

Horizon Technology Finance Corp
Form 10-Q
October 30, 2018

**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 SEPTEMBER 30, 2018

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

(Address of principal executive offices)

06032

(Zip Code)

(860) 676-8654

(Registrant's telephone number, including area code)

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 every Interactive Data File required to be submitted 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 such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act

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

The number of shares of the registrant's common stock, \$0.001 par value per share, outstanding as of October 30, 2018 was 11,532,652.

HORIZON TECHNOLOGY FINANCE CORPORATION

FORM 10-Q

TABLE OF CONTENTS

	Page
<u>PART I</u>	
<u>Item 1. Consolidated Financial Statements</u>	<u>3</u>
<u>Consolidated Statements of Assets and Liabilities as of September 30, 2018 and December 31, 2017 (unaudited)</u>	<u>3</u>
<u>Consolidated Statements of Operations for the three and nine months ended September 30, 2018 and 2017 (unaudited)</u>	<u>4</u>
<u>Consolidated Statements of Changes in Net Assets for the nine months ended September 30, 2018 and 2017 (unaudited)</u>	<u>5</u>
<u>Consolidated Statements of Cash Flows for the nine months ended September 30, 2018 and 2017 (unaudited)</u>	<u>6</u>
<u>Consolidated Schedules of Investments as of September 30, 2018 and December 31, 2017 (unaudited)</u>	<u>7</u>
<u>Notes to the Consolidated Financial Statements (unaudited)</u>	<u>17</u>
<u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>42</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>60</u>
<u>Item 4. Controls and Procedures</u>	<u>60</u>
<u>PART II</u>	
<u>Item 1. Legal Proceedings</u>	<u>62</u>
<u>Item 1A. Risk Factors</u>	<u>62</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>66</u>
<u>Item 3. Defaults Upon Senior Securities</u>	<u>66</u>
<u>Item 4. Mine Safety Disclosures</u>	<u>66</u>
<u>Item 5. Other Information</u>	<u>66</u>
<u>Item 6. Exhibits</u>	<u>66</u>
<u>Signatures</u>	<u>67</u>
EX-31.1	
EX-31.2	
EX-32.1	
EX-32.2	

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)**

	September 30, 2018	December 31, 2017
Assets		
Non-affiliate investments at fair value (cost of \$228,313 and \$219,303, respectively)	\$ 227,813	\$ 218,600
Non-controlled affiliate investments at fair value (cost of \$7,882 and \$3,774, respectively) (Note 5)	7,531	3,499
Controlled affiliate investments at fair value (cost of \$4,413 and \$0, respectively) (Note 5)	4,413	—
Total investments at fair value (cost of \$240,608 and \$223,077, respectively) (Note 4)	239,757	222,099
Cash	5,909	6,594
Interest receivable	4,765	3,986
Other assets	1,731	1,467
Total assets	\$ 252,162	\$ 234,146
Liabilities		
Borrowings (Note 7)	\$ 112,284	\$ 94,075
Distributions payable	3,459	3,456
Base management fee payable (Note 3)	410	379
Incentive fee payable (Note 3)	851	541
Other accrued expenses	702	620
Total liabilities	117,706	99,071
Commitments and Contingencies (Note 8)		
Net assets		
Preferred stock, par value \$0.001 per share, 1,000,000 shares authorized, zero shares issued and outstanding as of September 30, 2018 and December 31, 2017	—	—
	12	12

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Common stock, par value \$0.001 per share, 100,000,000 shares authorized,
11,698,864 and 11,687,871 shares issued and 11,531,399 and 11,520,406 shares
outstanding as of September 30, 2018 and December 31, 2017, respectively

Paid-in capital in excess of par	179,606		179,641	
Distributions in excess of net investment income	(2,372	)	(1,898)
Net unrealized depreciation on investments	(851	)	(978)
Net realized loss on investments	(41,939	)	(41,702)
Total net assets	134,456		135,075	
Total liabilities and net assets	\$ 252,162		\$ 234,146	
Net asset value per common share	\$ 11.66		\$ 11.72	

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 September 30,		For the Nine Months Ended September 30,	
	2018	2017	2018	2017
Investment income				
Interest income on investments				
Interest income on non-affiliate investments	\$ 7,094	\$ 6,164	\$ 20,385	\$ 17,861
Interest income on non-controlled affiliate investments	193	81	528	81
Total interest income on investments	7,287	6,245	20,913	17,942
Fee income				
Prepayment fee income on non-affiliate investments	102	399	414	1,187
Fee income on non-affiliate investments	325	130	875	485
Total fee income	427	529	1,289	1,672
Dividend income				
Dividend income on affiliate investments	83	—	83	—
Total dividend income	83	—	83	—
Total investment income	7,797	6,774	22,285	19,614
Expenses				
Interest expense	1,681	1,140	4,616	3,540
Base management fee (Note 3)	1,197	921	3,399	2,783
Performance based incentive fee (Note 3)	1,297	258	2,823	1,094
Administrative fee (Note 3)	162	194	517	575
Professional fees	289	275	997	1,105
General and administrative	215	189	636	600
Total expenses	4,841	2,977	12,988	9,697
Performance based incentive fee waived (Note 3)	(446)	—	(605)	—
Net expenses	4,395	2,977	12,383	9,697
Net investment income	3,402	3,797	9,902	9,917
Net realized and unrealized gain (loss) on investments				
Net realized gain (loss) on non-affiliate investments	66	(429)	(237)	(11,098)
Net realized gain (loss) on investments	66	(429)	(237)	(11,098)
Net unrealized appreciation (depreciation) on non-affiliate investments	761	(640)	202	8,295
Net unrealized appreciation (depreciation) on non-controlled affiliate investments	30	(19)	(75)	(19)
Net unrealized appreciation (depreciation) on investments	791	(659)	127	8,276
Net realized and unrealized gain (loss) on investments	857	(1,088)	(110)	(2,822)
Net increase in net assets resulting from operations	\$ 4,259	\$ 2,709	\$ 9,792	\$ 7,095

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Net investment income per common share	\$0.30	\$0.33	\$0.86	\$0.86
Net increase in net assets per common share	\$0.37	\$0.24	\$0.85	\$0.62
Distributions declared per share	\$0.30	\$0.30	\$0.90	\$0.90
Weighted average shares outstanding	11,529,611	11,518,552	11,525,906	11,516,246

See Notes to Consolidated Financial Statements

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

	Common Stock		Paid-In Capital in Excess of Par	Distributions in Excess of Net Investment Income	Net Unrealized Depreciation on Investments	Net Realized Loss on Investments	Total Net Assets
	Shares	Amount	Par				
Balance at December 31, 2016	11,510,424	\$ 12	\$ 179,551	\$ (397)	) \$ (19,463)	) \$ (20,511)	) \$ 139,192
Net increase in net assets resulting from operations	—	—	—	9,917	8,276	(11,098)	) 7,095
Issuance of common stock under dividend reinvestment plan	12,278	—	134	—	—	—	134
Repurchases of common stock	(5,923)	—	(59)	—	—	—	(59)
Distributions declared	—	—	—	(10,366)	—	—	(10,366)
Balance at September 30, 2017	11,516,779	\$ 12	\$ 179,626	\$ (846)	) \$ (11,187)	) \$ (31,609)	) \$ 135,996
Balance at December 31, 2017	11,520,406	\$ 12	\$ 179,641	\$ (1,898)	) \$ (978)	) \$ (41,702)	) \$ 135,075
Net increase in net assets resulting from operations	—	—	—	9,902	127	(237)	) 9,792
Financing costs	—	—	(155)	—	—	—	(155)
Issuance of common stock under dividend reinvestment plan	10,993	—	120	—	—	—	120
Distributions declared	—	—	—	(10,376)	—	—	(10,376)
Balance at September 30, 2018	11,531,399	\$ 12	\$ 179,606	\$ (2,372)	) \$ (851)	) \$ (41,939)	) \$ 134,456

See Notes to Consolidated Financial Statements

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

	For the Nine Months Ended September 30,	
	2018	2017
Cash flows from operating activities:		
Net increase in net assets resulting from operations	\$ 9,792	\$ 7,095
Adjustments to reconcile net increase in net assets resulting from operations to net cash (used in) provided by operating activities:		
Amortization of debt issuance costs	420	383
Net realized loss on investments	237	11,098
Net unrealized appreciation on investments	(127)	(8,276)
Purchase of investments	(62,246)	(66,311)
Principal payments received on investments	46,503	80,062
Investments in controlled affiliate investments	(4,413)	—
Proceeds from sale of investments	3,360	1,572
Equity received in settlement of fee income	(299)	—
Warrants received in settlement of fee income	(161)	—
Changes in assets and liabilities:		
(Increase) decrease in interest receivable	(48)	253
(Increase) decrease in end-of-term payments	(731)	1,008
Decrease in unearned income	(512)	(437)
Decrease in other assets	72	423
Increase in other accrued expenses	82	22
Increase (decrease) in base management fee payable	31	(33)
Increase in incentive fee payable	310	258
Net cash (used in) provided by operating activities	(7,730)	27,117
Cash flows from financing activities:		
Proceeds from issuance of 2022 Notes	—	32,500
Advances on credit facility	28,000	34,000
Repayment of credit facility	(10,000)	(97,000)
Distributions paid	(10,253)	(10,230)
Repurchase of common stock	—	(59)
Debt issuance costs	(547)	(1,137)
Financing costs	(155)	—
Net cash provided by (used in) financing activities	7,045	(41,926)
Net decrease in cash	(685)	(14,809)
Cash:		
Beginning of period	6,594	37,135
End of period	\$ 5,909	\$ 22,326

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Supplemental disclosure of cash flow information:

Cash paid for interest	\$ 4,085	\$ 3,242
Supplemental non-cash investing and financing activities:		
Warrant investments received and recorded as unearned income	\$ 1,007	\$ 1,482
Distributions payable	\$ 3,459	\$ 3,455
End-of-term payments receivable	\$ 3,667	\$ 3,657
Receivable resulting from sale of investment	\$ 59	\$ —

See Notes to Consolidated Financial Statements

Horizon Technology Finance Corporation and Subsidiaries**Consolidated Schedule of Investments (Unaudited)****September 30, 2018****(Dollars in thousands)**

Portfolio Company (1)(3)	Sector	Type of Investment (4)(7)(9)(10)	Principal Amount	Cost of Investments (6)	Fair Value
Non-Affiliate Investments — 169.4% (8)					
Non-Affiliate Debt Investments — 155.1% (8)					
Non-Affiliate Debt Investments — Life Science — 53.0% (8)					
Celsion Corporation (2)(5)(12)	Biotechnology	Term Loan (9.73% cash (Libor + 7.63%; Floor 9.63%), 4.00% ETP, Due 7/1/22)	\$ 2,500	\$ 2,446	\$2,446
		Term Loan (9.73% cash (Libor + 7.63%; Floor 9.63%), 4.00% ETP, Due 7/1/22)	2,500	2,446	2,446
		Term Loan (9.73% cash (Libor + 7.63%; Floor 9.63%), 4.00% ETP, Due 7/1/22)	2,500	2,446	2,446
		Term Loan (9.73% cash (Libor + 7.63%; Floor 9.63%), 4.00% ETP, Due 7/1/22)	2,500	2,446	2,446
Espero BioPharma, Inc. (2)(12)	Biotechnology	Term Loan (12.00% cash (Libor + 9.9%; Floor 12.00%), 4.00% ETP, Due 6/30/19)	5,000	4,689	4,689
Palatin Technologies, Inc. (2)(5)(12)	Biotechnology	Term Loan (10.60% cash (Libor + 8.50%; Floor 9.00%), 5.00% ETP, Due 1/1/19)	500	495	495
		Term Loan (10.60% cash (Libor + 8.50%; Floor 9.00%), 3.44% ETP, Due 1/1/19)	500	500	500
		Term Loan (10.60% cash (Libor + 8.50%; Floor 9.00%), 5.00% ETP, Due 8/1/19)	1,667	1,652	1,652
		Term Loan (10.60% cash (Libor + 8.50%; Floor 9.00%), 3.27% ETP, Due 8/1/19)	1,667	1,667	1,667
vTv Therapeutics Inc. (2)(5)(12)	Biotechnology	Term Loan (12.10% cash (Libor + 10.00%; Floor	4,948	4,912	4,912

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		10.50%), 6.00% ETP, Due 5/1/20)			
		Term Loan (12.10% cash (Libor + 10.00%; Floor	3,750	3,714	3,714
		10.50%), 6.00% ETP, Due 10/1/20)			
Titan Pharmaceuticals, Inc. (2)(5)(12)	Drug Delivery	Term Loan (10.50% cash (Libor + 8.40%; Floor	1,600	1,484	1,484
		9.50%), 5.00% ETP, Due 6/1/21)			
Aerin Medical, Inc. (2)(12)	Medical Device	Term Loan (9.55% cash (Libor + 7.45%; Floor	4,000	3,887	3,887
		8.75%), 4.00% ETP, Due 1/1/22)			
		Term Loan (9.55% cash (Libor + 7.45%; Floor	3,000	2,963	2,963
		8.75%), 4.00% ETP, Due 1/1/22)			
		Term Loan (9.55% cash (Libor + 7.45%; Floor	3,000	2,963	2,963
		8.75%), 4.00% ETP, Due 1/1/22)			
Conventus Orthopaedics, Inc. (2)(12)	Medical Device	Term Loan (10.10% cash (Libor + 8.00%; Floor	4,000	3,944	3,944
		9.25%), 6.00% ETP, Due 6/1/21)			
		Term Loan (10.10% cash (Libor + 8.00%; Floor	4,000	3,944	3,944
		9.25%), 6.00% ETP, Due 6/1/21)			
		Term Loan (10.10% cash (Libor + 8.00%; Floor	4,000	3,944	3,944
		9.25%), 6.00% ETP, Due 6/1/21)			
CSA Medical, Inc. (12)	Medical Device	Term Loan (10.14% cash (Libor + 7.93%; Floor	6,000	5,761	5,761
		10.00%), 5.00% ETP, Due 10/1/22)			
Lantos Technologies, Inc. (2)(12)	Medical Device	Term Loan (10.53% cash (Libor + 8.43%; Floor	4,000	3,522	3,522
		10.00%), 6.00% ETP, Due 9/1/21)			
MacuLogix, Inc. (2)(12)	Medical Device	Term Loan (9.78% cash (Libor + 7.68%; Floor	3,750	3,525	3,525
		9.50%), 4.00% ETP, Due 8/1/22)			
VERO Biotech LLC (2)(12)	Medical Device	Term Loan (10.10% cash (Libor + 8.00%; Floor	4,000	3,946	3,946
		9.25%), 5.00% ETP, Due 1/1/22)			
		Term Loan (10.10% cash (Libor + 8.00%; Floor	4,000	3,946	3,946
		9.25%), 5.00% ETP, Due 1/1/22)			
Total Non-Affiliate Debt Investments — Life Science				71,242	71,242
Non-Affiliate Debt Investments — Technology — 84.7% (8)					
Audacy Corporation (2)(12)	Communications	Term Loan (10.00% cash (Libor + 7.90%; Floor	4,000	3,932	3,932
		9.50%), 5.00% ETP, Due 7/1/22)			
Intelepeer Holdings, Inc. (2)(12)	Communications	Term Loan (12.05% cash (Libor + 9.95%; Floor	4,000	3,942	3,942

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		11.25%), 2.50% ETP, Due 7/1/21)			
		Term Loan (12.05% cash (Libor + 9.95%; Floor	4,000	3,942	3,942
		11.25%), 2.50% ETP, Due 7/1/21)			
		Term Loan (12.05% cash (Libor + 9.95%; Floor	4,000	3,942	3,942
		11.25%), 2.50% ETP, Due 7/1/21)			
		Term Loan (12.05% cash (Libor + 9.95%; Floor	3,000	2,952	2,952
		11.25%), 2.50% ETP, Due 2/1/22)			
PebblePost, Inc. (2) (12)	Communications	Term Loan (11.36% cash (Libor + 9.26%; Floor	4,000	3,947	3,947
		10.25%), 4.00% ETP, Due 7/1/21)			

See Notes to Consolidated Financial Statements

Horizon Technology Finance Corporation and Subsidiaries

Consolidated Schedule of Investments (Unaudited)

September 30, 2018

(Dollars in thousands)

Portfolio Company (1)(3)	Sector	Type of Investment (4)(7)(9)(10)	Principal Amount	Cost of Investments (6)	Fair Value
		Term Loan (11.36% cash (Libor + 9.26%; Floor 10.25%), 4.00% ETP, Due 7/1/21)	4,000	3,947	3,947
IgnitionOne, Inc. (2)(12)	Internet and Media	Term Loan (12.33% cash (Libor + 10.23%; Floor 10.23%), 2.00% ETP, Due 4/1/22)	3,000	2,861	2,861
		Term Loan (12.33% cash (Libor + 10.23%; Floor 10.23%), 2.00% ETP, Due 4/1/22)	3,000	2,861	2,861
		Term Loan (12.33% cash (Libor + 10.23%; Floor 10.23%), 2.00% ETP, Due 4/1/22)	3,000	2,861	2,861
		Term Loan (12.33% cash (Libor + 10.23%; Floor 10.23%), 2.00% ETP, Due 4/1/22)	3,000	2,861	2,861
Jump Ramp Games, Inc. (2)(12)	Internet and Media	Term Loan (11.83% cash (Libor + 9.73%), 3.00% ETP, Due 4/1/21)	4,000	3,956	3,851
Kixeye, Inc. (2)(12)	Internet and Media	Term Loan (11.70% cash (Libor + 9.60%; Floor 10.75%), 2.00% ETP, Due 5/1/21)	2,750	2,658	2,658
		Term Loan (11.70% cash (Libor + 9.60%; Floor 10.75%), 2.00% ETP, Due 5/1/21)	2,750	2,707	2,707
Rocket Lawyer Incorporated (2)(12)	Internet and Media	Term Loan (11.50% cash (Libor + 9.40%; Floor 10.50%), 3.00% ETP, Due 7/1/21)	4,000	3,947	3,947
		Term Loan (11.50% cash (Libor + 9.40%; Floor 10.50%), 3.00% ETP, Due 7/1/21)	4,000	3,947	3,947
		Term Loan (11.50% cash (Libor + 9.40%; Floor	2,000	1,971	1,971

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		10.50%), 3.00% ETP, Due 11/1/21)			
Verve Wireless, Inc. (2)(12)	Internet and Media	Term Loan (10.90% cash (Libor + 8.80%; Floor 10.80%), 3.33% ETP, Due 9/1/21)	3,600	3,460	3,460
Zinio Holdings, LLC (2)(12)	Internet and Media	Term Loan (13.35% cash (Libor + 11.25%; Floor 11.75%), 6.00% ETP, Due 2/1/20)	3,400	3,386	3,386
The NanoSteel Company, Inc. (2)(12)	Materials	Term Loan (11.60% cash (Libor + 9.50%; Floor 10.00%), 7.20% ETP, Due 5/1/20)	3,959	3,891	3,891
		Term Loan (11.60% cash (Libor + 9.50%; Floor 10.00%), 6.45% ETP, Due 5/1/20)	1,980	1,955	1,955
		Term Loan (11.60% cash (Libor + 9.50%; Floor 10.00%), 5.85% ETP, Due 7/1/20)	2,188	2,159	2,159
Powerhouse Dynamics, Inc. (2)(12)	Power Management	Term Loan (12.80% cash (Libor + 10.70%; Floor 11.20%), 3.32% ETP, Due 9/1/19)	700	682	682
Luxtera, Inc. (12)	Semiconductors	Term Loan (12.00% cash (Prime + 6.75%), Due 3/28/20)	2,000	1,934	1,934
		Term Loan (12.00% cash (Prime + 6.75%), Due 3/28/20)	1,500	1,462	1,462
Bridge2 Solutions, LLC. (2)(12)	Software	Term Loan (11.35% cash (Libor + 9.25%; Floor 10.50%), 2.00% ETP, Due 11/1/21)	5,000	4,821	4,821
		Term Loan (11.35% cash (Libor + 9.25%; Floor 10.50%), 2.00% ETP, Due 11/1/21)	5,000	4,821	4,821
Education Elements, Inc. (2)(12)	Software	Term Loan (12.10% cash (Libor + 10.00%; Floor 10.50%), 4.00% ETP, Due 1/1/19)	200	197	197
		Term Loan (12.10% cash (Libor + 10.00%; Floor 10.50%), 4.00% ETP, Due 8/1/19)	500	493	493
New Signature US, Inc. (2)(12)(13)	Software	Term Loan (10.60% cash (Libor + 8.50%; Floor 10.50%), 3.50% ETP, Due 7/1/22)	2,750	2,697	2,697
ShopKeep.com, Inc. (2)(12)	Software	Term Loan (12.05% cash (Libor + 9.95%; Floor 10.45%), 4.08% ETP, Due 10/1/20)	4,900	4,825	4,825
		Term Loan (12.05% cash (Libor + 9.95%; Floor 10.45%), 3.55% ETP, Due 2/1/21)	3,600	3,542	3,542
SIGNiX, Inc. (12)	Software		1,995	1,927	1,605

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		Term Loan (13.10% cash (Libor + 11.00%; Floor 11.50%), 6.17% ETP, Due 2/1/20)			
xAd, Inc. (2)(12)	Software	Term Loan (10.80% cash (Libor + 8.70%; Floor 10.00%), 4.75% ETP, Due 11/1/21)	5,000	4,916	4,916
		Term Loan (10.80% cash (Libor + 8.70%; Floor 10.00%), 4.75% ETP, Due 11/1/21)	5,000	4,916	4,916
		Term Loan (10.80% cash (Libor + 8.70%; Floor 10.00%), 4.75% ETP, Due 11/1/21)	3,000	2,950	2,950
		Term Loan (10.80% cash (Libor + 8.70%; Floor	2,000	1,966	1,966

See Notes to Consolidated Financial Statements

Horizon Technology Finance Corporation and Subsidiaries

Consolidated Schedule of Investments (Unaudited)

September 30, 2018

(Dollars in thousands)

Portfolio Company (1)(3)	Sector	Type of Investment (4)(7)(9)(10) 10.00%), 4.75% ETP, Due 11/1/21)	Principal Amount	Cost of Investments (6)	Fair Value
Total Non-Affiliate Debt Investments — Technology				114,234	113,807
Non-Affiliate Debt Investments — Healthcare information and services — 17.4% (8)					
Catasys, Inc. (2)(5)(12)	Software	Term Loan (9.85% cash (Libor + 7.75%; Floor 9.75%), 6.00% ETP, Due 3/1/22)	2,500	2,477	2,477
		Term Loan (9.85% cash (Libor + 7.75%; Floor 9.75%), 6.00% ETP, Due 3/1/22)	2,500	2,477	2,477
		Term Loan (9.85% cash (Libor + 7.75%; Floor 9.75%), 6.00% ETP, Due 3/1/22)	2,500	2,476	2,476
HealthEdge Software, Inc. (2)(12)	Software	Term Loan (10.35% cash (Libor + 8.25%; Floor 9.25%), 3.00% ETP, Due 7/1/22)	5,000	4,905	4,905
		Term Loan (10.35% cash (Libor + 8.25%; Floor 9.25%), 3.00% ETP, Due 1/1/23)	3,750	3,701	3,701
		Term Loan (10.35% cash (Libor + 8.25%; Floor 9.25%), 3.00% ETP, Due 4/1/23)	3,750	3,698	3,698
		Term Loan (10.46% cash (Libor + 8.25%; Floor 9.25%), 3.00% ETP, Due 10/1/23)	3,750	3,696	3,696
Total Non-Affiliate Debt Investments — Healthcare information and services				23,430	23,430

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Total Non- Affiliate Debt Investments			208,906	208,479
Non-Affiliate Warrant Investments — 7.7% (8)				
Non-Affiliate Warrants — Life Science — 1.7% (8)				
ACT Biotech Corporation	Biotechnology	130,872 Preferred Stock Warrants	12	—
Alpine Immune Sciences, Inc. (5)(12)	Biotechnology	4,634 Common Stock Warrants	122	—
Argos Therapeutics, Inc. (2)(5)(12)	Biotechnology	3,656 Common Stock Warrants	33	—
Celsion Corporation (2)(5)(12)	Biotechnology	190,522 Common Stock Warrants	145	107
Espero BioPharma, Inc. (2)(5)(12)	Biotechnology	833,792 Common Stock Warrants	184	184
Rocket Pharmaceuticals Corporation (5)(12)	Biotechnology	1,763 Common Stock Warrants	17	—
Palatin Technologies, Inc. (2)(5)(12)	Biotechnology	608,058 Common Stock Warrants	51	153
Revance Therapeutics, Inc. (5)(12)	Biotechnology	34,113 Common Stock Warrants	68	367
Sample6, Inc. (2)(12)	Biotechnology	661,956 Preferred Stock Warrants	53	26
Strongbridge U.S. Inc. (2)(5)(12)	Biotechnology	160,714 Common Stock Warrants	72	419
Sunesis Pharmaceuticals, Inc. (5)(12)	Biotechnology	2,050 Common Stock Warrants	5	—
vTv Therapeutics Inc. (2)(5)(12)	Biotechnology	95,293 Common Stock Warrants	44	—
Titan Pharmaceuticals, Inc. (2)(5)(12)	Drug Delivery	320,612 Common Stock Warrants	95	—
AccuVein Inc. (2)(12)	Medical Device	1,174,881 Preferred Stock Warrants	24	29
Aerin Medical, Inc. (2)(12)	Medical Device	1,818,182 Preferred Stock Warrants	66	71
Conventus Orthopaedics, Inc. (2)(12)	Medical Device	720,000 Preferred Stock Warrants	95	102
CSA Medical, Inc. (12)	Medical Device	1,569,577 Preferred Stock Warrants	89	89
Lantos Technologies, Inc. (2)(12)	Medical Device	1,715,926 Common Stock Warrants	253	285
MacuLogix, Inc. (2)(12)	Medical Device	158,451 Preferred Stock Warrants	156	156
Mitralign, Inc. (2)(12)	Medical Device	64,190 Common Stock Warrants	52	1
NinePoint Medical, Inc. (2)(12)	Medical Device	29,102 Preferred Stock Warrants	33	—
ReShape Lifesciences Inc. (5)(12)	Medical Device	134 Common Stock Warrants	347	—
Tryton Medical, Inc. (2)(12)	Medical Device	122,362 Preferred Stock Warrants	15	13
VERO Biotech LLC (2)(12)	Medical Device		53	334

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		800 Common Stock		
		Warrants		
ViOptix, Inc. (12)	Medical Device	375,763 Preferred Stock	13	—
		Warrants		
Total Non-Affiliate Warrants — Life Science			2,097	2,336
Non-Affiliate Warrants — Technology — 5.4% (8)				
Audacy Corporation (2)(12)	Communications	1,017,173 Preferred	194	195
		Stock Warrants		
Ekahau, Inc. (2)(12)	Communications	978,261 Preferred Stock	33	899
		Warrants		
Intelepeer Holdings, Inc. (2)(12)	Communications	2,451,549 Preferred	160	128
		Stock Warrants		
PebblePost, Inc. (2)(12)	Communications	598,850 Preferred Stock	92	163
		Warrants		
Additech, Inc. (2)(12)	Consumer-related	150,000 Preferred Stock	32	—
	Technologies	Warrants		
Gwynnie Bee, Inc. (2)(12)	Consumer-related	268,591 Preferred Stock	68	823
	Technologies	Warrants		
Le Tote, Inc. (2)(12)	Consumer-related	202,974 Preferred Stock	63	373
	Technologies	Warrants		
Rhapsody International Inc. (2)(12)	Consumer-related	852,273 Common Stock	164	—
	Technologies	Warrants		
IgnitionOne, Inc. (2)(12)	Internet and Media	262,910 Preferred Stock	672	666
		Warrants		
Jump Ramp Games, Inc. (2)(12)	Internet and Media	159,766 Preferred Stock	32	8
		Warrants		
Kixeye, Inc. (2)(12)	Internet and Media	791,251 Preferred Stock	75	62
		Warrants		
Rocket Lawyer Incorporated (2)(12)	Internet and Media	261,721 Preferred Stock	92	78
		Warrants		
Verve Wireless, Inc. (2)(12)	Internet and Media	112,805 Common Stock	120	120
		Warrants		

See Notes to Consolidated Financial Statements

Horizon Technology Finance Corporation and Subsidiaries**Consolidated Schedule of Investments (Unaudited)****September 30, 2018****(Dollars in thousands)**

Portfolio Company (1)(3)	Sector	Type of Investment (4)(7)(9)(10)	Principal Cost of Amount Investments (6)	Fair Value
The NanoSteel Company, Inc. (2)(12)	Materials	379,360 Preferred Stock Warrants	187	528
Powerhouse Dynamics, Inc. (2)(12)	Power Management	348,838 Preferred Stock Warrants	33	34
Avalanche Technology, Inc. (2)(12)	Semiconductors	202,602 Preferred Stock Warrants	101	38
Kaminario, Inc. (12)	Semiconductors	4,800,000 Preferred Stock Warrants	59	97
Luxtera, Inc.(2)(12)	Semiconductors	3,546,553 Preferred Stock Warrants	213	401
Soraa, Inc. (2)(12)	Semiconductors	203,616 Preferred Stock Warrants	80	430
Bolt Solutions Inc. (2)(12)	Software	202,892 Preferred Stock Warrants	113	106
Bridge2 Solutions, Inc. (2)(12)	Software	125,458 Common Stock Warrants	432	767
BSI Platform Holdings, LLC (2)(12)(13)	Software	137,500 Preferred Stock Warrants	19	19
Clarabridge, Inc. (12)	Software	53,486 Preferred Stock Warrants	14	106
Education Elements, Inc. (2)(12)	Software	238,121 Preferred Stock Warrants	28	30
Lotame Solutions, Inc. (2)(12)	Software	288,115 Preferred Stock Warrants	22	289
Metricly, Inc. (12)	Software	41,569 Common Stock Warrants	48	—
Riv Data Corp. (2)(12)	Software	321,428 Preferred Stock Warrants	12	37
ShopKeep.com, Inc. (2)(12)	Software	193,962 Preferred Stock Warrants	118	117
SIGNiX, Inc. (12)	Software	133,560 Preferred Stock Warrants	225	36

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Skyword, Inc. (12)	Software	301,056 Preferred Stock Warrants	48	3
Sys-Tech Solutions, Inc. (2)(12)	Software	375,000 Preferred Stock Warrants	242	444
Weblinc Corporation (2)(12)	Software	195,122 Preferred Stock Warrants	42	—
xAd, Inc. (2)(12)	Software	4,343,350 Preferred Stock Warrants	177	299
Total Non-Affiliate Warrants — Technology Non-Affiliate Warrants — Cleantech — 0.1% (8)			4,010	7,296
Renmatix, Inc. (2)(12)	Alternative Energy	53,022 Preferred Stock Warrants	68	—
Tigo Energy, Inc. (2)(12)	Energy Efficiency	804,604 Preferred Stock Warrants	100	113
Total Non-Affiliate Warrants — Cleantech Non-Affiliate Warrants — Healthcare information and services — 0.5% (8)			168	113
LifePrint Group, Inc. (2)(12)	Diagnostics	49,000 Preferred Stock Warrants	29	2
ProterixBio, Inc. (2)(12)	Diagnostics	2,676 Common Stock Warrants	42	—
Singulex, Inc. (12)	Other Healthcare	294,231 Preferred Stock Warrants	44	46
Verity Solutions Group, Inc. (12)	Other Healthcare	300,360 Preferred Stock Warrants	100	67
Watermark Medical, Inc. (2)(12)	Other Healthcare	27,373 Preferred Stock Warrants	74	63
HealthEdge Software, Inc. (2)(12)	Software	205,481 Preferred Stock Warrants	83	72
Medsphere Systems Corporation (2)(12)	Software	7,097,792 Preferred Stock Warrants	60	216
Recondo Technology, Inc. (2)(12)	Software	556,796 Preferred Stock Warrants	95	215
Total Non-Affiliate Warrants — Healthcare information and services			527	681
Total Non-Affiliate Warrants			6,802	10,426
Non-Affiliate Other Investments — 5.7% (8)				
Espero Pharmaceuticals, Inc. (12)	Biotechnology	Royalty Agreement	5,300	4,700
ZetrOZ, Inc. (12)	Medical Device	Royalty Agreement	179	700
Vette Technology, LLC (12)	Data Storage	Royalty Agreement Due 4/18/2019	4,183	60