	Term Loan (10.85% cash (Libor + 10.35%; Floor 10.85%; Ceiling 12.85%), 3.00% ETP, Due 6/1/19)	7,500	7,441	7,441

See Notes to Consolidated Financial Statements

Horizon Technology Finance Corporation and Subsidiaries**Consolidated Schedule of Investments (Unaudited)****March 31, 2016****(Dollars in thousands)**

Portfolio Company (1)	Sector	Type of Investment (3)(4)(7)(9)(10)	Principal Amount	Cost of Investments (6)	Fair Value
Skyword, Inc.	Software	Term Loan (11.45% cash (Libor + 10.95%; Floor 11.45%), 3.00% ETP, Due 8/1/19)	4,000	3,928	3,928
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)	565	552	541
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)	4,125	4,082	4,082
Sys-Tech Solutions, Inc. (2)	Software	Term Loan (11.65% cash (Libor + 11.15%; Floor 11.65%; Ceiling 12.65%), 4.50% ETP, Due 3/1/18)	4,600	4,572	4,572
		Term Loan (11.65% cash (Libor + 11.15%; Floor 11.65%; Ceiling 12.65%), 9.00% ETP, Due 5/1/18)	4,167	4,137	4,137
VBrick Systems, Inc. (2)	Software	Term Loan (11.50% cash (Libor + 11.00%; Floor 11.50%; Ceiling 13.50%), 5.00% ETP, Due 7/1/17)	1,600	1,589	1,589
Vidsys, Inc. (2)	Software	Term Loan (13.00% cash, 7.58% ETP, Due 12/1/17)	2,810	2,810	2,810
xTech Holdings, Inc. (2)	Software	Term Loan (11.00% cash (Libor + 10.50%; Floor 11.00%), 3.00% ETP, Due 4/1/19)	2,000	1,972	1,972
		Term Loan (11.00% cash (Libor + 10.50%; Floor 11.00%), 3.00% ETP, Due 3/1/20)	2,000	1,963	1,963
				132,279	130,626

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Total Debt Investments —					
Technology					
Debt Investments —					
Cleantech — 6.8% (8)					
Renmatix, Inc. (2)	Alternative Energy	Term Loan (10.25% cash, Due 10/1/16)	1,182	1,180	1,180
Semprius, Inc. (2)	Alternative Energy	Term Loan (10.25% cash, 5.00% ETP, Due 6/1/16)	435	422	422
Rypos, Inc. (2)	Energy Efficiency	Term Loan (11.99% cash, 4.25% ETP, Due 6/1/17)	2,250	2,229	2,229
		Term Loan (11.99% cash, 4.25% ETP, Due 1/1/18)	897	885	885
Lehigh Technologies, Inc. (2)	Waste Recycling	Term Loan (10.16% cash (Libor + 9.72%), 6.75% ETP, Due 8/1/19)	3,000	2,963	2,963
		Term Loan (10.16% cash (Libor + 9.72%), 6.75% ETP, Due 8/1/19)	3,000	2,977	2,977
Total Debt Investments —				10,656	10,656
Cleantech					
Debt Investments —					
Healthcare information and services — 26.2% (8)					
Interleukin Genetics, Inc. (2)(5)	Diagnostics	Term Loan (9.00% cash (Libor + 8.50%; Floor 9.00%) 4.50% ETP, Due 10/1/18)	5,000	4,892	4,892
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)	2,100	2,070	2,070
Watermark Medical, Inc. (2)	Other Healthcare	Term Loan (10.00% cash (Libor + 9.50%; Floor 10.00%; Ceiling 11.00%); 4.00% ETP, Due 4/1/18)	3,500	3,494	3,494
		Term Loan (10.00% cash (Libor + 9.50%; Floor 10.00%; Ceiling 11.00%); 4.00% ETP, Due 4/1/18)	3,500	3,494	3,494
		Term Loan (10.00% cash (Libor + 9.50%; Floor 10.00%; Ceiling 11.00%); 4.00% ETP, Due 4/1/18)	1,250	1,248	1,248
Innovatient Solutions, Inc. (2)(11)	Software	Term Loan (11.00% cash (Libor + 10.50%; Floor 11.00%, Ceiling 13.00%); 4.00% ETP, Due 7/1/18)	972	949	250
MedAvante, Inc. (2)	Software	Term Loan (9.75% cash (Libor + 9.25%; Floor 9.75%), 4.00% ETP, Due 1/1/19)	3,000	2,961	2,961
		Term Loan (9.75% cash (Libor + 9.25%; Floor	3,000	2,961	2,961

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		9.75%), 4.00% ETP, Due 1/1/19) Term Loan (9.75% cash (Libor + 9.25%; Floor	4,000	3,938	3,938
Medsphere Systems Corporation (2)	Software	9.75%), 4.00% ETP, Due 7/1/19) Term Loan (10.50% cash (Libor + 10.00%; Floor	5,000	4,927	4,927
		10.50%), 7.00% ETP, Due 7/1/19) Term Loan (10.50% cash (Libor + 10.00%; Floor	2,500	2,463	2,463
Recondo Technology, Inc. (2)	Software	10.50%), 7.00% ETP, Due 7/1/19) Term Loan (11.50% cash (Libor + 11.00%; Floor	1,211	1,207	1,207
		11.50%), 6.60% ETP, Due 12/1/17) Term Loan (11.00% cash (Libor + 10.50%; Floor	2,188	2,182	2,182
		11.00%), 4.50% ETP, Due 12/1/17) Term Loan (10.50% cash (Libor + 10.00%; Floor	2,188	2,183	2,183
		10.50%), 2.75% ETP, Due 12/1/17) Term Loan (10.50% cash (Libor + 10.00%; Floor	3,000	2,968	2,968
		10.50%), 2.50% ETP, Due 1/1/19)			
Total Debt Investments — Healthcare information and services				41,937	41,238
Total Debt Investments				240,792	238,426

See Notes to Consolidated Financial Statements

Horizon Technology Finance Corporation and Subsidiaries**Consolidated Schedule of Investments (Unaudited)****March 31, 2016****(Dollars in thousands)**

Portfolio Company (1)	Sector	Type of Investment (3)(4)(7)(9)(10)	Cost of Investments (6)	Fair Value
Warrant Investments — 3.3% (8)				
Warrants — Life Science — 0.4%				
(8)				
ACT Biotech Corporation	Biotechnology	1,521,820 Preferred Stock Warrants	83	—
Argos Therapeutics, Inc. (2)(5)	Biotechnology	33,112 Common Stock Warrants	33	6
Celsion Corporation (5)	Biotechnology	5,708 Common Stock Warrants	15	—
Inotek Pharmaceuticals Corporation (5)	Biotechnology	28,204 Common Stock Warrants	17	43
New Haven Pharmaceuticals, Inc. (2)	Biotechnology	103,982 Preferred Stock Warrants	88	173
Nivalis Therapeutics, Inc. (5)	Biotechnology	18,534 Common Stock Warrants	122	—
Ocera Therapeutics, Inc. (2)(5)	Biotechnology	6,491 Common Stock Warrants	6	—
Palatin Technologies, Inc. (2)(5)	Biotechnology	608,058 Common Stock Warrants	51	3
Revance Therapeutics, Inc. (5)	Biotechnology	34,377 Common Stock Warrants	68	133
Sample6, Inc. (2)	Biotechnology	351,018 Preferred Stock Warrants	45	30
Sunesis Pharmaceuticals, Inc. (5)	Biotechnology	12,302 Common Stock Warrants	5	—
AccuVein Inc. (2)	Medical Device	75,769 Preferred Stock Warrants	24	28
Direct Flow Medical, Inc.	Medical Device	176,922 Preferred Stock Warrants	144	—
EnteroMedics, Inc. (5)	Medical Device	9,402 Common Stock Warrants	347	—
IntegenX, Inc. (2)	Medical Device	158,006 Preferred Stock Warrants	33	24
Lantos Technologies, Inc. (2)	Medical Device	1,287,817 Preferred Stock Warrants	38	41
Mederi Therapeutics, Inc. (2)	Medical Device	248,736 Preferred Stock Warrants	26	39
Mitralign, Inc. (2)	Medical Device	641,909 Preferred Stock Warrants	52	36
NinePoint Medical, Inc. (2)	Medical Device	566,038 Preferred Stock Warrants	33	33
OraMetrix, Inc. (2)	Medical Device	812,348 Preferred Stock Warrants	78	—
Tryton Medical, Inc. (2)	Medical Device	122,362 Preferred Stock Warrants	15	10
ViOptix, Inc.	Medical Device	375,763 Preferred Stock Warrants	13	—
Total Warrants — Life Science			1,336	599
Warrants — Technology — 2.2% (8)				
Ekahau, Inc. (2)	Communications	978,261 Preferred Stock Warrants	33	19

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OpenPeak, Inc.	Communications	18,997 Common Stock Warrants	89	—
Additech, Inc. (2)	Consumer-related Technologies	150,000 Preferred Stock Warrants	33	26
Everyday Health, Inc. (5)	Consumer-related Technologies	43,783 Common Stock Warrants	69	1
Gwynnie Bee, Inc. (2)	Consumer-related Technologies	268,591 Preferred Stock Warrants	68	629
If(we), Inc.	Consumer-related Technologies	190,868 Preferred Stock Warrants	27	62
Rhapsody International Inc. (2)	Consumer-related Technologies	852,273 Common Stock Warrants	164	158
SavingStar, Inc. (2)	Consumer-related Technologies	98,860 Preferred Stock Warrants	59	57
XIOtech, Inc.	Data Storage	2,217,979 Preferred Stock Warrants	22	18
SimpleTuition, Inc.	Internet and media	189,573 Preferred Stock Warrants	63	65
The NanoSteel Company, Inc. (2)	Materials	147,424 Preferred Stock Warrants	93	90
IntelePeer, Inc.	Networking	141,549 Common Stock Warrants	39	26
Nanocomp Technologies, Inc. (2)	Networking	681,819 Preferred Stock Warrants	54	49
Aquion Energy, Inc.	Power Management	115,051 Preferred Stock Warrants	7	61
Powerhouse Dynamics, Inc. (2)	Power Management	290,698 Preferred Stock Warrants	28	27
Avalanche Technology, Inc. (2)	Semiconductors	202,602 Preferred Stock Warrants	101	41
eASIC Corporation (2)	Semiconductors	40,445 Preferred Stock Warrants	25	27
InVisage Technologies, Inc. (2)	Semiconductors	185,790 Preferred Stock Warrants	48	44
Kaminario, Inc.	Semiconductors	1,087,203 Preferred Stock Warrants	59	62
Luxtera, Inc.(2)	Semiconductors	2,304,667 Preferred Stock Warrants	48	100
Soraa, Inc. (2)	Semiconductors	180,000 Preferred Stock Warrants	80	98
Xtera Communications, Inc. (5)	Semiconductors	37,831 Common Stock Warrants	205	—
Bolt Solutions Inc. (2)	Software	202,892 Preferred Stock Warrants	113	112
Bridge2 Solutions, Inc.	Software	75,458 Common Stock Warrants	18	326
Clarabridge, Inc.	Software	53,486 Preferred Stock Warrants	14	81
Crowdstar, Inc. (2)	Software	75,428 Preferred Stock Warrants	14	14
Decisyon, Inc. (2)	Software	82,967 Common Stock Warrants	46	—
Digital Signal Corporation	Software	85,308 Common Stock Warrants	32	31
Education Elements, Inc. (2)	Software	238,122 Preferred Stock Warrants	28	23
Lotame Solutions, Inc. (2)	Software	288,115 Preferred Stock Warrants	22	268
Netuitive, Inc.	Software	41,569 Common Stock Warrants	48	—
Nomi Corporation	Software	2,535,864 Preferred Stock Warrants	—	—
Riv Data Corp. (2)	Software	237,361 Preferred Stock Warrants	12	12
ScoreBig, Inc. (2)	Software	767,626 Preferred Stock Warrants	82	73
SIGNiX, Inc. (2)	Software	63,365 Preferred Stock Warrants	48	46
Skyword, Inc.	Software	301,056 Preferred Stock Warrants	48	46
SpringCM, Inc. (2)	Software	2,385,686 Preferred Stock Warrants	55	119
Sys-Tech Solutions, Inc.	Software	375,000 Preferred Stock Warrants	242	539

See Notes to Consolidated Financial Statements

Horizon Technology Finance Corporation and Subsidiaries**Consolidated Schedule of Investments (Unaudited)****March 31, 2016****(Dollars in thousands)**

Portfolio Company (1)	Sector	Type of Investment (3)(4)(7)(9)(10)	Cost of Investments (6)	Fair Value
Vidsys, Inc.	Software	85,399 Preferred Stock Warrants	23	21
Visage Mobile, Inc.	Software	1,692,047 Preferred Stock Warrants	19	—
xTech Holdings, Inc. (2)	Software	158,730 Preferred Stock Warrants	43	43
Total Warrants — Technology			2,321	3,414
Warrants — Cleantech — 0.2% (8)				
Renmatix, Inc.	Alternative Energy	53,022 Preferred Stock Warrants	68	64
Semprius, Inc.	Alternative Energy	519,981 Preferred Stock Warrants	25	20
Rypos, Inc. (2)	Energy Efficiency	5,627 Preferred Stock Warrants	44	31
Tigo Energy, Inc. (2)	Energy Efficiency	804,604 Preferred Stock Warrants	100	109
Lehigh Technologies, Inc. (2)	Waste Recycling	272,727 Preferred Stock Warrants	32	33
Total Warrants — Cleantech			269	257
Warrants — Healthcare information and services — 0.5% (8)				
Accumetrics, Inc.	Diagnostics	100,928 Preferred Stock Warrants	107	63
BioScale, Inc. (2)	Diagnostics	3,156 Common Stock Warrants	54	—
Candescent Health, Inc. (2)	Diagnostics	519,991 Preferred Stock Warrants	378	—
Helomics Corporation	Diagnostics	13,461 Common Stock Warrants	73	—
Interleukin Genetics, Inc. (2)(5)	Diagnostics	2,492,523 Common Stock Warrants	112	50
LifePrint Group, Inc. (2)	Diagnostics	49,000 Preferred Stock Warrants	29	23
Singulex, Inc.	Other Healthcare	293,632 Preferred Stock Warrants	44	165
Verity Solutions Group, Inc.	Other Healthcare	300,360 Preferred Stock Warrants	100	36
Watermark Medical, Inc. (2)	Other Healthcare	27,373 Preferred Stock Warrants	74	62
Innovatient Solutions, Inc. (2)	Software	157,895 Preferred Stock Warrants	35	—
MedAvante, Inc. (2)	Software	114,285 Preferred Stock Warrants	66	65
Medsphere Systems Corporation (2)	Software	7,097,791 Preferred Stock Warrants	60	204
Recondo Technology, Inc. (2)	Software	556,796 Preferred Stock Warrants	95	194
Total Warrants — Healthcare information and services			1,227	862
Total Warrants			5,153	5,132

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Other Investments — 0.4% (8)				
ZetrOZ, Inc.	Medical Device	Royalty Agreement	383	400
Vette Technology, LLC	Data Storage	Royalty Agreement Due 4/18/2019	4,399	300
Total Other Investments			4,782	700
Equity — 0.5% (8)				
Insmmed Incorporated (5)	Biotechnology	33,208 Common Stock	238	421
Revance Therapeutics, Inc.(5)	Biotechnology	4,861 Common Stock	73	85
Sunesis Pharmaceuticals, Inc. (5)	Biotechnology	78,493 Common Stock	83	42
SnagAJob.com, Inc.	Consumer-related Technologies	82,974 Common Stock	9	83
Decisyon, Inc.	Software	3,324,444 Common Stock	146	146
Total Equity			549	777
Total Portfolio Investment Assets — 155.9% (8)			\$ 251,276	\$ 245,035
Short Term Investments — Money Market Funds — 0.2% (8)				
US Bank Money Market Deposit Account			\$ 291	\$ 291
Total Short Term Investments — Money Market Funds			\$ 291	\$ 291
Short Term Investments — Restricted Investments— 0.7% (8)				
US Bank Money Market Deposit Account (2)			\$ 652	\$ 652
Total Short Term Investments — Restricted Investments			\$ 652	\$ 652

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

(2) Has been pledged as collateral under the Key Facility or the 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 end-of-term payments ("ETPs") and any additional fees related to the investments, such as deferred interest, commitment fees or prepayment fees. All debt investments are at fixed rates for the term of the debt investment, unless otherwise indicated. Debt investments based on LIBOR are based on one-month LIBOR. For each debt investment, the current interest rate in effect as of March 31, 2016 is provided.

(5) Portfolio company is a public company.

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

See Notes to Consolidated Financial Statements

Horizon Technology Finance Corporation and Subsidiaries

Consolidated Schedule of Investments (Unaudited)

March 31, 2016

(Dollars in thousands)

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

(8) Value as a percent of net assets.

(9) The Company did not have any non-qualifying assets under Section 55(a) of the Investment Company Act of 1940, as amended (the "1940 Act"), as of March 31, 2016. Under the 1940 Act, the Company may not acquire any non-qualifying assets unless, at the time the acquisition is made, qualifying assets represent at least 70% of the Company's total assets.

(10) ETPs are contractual fixed-interest payments due in cash at the maturity date of the applicable debt investment, including upon any prepayment, and are a fixed percentage of the original principal balance of the debt investments unless otherwise noted. Interest will accrue during the life of the debt investment on each ETP and will be recognized as non-cash income until it is actually paid. Therefore, a portion of the incentive fee the Company may pay its Advisor will be based on income that the Company has not yet received in cash.

(11) Debt investment is on non-accrual status at March 31, 2016.

See Notes to Consolidated Financial Statements

Horizon Technology Finance Corporation and Subsidiaries

Consolidated Schedule of Investments (Unaudited)

December 31, 2015

(Dollars in thousands)

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

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		9.50%; Ceiling 11.00%), 4.00% ETP, Due 4/1/18)			
		Term Loan (9.50% cash (Libor + 9.00%; Floor	945	940	940
		9.50%; Ceiling 11.00%), 4.00% ETP, Due 4/1/18)			
		Term Loan (9.50% cash (Libor + 9.00%; Floor	2,500	2,481	2,481
		9.50%; Ceiling 11.00%), 4.00% ETP, Due 4/1/18)			
Sunesis Pharmaceuticals, Inc. (2)(5)	Biotechnology	Term Loan (8.95% cash, 4.65% ETP, Due 10/1/16)	545	544	544
		Term Loan (9.00% cash, 4.65% ETP, Due 10/1/16)	818	815	815
IntegenX Inc. (2)	Medical Device	Term Loan (10.75% cash (Libor + 10.25%; Floor	3,750	3,703	3,703
		10.75%; Ceiling 12.75%), 3.50% ETP, Due 7/1/18)			
Lantos Technologies, Inc. (2)	Medical Device	Term Loan (11.50% cash (Libor + 10.50%; Floor	3,500	3,454	3,333
		11.50%), 5.00% ETP, Due 2/1/18)			
Mederi Therapeutics, Inc. (2)	Medical Device	Term Loan (12.06% cash (Libor + 11.82%), 4.00% ETP, Due 7/1/17)	2,850	2,826	2,738
		Term Loan (12.06% cash (Libor + 11.82%), 4.00% ETP, Due 7/1/17)	2,850	2,826	2,738
NinePoint Medical, Inc. (2)	Medical Device	Term Loan (9.25% cash (Libor + 8.75%; Floor	5,000	4,943	4,943
		9.25%), 4.50% ETP, Due 3/1/19)			
		Term Loan (9.25% cash (Libor + 8.75%; Floor	2,500	2,464	2,464
		9.25%), 4.50% ETP, Due 3/1/19)			
Tryton Medical, Inc. (2)	Medical Device	Term Loan (10.41% cash (Prime + 7.16%), 2.50% ETP, Due 9/1/16)	2,063	2,053	2,053
ZetrOZ, Inc. (2)(11)	Medical Device	Term Loan (11.00% cash (Libor + 10.50%; Floor	1,350	1,330	250
		11.00%; Ceiling 12.50%), 3.00% ETP, Due 4/1/18)			
		Term Loan (11.00% cash (Libor + 10.50%; Floor	1,350	1,326	250
		11.00%; Ceiling 12.50%), 3.00% ETP, Due 4/1/18)			
Total Debt Investments — Life Science Debt Investments — Technology — 80.5% (8)				60,930	58,477
Ekahau, Inc. (2)	Communications	Term Loan (11.75% cash, 2.50% ETP, Due 2/1/17)	704	700	700

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		Term Loan (11.75% cash, 2.50% ETP, Due 2/1/17)	235	233	233
mBlox, Inc. (2)	Communications	Term Loan (11.50% cash (Libor + 11.00%; Floor 11.50%; Ceiling 13.00%), 3.40% ETP, Due 7/1/18)	5,000	4,977	4,977
		Term Loan (11.50% cash (Libor + 11.00%; Floor 11.50%; Ceiling 13.00%), 3.40% ETP, Due 7/1/18)	5,000	4,977	4,977
		Term Loan (12.00% cash, 100.00% ETP, Due 7/1/16)	1,000	1,000	1,000
		Term Loan (12.00% cash, 100.00% ETP, Due 7/1/16)	500	500	500
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	4,089	4,089
		Term Loan (10.75% cash (Libor + 10.25%; Floor 10.75%), 5.75% ETP, Due 12/1/17)	2,052	2,043	2,043
		Term Loan (10.75% cash (Libor + 10.25%; Floor 10.75%), 5.00% ETP, Due 11/1/18)	1,000	992	992
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	2,470	2,470

See Notes to Consolidated Financial Statements

Horizon Technology Finance Corporation and Subsidiaries

Consolidated Schedule of Investments (Unaudited)

December 31, 2015

(Dollars in thousands)

Portfolio Company (1)	Sector	Type of Investment (3)(4)(7)(9)(10)	Principal Amount	Cost of Investments (6)	Fair Value
		Term Loan (11.75% cash (Libor + 11.25%; Floor 11.75%; Ceiling 13.25%), 4.00% ETP, Due 1/1/19)	2,500	2,464	2,464
Gwynnie Bee, Inc. (2)	Consumer-related Technologies	Term Loan (11.00% cash (Libor + 10.50%; Floor 11.00%; Ceiling 12.50%), 2.00% ETP, Due 11/1/17)	1,467	1,445	1,445
		Term Loan (11.00% cash (Libor + 10.50%; Floor 11.00%; Ceiling 12.50%), 2.00% ETP, Due 2/1/18)	833	816	816
		Term Loan (11.00% cash (Libor + 10.50%; Floor 11.00%; Ceiling 12.50%), 2.00% ETP, Due 4/1/18)	900	886	886
Rhapsody International, Inc. (2)	Consumer-related Technologies	Term Loan (11.00% cash (Libor + 10.50%; Floor 11.00%), 3.00% ETP, Due 10/1/19)	7,500	7,276	7,276
SavingStar, Inc. (2)	Consumer-related Technologies	Term Loan (10.90% cash (Libor + 10.40%; Floor 10.90%), 3.00% ETP, Due 6/1/19)	3,000	2,911	2,911
The NanoSteel Company, Inc. (2)	Materials	Term Loan (10.00% cash (Libor + 9.50%; Floor 10.00%), 5.00% ETP, Due 7/1/19)	5,000	4,915	4,915
		Term Loan (10.00% cash (Libor + 9.50%; Floor 10.00%), 5.00% ETP, Due 7/1/19)	2,500	2,458	2,458
		Term Loan (10.00% cash (Libor + 9.50%; Floor 10.00%), 5.00% ETP, Due 1/1/20)	2,500	2,452	2,452
	Networking		701	693	693

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Nanocomp Technologies, Inc. (2)		Term Loan (11.50% cash, 3.00% ETP, Due 11/1/17)			
Powerhouse Dynamics, Inc. (2)	Power Management	Term Loan (11.20% cash (Libor + 10.70%; Floor 11.20%), 3.00% ETP, Due 3/1/19)	2,500	2,456	2,456
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)	1,565	1,561	1,561
		Term Loan (10.00% cash (Libor + 9.25%; Floor 10.00%; Ceiling 11.75%), 2.40% ETP, Due 10/1/18)	2,003	1,997	1,997
		Term Loan (10.00% cash (Libor + 9.25%; Floor 10.00%; Ceiling 11.75%), 2.00% ETP, Due 2/1/19)	2,202	2,157	2,157
InVisage Technologies, Inc. (2)	Semiconductors	Term Loan (12.00% cash (Libor + 11.50%; Floor 12.00%; Ceiling 14.00%), 2.00% ETP, Due 4/1/18)	2,380	2,345	2,242
		Term Loan (12.00% cash (Libor + 11.50%; Floor 12.00%; Ceiling 14.00%), 2.00% ETP, Due 10/1/18)	850	835	798
Luxtera, Inc. (2)	Semiconductors	Term Loan (10.25% cash (Libor + 9.75%; Floor 10.25%; Ceiling 12.25%), 13.00% ETP, Due 7/1/17)	1,646	1,645	1,645
		Term Loan (10.25% cash (Libor + 9.75%; Floor 10.25%; Ceiling 12.25%), 13.00% ETP, Due 7/1/17)	951	926	926
		Term Loan (9.00% cash (Libor + 8.50%; Floor 9.00%), 4.50% ETP, Due 12/1/18)	833	828	828
		Term Loan (9.00% cash (Libor + 8.50%; Floor 9.00%), 4.50% ETP, Due 12/1/18)	833	827	827
Xtera Communications, Inc. (2)(5)	Semiconductors	Term Loan (12.50% cash, 15.65% ETP, Due 12/31/16)	4,157	4,114	4,114
		Term Loan (12.50% cash, 21.75% ETP, Due 12/31/16)	1,155	1,142	1,142
Bridge2 Solutions, Inc.	Software	Term Loan (11.50% cash (Libor + 11.00%; Floor 11.50%; Ceiling 14.50%), 2.00% ETP, Due 7/1/19)	4,000	3,966	3,966
		Term Loan (11.50% cash (Libor + 11.00%; Floor 11.50%; Ceiling 14.50%), 2.00% ETP, Due 1/1/20)	1,000	995	995

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Crowdstar, Inc. (2)	Software	Term Loan (10.75% cash (Libor + 10.25%; Floor 10.75%), 3.00% ETP, Due 9/1/18)	1,939	1,915	1,915
Decisyon, Inc. (2)	Software	Term Loan (12.69% cash (Libor + 12.308%; Floor 12.50%), 6.50% ETP, Due 10/1/17)	1,603	1,599	1,514
		Term Loan (12.69% cash (Libor + 12.308%; Floor 12.50%), 6.50% ETP, Due 1/1/18)	853	847	802
Digital Signal Corporation	Software	Term Loan (10.54% cash (Libor + 10.25%; Floor 10.43%), 5.00% ETP, Due 7/1/19)	1,500	1,421	1,421
		Term Loan (10.54% cash (Libor + 10.25%; Floor 10.43%), 5.00% ETP, Due 7/1/19)	1,500	1,457	1,457
Education Elements, Inc. (2)	Software	Term Loan (10.50% cash (Libor + 10.00%; Floor 10.50%), 4.00% ETP, Due 1/1/19)	2,000	1,967	1,967
		Term Loan (10.50% cash (Libor + 10.00%; Floor 10.50%), 4.00% ETP, Due 8/1/19)	1,500	1,470	1,470
Netuitive, Inc. (2)	Software	Term Loan (12.75% cash, Due 7/1/16)	1,000	998	998
ScoreBig, Inc. (2)	Software	Term Loan (10.50% cash (Libor + 10.00%; Floor 10.50%), 4.00% ETP, Due 4/1/19)	3,500	3,449	3,449

See Notes to Consolidated Financial Statements

Horizon Technology Finance Corporation and Subsidiaries**Consolidated Schedule of Investments (Unaudited)****December 31, 2015****(Dollars in thousands)**

Portfolio Company (1)	Sector	Type of Investment (3)(4)(7)(9)(10)	Principal Amount	Cost of Investments (6)	Fair Value
		Term Loan (10.50% cash (Libor + 10.00%; Floor 10.50%), 4.00% ETP, Due 4/1/19)	3,500	3,449	3,449
SIGNiX, Inc. (2)	Software	Term Loan (11.50% cash (Libor + 11.00%; Floor 11.50%), Due 7/1/18)	3,000	2,953	2,953
SilkRoad Technology, Inc. (2)	Software	Term Loan (10.85% cash (Libor + 10.35%; Floor 10.85%; Ceiling 12.85%), 3.00% ETP, Due 6/1/19)	7,500	7,436	7,436
Skyword, Inc.	Software	Term Loan (11.45% cash (Libor + 10.95%; Floor 11.45%), 3.00% ETP, Due 8/1/19)	4,000	3,900	3,900
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)	1,091	1,076	1,067
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	4,450	4,450
Sys-Tech Solutions, Inc. (2)	Software	Term Loan (11.65% cash (Libor + 11.15%; Floor 11.65%; Ceiling 12.65%), 4.50% ETP, Due 3/1/18)	5,200	5,168	5,168
		Term Loan (11.65% cash (Libor + 11.15%; Floor 11.65%; Ceiling 12.65%), 9.00% ETP, Due 5/1/18)	4,667	4,633	4,633
VBrick Systems, Inc. (2)	Software	Term Loan (11.50% cash (Libor + 11.00%; Floor	1,900	1,887	1,887

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		11.50%; Ceiling 13.50%), 5.00% ETP, Due 7/1/17)			
Vidsys, Inc. (2)	Software	Term Loan (13.00% cash, 7.58% ETP, Due 12/1/17)	2,810	2,810	2,810
xTech Holdings, Inc. (2)	Software	Term Loan (11.00% cash (Libor + 10.50%; Floor 11.00%), 3.00% ETP, Due 4/1/19)	2,000	1,957	1,957