

Horizon Technology Finance Corp
Form 10-Q
May 06, 2014

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, 2014

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 o

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 6, 2014, the Registrant had 9,619,334 shares of common stock, \$0.001 par value, outstanding.

PART I: FINANCIAL INFORMATION

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)****(In thousands, except share data)**

	March 31, 2014	December 31, 2013
Assets		
Non-affiliate investments at fair value (cost of \$233,056 and \$234,310, respectively) (Note 4)	\$ 228,560	\$ 221,284
Cash	13,993	25,341
Investment in money market funds	2,101	1,188
Restricted investments in money market funds	5,730	5,951
Interest receivable	5,389	4,240
Other assets	6,369	5,733
Total assets	\$ 262,142	\$ 263,737
Liabilities		
Borrowings (Note 6)	\$ 119,405	\$ 122,343
Dividends payable	3,318	3,315
Base management fee payable (Note 3)	330	439
Incentive fee payable (Note 3)	406	852
Other accrued expenses	903	953
Total liabilities	124,362	127,902
Net assets		
Preferred stock, par value \$0.001 per share, 1,000,000 shares authorized, zero shares issued and outstanding as of March 31, 2014 and December 31, 2013	—	—
Common stock, par value \$0.001 per share, 100,000,000 shares authorized, 9,618,690 and 9,608,949 shares outstanding as of March 31, 2014 and December 31, 2013	10	10
Paid-in capital in excess of par	155,108	154,975
Accumulated undistributed net investment income	629	1,463
Net unrealized depreciation on investments	(4,496)	(13,026)
Net realized loss on investments	(13,471)	(7,587)
Total net assets	137,780	135,835

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Total liabilities and net assets	\$ 262,142	\$ 263,737
Net asset value per common share	\$ 14.32	\$ 14.14

See Notes to Consolidated Financial Statements

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

	For the Three Months Ended March 31,	
	2014	2013
Investment income		
Interest income on non-affiliate investments	\$ 7,180	\$ 7,346
Fee income on non-affiliate investments	354	22
Total investment income	7,534	7,368
Expenses		
Interest expense	2,070	1,773
Base management fee (Note 3)	1,205	1,241
Performance based incentive fee (Note 3)	406	693
Administrative fee (Note 3)	244	285
Professional fees	835	382
General and administrative	250	221
Total expenses	5,010	4,595
Net investment income before excise tax	2,524	2,773
Provision for excise tax	(40) —
Net investment income	2,484	2,773
Net realized and unrealized gain on investments		
Net realized loss on investments	(5,884) (210
Net unrealized appreciation on investments	8,530	420
Net realized and unrealized gain on investments	2,646	210
Net increase in net assets resulting from operations	\$ 5,130	\$ 2,983
Net investment income per common share	\$ 0.26	\$ 0.29
Net increase in net assets per common share	\$ 0.53	\$ 0.31
Dividends declared per share	\$ 0.345	\$ 0.345
Weighted average shares outstanding	9,613,829	9,570,789

See Notes to Consolidated Financial Statements

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

	Shares	Common Stock	Paid-In Capital in Excess of Par	Accumulated Undistributed Net Investment Income	Net Unrealized Depreciation on Investments	Net Realized Losses on Investments	Total Net Assets
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	—	—	—	2,773	420	(210)	2,983
Issuance of common stock under dividend reinvestment plan	7,220	—	108	—	—	—	108
Dividends declared	—	—	—	(3,303)	—	—	(3,303)
Balance at March 31, 2013	9,574,445	\$ 10	\$ 154,492	\$ 898	\$ (10,352)	\$ (288)	\$ 144,760
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	—	—	—	2,484	8,530	(5,884)	5,130
Issuance of common stock under dividend reinvestment plan	9,741	—	133	—	—	—	133
Dividends declared	—	—	—	(3,318)	—	—	(3,318)
Balance at March 31, 2014	9,618,690	\$ 10	\$ 155,108	\$ 629	\$ (4,496)	\$ (13,471)	\$ 137,780

See Notes to Consolidated Financial Statements

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

	For the Three Months Ended March 31,	
	2014	2013
Cash flows from operating activities:		
Net increase in net assets resulting from operations	\$ 5,130	\$ 2,983
Adjustments to reconcile net increase in net assets resulting from operations to net cash used in operating activities:		
Amortization of debt issuance costs	492	183
Net realized loss on investments	6,913	18
Net unrealized appreciation on investments	(8,530)	(420)
Purchase of investments	(17,926)	(28,500)
Principal payments received on investments	11,773	9,962
Proceeds from sale of investments	720	—
Changes in assets and liabilities:		
Net increase in investments in money market funds	(913)	(1,559)
Decrease in restricted investments in money market funds	221	—
Increase in interest receivable	(597)	(88)
Increase in end-of-term payments	(552)	(614)
Decrease in unearned loan income	(226)	(228)
(Increase) decrease in other assets	(1,129)	199
Decrease in other accrued expenses	(50)	(199)
(Decrease) increase in base management fee payable	(109)	31
Decrease in incentive fee payable	(446)	(162)
Net cash used in operating activities	(5,229)	(18,394)
Cash flows from financing activities:		
Dividends paid	(3,181)	(3,193)
Net (decrease) increase in borrowings	(2,938)	21,017
Net cash (used in) provided by financing activities	(6,119)	17,824
Net decrease in cash	(11,348)	(570)
Cash:		
Beginning of period	25,341	1,048
End of period	\$ 13,993	\$ 478
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 1,582	\$ 1,517
Supplemental non-cash investing and financing activities:		
Warrant investments received & recorded as unearned loan income	\$ 106	\$ 172
Dividends payable	\$ 3,318	\$ 3,303
Net assets received in settlement of debt investment	\$ 985	\$ —

See Notes to Consolidated Financial Statements

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Horizon Technology Finance Corporation and Subsidiaries**Consolidated Schedule of Investments (Unaudited)****March 31, 2014****(In thousands)**

Portfolio Company (1)	Sector	Type of Investment (3)(4)(7)	Principal Amount	Cost of Investments (6)	Fair Value
Debt Investments — 158.2% (9)					
Debt Investments — Life Science — 23.0% (9)					
Inotek Pharmaceuticals Corporation (2)	Biotechnology	Term Loan (11.00% cash, 3.00% ETP, Due 10/1/16)	\$ 3,500	\$ 3,466	\$3,466
N30 Pharmaceuticals, Inc. (2)	Biotechnology	Term Loan (11.25% cash, 3.00% ETP, Due 9/1/14)	514	512	512
		Term Loan (11.25% cash, 3.00% ETP, Due 10/1/15)	1,952	1,936	1,936
New Haven Pharmaceuticals, Inc. (2)	Biotechnology	Term Loan (11.50% cash, 3.00% ETP, Due 5/1/16)	1,451	1,431	1,431
		Term Loan (11.50% cash, 3.00% ETP, Due 5/1/16)	484	477	477
Sample6, Inc. (2)	Biotechnology	Term Loan (11.00% cash, 3.00% ETP, Due 1/1/16)	1,996	1,979	1,979
Sunesis Pharmaceuticals, Inc. (2)(5)	Biotechnology	Term Loan (8.95% cash, 3.75% ETP, Due 10/1/15)	1,244	1,239	1,239
		Term Loan (9.00% cash, 3.75% ETP, Due 10/1/15)	1,867	1,839	1,839
Xcovery Holding Company, LLC (2)	Biotechnology	Term Loan (12.50% cash, Due 8/1/15)	745	744	744
		Term Loan (12.50% cash, Due 8/1/15)	1,172	1,171	1,171
		Term Loan (12.50% cash, Due 10/1/15)	222	222	222
Accuvein, Inc.	Medical Device	Term Loan (10.40% cash (Floor 10.40%; Ceiling 11.90%), 5.00% ETP, Due 8/1/17)	4,000	3,945	3,945
Mederi Therapeutics, Inc.	Medical Device	Term Loan (10.75% cash (Floor 10.75%; Ceiling 12.75%), 4.00% ETP, Due 7/1/17)	3,000	2,960	2,960
			3,000	2,920	2,920

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		Term Loan (10.75% cash (Floor 10.75%; Ceiling 12.75%), 4.00% ETP, Due 7/1/17)			
Mitralign, Inc. (2)	Medical Device	Term Loan (12.00% cash, 3.00% ETP, Due 10/1/15)	1,390	1,378	1,378
		Term Loan (10.88% cash, 3.00% ETP, Due 11/1/15)	969	961	961
		Term Loan (10.50% cash, 3.00% ETP, Due 7/1/16)	1,143	1,119	1,119
Tengion, Inc. (2)(5)	Medical Device	Term Loan (13.00% cash, Due 5/1/14)	351	350	350
Tryton Medical, Inc. (2)	Medical Device	Term Loan (10.41% cash (Prime + 7.16%), 2.50% ETP, Due 9/1/16)	3,000	2,966	2,966
Total Debt Investments — Life Science Debt Investments — Technology — 103.4% (9)				31,615	31,615
Ekahau, Inc.	Communications	Term Loan (11.75% cash, 2.50% ETP, Due 2/1/17)	1,500	1,477	1,477
		Term Loan (11.75% cash, 2.50% ETP, Due 2/1/17)	500	492	492
Overture Networks, Inc. (2)	Communications	Term Loan (10.75% cash, 4.75% ETP, Due 12/1/16)	5,000	4,944	4,944
		Term Loan (10.75% cash, 4.75% ETP, Due 12/1/16)	2,500	2,466	2,466
Optaros, Inc. (2)	Internet and Media	Term Loan (11.95% cash, 3.00% ETP, Due 10/1/15)	1,463	1,455	1,455
		Term Loan (11.95% cash, 3.00% ETP, Due 3/1/16)	451	448	448
SimpleTuition, Inc. (2)	Internet and Media	Term Loan (11.75% cash, Due 3/1/16)	3,524	3,487	3,487
Nanocomp Technologies, Inc.	Networking	Term Loan (11.50% cash, 3.00% ETP, Due 11/1/17)	1,000	981	981
Aquion Energy, Inc. (2)	Power Management	Term Loan (10.25% cash, 4.00% ETP, Due 3/1/16)	2,421	2,413	2,413
		Term Loan (10.25% cash, 4.00% ETP, Due 3/1/16)	2,421	2,413	2,413
		Term Loan (10.25% cash, 4.00% ETP, Due 6/1/16)	2,703	2,691	2,691
Xtreme Power, Inc. (2)	Power Management	Term Loan (10.75% cash, 9.00% ETP, Due 5/1/16)	6,000	5,960	5,960
		Term Loan (15.00% cash, Due 4/14/14)	2,435	2,435	2,435
Avalanche Technology, Inc. (2)	Semiconductors	Term Loan (10.00% cash, 2.00% ETP, Due 7/1/16)	2,728	2,710	2,710
		Term Loan (10.00% cash, 2.00% ETP, Due 1/1/18)	2,500	2,460	2,460
eASIC Corporation (2)	Semiconductors	Term Loan (11.00% cash, 2.50% ETP, Due 4/1/17)	2,000	1,971	1,971
Kaminario, Inc. (2)	Semiconductors		3,000	2,961	2,961

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		Term Loan (10.50% cash, 2.50% ETP, Due 11/1/16)			
		Term Loan (10.50% cash, 2.50% ETP, Due 11/1/16)	3,000	2,961	2,961
Luxtera, Inc. (2)	Semiconductors	Term Loan (10.25% cash, 8.00% ETP, Due 7/1/17)	2,632	2,568	2,568
		Term Loan (10.25% cash, 8.00% ETP, Due 7/1/17)	1,469	1,458	1,458
Newport Media, Inc. (2)	Semiconductors	Term Loan (11.00% cash, 2.86% ETP, Due 10/1/16)	3,500	3,429	3,429
		Term Loan (11.00% cash, 2.86% ETP, Due 10/1/16)	3,500	3,429	3,429
NexPlanar Corporation (2)	Semiconductors	Term Loan (10.50% cash, 2.50% ETP, Due 12/1/16)	3,000	2,969	2,969
		Term Loan (10.50% cash, 2.50% ETP, Due 12/1/16)	2,000	1,972	1,972
Soraa, Inc.	Semiconductors	Term Loan (10.75% cash (Floor 10.75%; Ceiling 13.075%), 4.00% ETP, Due 11/1/17)	2,500	2,457	2,457
		Term Loan (10.75% cash (Floor 10.75%; Ceiling 13.075%), 4.00% ETP, Due 11/1/17)	2,500	2,457	2,457
		Term Loan (10.75% cash (Floor 10.75%; Ceiling 13.075%), 4.00% ETP, Due 11/1/17)	2,500	2,457	2,457
		Term Loan (10.75% cash (Floor 10.75%; Ceiling 13.075%), 4.00% ETP, Due 11/1/17)	2,500	2,457	2,457
Xtera Communications, Inc. (2)	Semiconductors	Term Loan (11.50% cash, 14.77% ETP, Due 7/1/15)	6,468	6,448	6,448
		Term Loan (11.50% cash, 13.65% ETP, Due 2/1/16)	1,731	1,721	1,721
Bolt Solutions, Inc. (2)	Software	Term Loan (11.65% cash, 4.00% ETP, Due 5/1/16)	4,264	4,234	4,234
		Term Loan (11.65% cash, 4.00% ETP, Due 5/1/16)	4,264	4,234	4,234
Construction Software Technologies, Inc. (2)	Software	Term Loan (11.75% cash, 5.00% ETP, Due 10/1/16)	4,200	4,176	4,176

See Notes to Consolidated Financial Statements

Horizon Technology Finance Corporation and Subsidiaries**Consolidated Schedule of Investments (Unaudited)****March 31, 2014****(In thousands)**

Portfolio Company (1)	Sector	Type of Investment (3)(4)(7)	Principal Amount	Cost of Investments (6)	Fair Value
		Term Loan (11.75% cash, 5.00% ETP, Due 10/1/16)	4,200	4,176	4,176
Courion Corporation (2)	Software	Term Loan (11.45% cash, Due 10/1/15)	2,331	2,325	2,325
		Term Loan (11.45% cash, Due 10/1/15)	2,331	2,325	2,325
Decisyon, Inc. (2)	Software	Term Loan (11.65% cash, 5.00% ETP, Due 9/1/16)	4,000	3,940	3,940
Kontera Technologies, Inc. (2)	Software	Term Loan (11.50% cash, 3.00% ETP, Due 10/1/16)	4,000	3,957	3,957
		Term Loan (11.50% cash, 3.00% ETP, Due 10/1/16)	4,000	3,957	3,957
Lotame Solutions, Inc. (2)	Software	Term Loan (11.50% cash, 3.00% ETP, Due 10/1/16)	4,000	3,975	3,975
		Term Loan (11.50% cash, 3.00% ETP, Due 9/1/16)	1,500	1,489	1,489
Netuitive, Inc. (2)	Software	Term Loan (11.75% cash, Due 1/1/16)	2,105	2,083	2,083
Raydiance, Inc. (2)	Software	Term Loan (11.50% cash, 2.75% ETP, Due 9/1/16)	4,855	4,812	4,812
		Term Loan (11.50% cash, 2.75% ETP, Due 9/1/16)	971	950	950
Razorsight Corporation (2)	Software	Term Loan (11.75% cash, 3.00% ETP, Due 11/1/16)	1,500	1,481	1,481
		Term Loan (11.75% cash, 3.00% ETP, Due 8/1/16)	1,457	1,436	1,436
	Software	Term Loan (11.75% cash, 3.00% ETP, Due 7/1/17)	1,000	982	982
Sys-Tech Solutions, Inc. (2)	Software	Term Loan (11.65% cash, Due 6/1/16)	7,100	6,598	6,598
VBrick Systems, Inc.	Software	Term Loan (11.50% cash (Floor 10.50%; Ceiling 3.50%), 5.00% ETP, Due 7/1/17)	3,000	2,972	2,972

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Vidsys, Inc. (2)	Software	Term Loan (11.00% cash, 6.50% ETP, Due 6/1/16)	3,000	2,976	2,976
Visage Mobile, Inc. (2)	Software	Term Loan (12.00% cash, 3.50% ETP, Due 9/1/16)	896	885	885
Total Debt Investments — Technology				142,510	142,510
Debt Investments — Cleantech — 13.5% (9)					
Renmatix, Inc. (2)	Alternative Energy	Term Loan (10.25% cash, 9.00% ETP, Due 2/1/16)	1,816	1,806	1,806
		Term Loan (10.25% cash, 3.00% ETP, Due 2/1/16)	1,816	1,806	1,806
		Term Loan (10.25% cash, Due 10/1/16)	4,733	4,696	4,696
Semprius, Inc. (2)(8)	Alternative Energy	Term Loan (10.25% cash, 2.50% ETP, Due 6/1/16)	3,135	3,115	2,805
Aurora Algae, Inc. (2)	Energy Efficiency	Term Loan (10.50% cash, 2.00% ETP, Due 5/1/15)	1,068	1,065	1,065
Rypos, Inc. (2)	Energy Efficiency	Term Loan (11.80% cash, Due 1/1/17)	3,000	2,955	2,955
		Term Loan (11.80% cash, Due 9/1/17)	1,000	980	980
Tigo Energy, Inc. (2)	Energy Efficiency	Term Loan (13.00% cash, 3.16% ETP, Due 6/1/15)	1,874	1,864	1,864
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				20,406	18,657
Debt Investments — Healthcare information and services — 18.3% (9)					
Radisphere National Radiology Group, Inc. (2)	Diagnostics	Revolver (11.25% cash (Prime + 8.00%), Due 10/1/15)	12,000	11,921	11,921
Watermark Medical, Inc. (2)	Other Healthcare	Term Loan (12.00% cash, 4.00% ETP, Due 4/1/17)	3,500	3,457	3,457
		Term Loan (12.00% cash, 4.00% ETP, Due 4/1/17)	3,500	3,457	3,457
Recondo Technology, Inc. (2)	Software	Term Loan (11.50% cash, 4.14% ETP, Due 4/1/16)	1,384	1,360	1,360
		Term Loan (11.00% cash, 3.00% ETP, Due 1/1/17)	2,500	2,476	2,476
		Term Loan (10.50% cash, 2.50% ETP, Due 1/1/18)	2,500	2,471	2,471
Total Debt Investments — Healthcare information and services				25,142	25,142
Total Debt Investments				219,673	217,924
Warrant Investments — 4.9% (9)					

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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	6
Anacor Pharmaceuticals, Inc. (2)(5)	Biotechnology	84,583 Common Stock Warrants	—	93	1,143
Celsion Corporation (5)	Biotechnology	5,708 Common Stock Warrants	—	15	—
Inotek Pharmaceuticals Corporation	Biotechnology	114,387 Preferred Stock Warrants	—	17	16
N30 Pharmaceuticals, Inc.	Biotechnology	214,200 Preferred Stock Warrants	—	122	247
New Haven Pharmaceuticals, Inc.	Biotechnology	34,729 Preferred Stock Warrants	—	22	25
Revance Therapeutics, Inc. (5)	Biotechnology	34,377 Common Stock Warrants	—	68	586
Sample6, Inc.	Biotechnology	200,582 Preferred Stock Warrants	—	27	23
Sunesis Pharmaceuticals, Inc. (5)	Biotechnology	116,203 Common Stock Warrants	—	83	520
Supernus Pharmaceuticals, Inc. (2)(5)	Biotechnology	42,083 Preferred Stock Warrants	—	94	190
Tranzyme, Inc. (5)	Biotechnology	77,902 Common Stock Warrants	—	6	—
Accuvein, Inc.	Biotechnology	58,284 Preferred Stock Warrants	—	18	18
Direct Flow Medical, Inc.	Medical Device	176,922 Preferred Stock Warrants	—	144	112
EnteroMedics, Inc. (5)	Medical Device	141,026 Common Stock Warrants	—	347	—
Mederi Therapeutics, Inc.	Medical Device	248,736 Preferred Stock Warrants	—	26	27
Mitralign, Inc.	Medical Device	295,238 Common Stock Warrants	—	49	35
OraMetrix, Inc. (2)	Medical Device	812,348 Preferred Stock Warrants	—	78	—
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

See Notes to Consolidated Financial Statements

Horizon Technology Finance Corporation and Subsidiaries**Consolidated Schedule of Investments (Unaudited)****March 31, 2014****(In thousands)**

Portfolio Company (1)	Sector	Type of Investment (3)(4)(7)	Principal Amount	Cost of Investments (6)	Fair Value
ViOptix, Inc.	Medical Device	375,763 Preferred Stock Warrants	—	13	—
Total Warrants — Life Science Warrants — Technology — 2.0% (9)				1,586	2,962
Ekahau, Inc.	Communications	978,261 Preferred Stock Warrants	—	33	26
OpenPeak, Inc.	Communications	18,997 Preferred Stock Warrants	—	89	—
Overture Networks, Inc.	Communications	344,574 Preferred Stock Warrants	—	55	43
Everyday Health, Inc. (5)	Consumer-related Technologies	43,783 Common Stock Warrants	—	69	152
SnagAJob.com, Inc.	Consumer-related Technologies	365,396 Preferred Stock Warrants	—	23	269
Tagged, Inc.	Consumer-related Technologies	190,868 Preferred Stock Warrants	—	27	73
XIOtech, Inc.	Data Storage	2,217,979 Preferred Stock Warrants	—	22	19
Cartera Commerce, Inc.	Internet and media	90,909 Preferred Stock Warrants	—	16	161
Optaros, Inc.	Internet and media	477,403 Preferred Stock Warrants	—	21	13
SimpleTuition, Inc.	Internet and media	189,573 Preferred Stock Warrants	—	63	8
IntelePeer, Inc.	Networking	141,549 Preferred Stock Warrants	—	39	34
Motion Computing, Inc.	Networking	104,283 Preferred Stock Warrants	—	4	18
Nanocomp Technologies, Inc.	Networking	204,546 Preferred Stock Warrants	—	19	19
Aquion Energy, Inc.	Power Management	115,051 Preferred Stock Warrants	—	7	57
Xtreme Power, Inc.	Power Management		—	76	—

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		2,466,821 Preferred Stock Warrants			
Avalanche Technology, Inc.	Semiconductors	244,649 Preferred Stock Warrants	—	56	56
eASIC Corporation`	Semiconductors	1,877,799 Preferred Stock Warrants	—	16	15
Kaminario, Inc.	Semiconductors	1,087,203 Preferred Stock Warrants	—	59	55
Luxtera, Inc.	Semiconductors	2,087,766 Preferred Stock Warrants	—	43	113
Newport Media, Inc.	Semiconductors	188,764 Preferred Stock Warrants	—	40	37
NexPlanar Corporation	Semiconductors	216,001 Preferred Stock Warrants	—	36	56
Soraa, Inc.	Semiconductors	180,000 Preferred Stock Warrants	—	80	80
Xtera Communications, Inc.	Semiconductors	983,607 Preferred Stock Warrants	—	206	—
Bolt Solutions, Inc.	Software	202,892 Preferred Stock Warrants	—	113	123
Clarabridge, Inc.	Software	53,486 Preferred Stock Warrants	—	14	104
Construction Software Technologies, Inc. (2)	Software	386,415 Preferred Stock Warrants	—	69	299
Courion Corporation	Software	772,543 Preferred Stock Warrants	—	106	91
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 Warrants	—	4	143
Netuitive, Inc.	Software	748,453 Preferred Stock Warrants	—	75	45
Raydiance, Inc.	Software	735,784 Preferred Stock Warrants	—	51	49
Razorsight Corporation	Software	259,404 Preferred Stock Warrants	—	44	40
Sys-Tech Solutions, Inc.	Software	375,000 Preferred Stock Warrants	—	242	241
Vidsys, Inc.	Software	37,346 Preferred Stock Warrants	—	23	—
Visage Mobile, Inc.	Software	1,692,047 Preferred Stock Warrants	—	20	18
Total Warrants — Technology Warrants — Cleantech — 0.4% (9)				2,026	2,698
Renmatix, Inc.	Alternative Energy	52,296 Preferred Stock Warrants	—	68	70
Semprius, Inc.	Alternative Energy		—	25	—

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		519,981 Preferred Stock Warrants			
Enphase Energy, Inc. (5)	Energy Efficiency	161,959 Common Stock Warrants	—	175	243
Rypos, Inc.	Energy Efficiency	5,627 Preferred Stock Warrants	—	44	41
Solarbridge Technologies, Inc. (2)	Energy Efficiency	7,381,412 Preferred Stock Warrants	—	235	164
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 Warrants — Healthcare information and services — 0.4% (9)				822	544
Accumetrics, Inc.	Diagnostics	100,928 Preferred Stock Warrants	—	107	63
BioScale, Inc. (2)	Diagnostics	315,618 Preferred Stock Warrants	—	54	—
Precision Therapeutics, Inc.	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	141
Talyst, Inc.	Other Healthcare	300,360 Preferred Stock Warrants	—	101	53
Watermark Medical, Inc.	Other Healthcare	12,216 Preferred Stock Warrants	—	66	64
Recondo Technology, Inc.	Software	436,088 Preferred Stock Warrants	—	73	177
Total Warrants — Healthcare information and services				1,165	527
Total Warrants				5,599	6,731

See Notes to Consolidated Financial Statements

Horizon Technology Finance Corporation and Subsidiaries**Consolidated Schedule of Investments (Unaudited)****March 31, 2014****(In thousands)**

Portfolio Company (1)	Sector	Type of Investment (3)(4)(7)	Principal Amount	Cost of Investments (6)	Fair Value
Other Investments — 0.3% (9)					
Vette Technology, LLC	Data Storage	Royalty Agreement Due 4/18/2019	—	4,702	400
Total Other Investments				4,702	400
Equity — 2.5% (9)					
Insmed Incorporated (5)	Biotechnology	33,208 Common Stock	—	227	632
Revance Therapeutics, Inc.(5)	Biotechnology	4,861 Common Stock	—	73	153
Overture Networks Inc.	Communications	386,191 Common Stock	—	482	420
Solarbridge Technologies, Inc. (2)	Energy Efficiency	11,716,760 Preferred Stock	—	2,300	2,300
Cereplast, Inc. (5)	Waste Recycling	200,000 Common Stock	—	—	—
Total Equity				3,082	3,505
Total Portfolio Investment				\$ 233,056	\$ 228,560
Assets — 165.9% (9)					
Short Term Investments — Money					
Market Funds — 1.5% (9)					
US Bank Money Market				\$ 2,101	\$ 2,101
Total Short Term Investments — Money Market Funds				\$ 2,101	\$ 2,101
Short Term Investments —					
Restricted Investments— 4.2% (9)					
US Bank Money Market (2)				\$ 5,730	\$ 5,730
Total Short Term Investments — Restricted Investments				\$ 5,730	\$ 5,730

(1) All of the Company's investments are in entities which are domiciled in the United States and/or 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.

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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 (4) 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 loan, unless otherwise indicated. For each debt investment, the current interest rate in effect as of March 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.

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

(9) Value as a percent of net assets.

See Notes to Consolidated Financial Statements

Horizon Technology Finance Corporation and Subsidiaries**Consolidated Schedule of Investments (Unaudited)****December 31, 2013****(In thousands)**

Portfolio Company (1)	Sector	Type of Investment (3)(4)(7)	Principal Amount	Cost of Investments (6)	Fair Value
Debt Investments — 157.5% (9)					
Debt Investments — Life Science — 22.9% (9)					
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, Due 8/1/15)	1,228	1,226	1,226
		Term Loan (12.50% cash, Due 10/1/15)	231	231	231
Mederi Therapeutics, Inc.	Medical Device	Term Loan (10.75% cash (Floor 10.75%; Ceiling 2.75%), 4.00% ETP, Due 7/1/17)	3,000	2,957	2,957
		Term Loan (10.75% cash (Floor 10.75%; Ceiling 2.75%), 4.00% ETP, Due 7/1/17)	3,000	2,917	2,917
Mitralign, Inc. (2)	Medical Device		1,587	1,571	1,571

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		Term Loan (12.00% cash, 3.00% ETP, Due 10/1/15)			
		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 Debt Investments — Technology — 98.3% (9)				35,564	31,141
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
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, 2.00% ETP, Due 7/1/16)	2,996	2,973	2,973
		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

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		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	Term Loan (11.65% cash, 4.00% ETP, Due 5/1/16)	4,856	4,819	4,819
		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
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

See Notes to Consolidated Financial Statements

Horizon Technology Finance Corporation and Subsidiaries**Consolidated Schedule of Investments (Unaudited)****December 31, 2013****(In thousands)**

Portfolio Company (1)	Sector	Type of Investment (3)(4)(7)	Principal Amount	Cost of Investments (6)	Fair Value
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
	Software	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 (Floor 10.50%; Ceiling 3.50%), 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)			