

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, 2022

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)

**312 Farmington Avenue
Farmington, CT**

(Address of principal executive offices)

27-2114934

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

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	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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 traded under the symbol "HRZN" on the Nasdaq Global Select Market, \$0.001 par value per share, outstanding as of November 1, 2022 was 26,401,476.

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Ticker symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.001 per share	HRZN	The Nasdaq Stock Market LLC
4.875% Notes due 2026	HTFB	The New York Stock Exchange
6.25% Notes due 2027	HTFC	The New York Stock Exchange

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
(Dollars in thousands, except share and per share data)**

	September 30, 2022 (Unaudited)	December 31, 2021
Assets		
Non-affiliate investments at fair value (cost of \$629,216 and \$452,387, respectively)	\$ 634,624	\$ 458,075
Controlled affiliate investments at fair value (cost of \$0 and \$1,450, respectively) (Note 5)	—	—
Total investments at fair value (cost of \$629,216 and \$453,837, respectively) (Note 4)	634,624	458,075
Cash	23,839	38,054
Investments in money market funds	7,732	7,868
Restricted investments in money market funds	1,617	1,359
Interest receivable	10,975	6,154
Other assets	2,602	2,450
Total assets	\$ 681,389	\$ 513,960
Liabilities		
Borrowings (Note 7)	\$ 359,011	\$ 257,613
Distributions payable	7,918	6,365
Base management fee payable (Note 3)	1,870	706
Incentive fee payable (Note 3)	2,784	2,015
Other accrued expenses	2,119	1,926
Total liabilities	373,702	268,625
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, 2022 and December 31, 2021	—	—
Common stock, par value \$0.001 per share, 100,000,000 shares authorized, 26,561,238 and 21,384,925 shares issued and 26,393,773 and 21,217,460 shares outstanding as of September 30, 2022 and December 31, 2021, respectively	27	22
Paid-in capital in excess of par	369,334	301,359
Distributable earnings	(61,674)	(56,046)
Total net assets	307,687	245,335
Total liabilities and net assets	\$ 681,389	\$ 513,960
Net asset value per common share	\$ 11.66	\$ 11.56

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,	
	2022	2021	2022	2021
Investment income				
Interest income on investments				
Interest income on non-affiliate investments	\$ 22,745	\$ 14,035	\$ 54,317	\$ 38,965
Interest income on affiliate investments	—	—	—	213
Total interest income on investments	<u>22,745</u>	<u>14,035</u>	<u>54,317</u>	<u>39,178</u>
Fee income				
Prepayment fee income on non-affiliate investments	450	1,204	1,542	2,460
Success fee income on non-affiliate investments	—	1,100	—	1,100
Fee income on non-affiliate investments	59	28	187	320
Fee income on affiliate investments	—	—	—	12
Total fee income	<u>509</u>	<u>2,332</u>	<u>1,729</u>	<u>3,892</u>
Total investment income	<u>23,254</u>	<u>16,367</u>	<u>56,046</u>	<u>43,070</u>
Expenses				
Interest expense	5,339	3,112	12,987	8,781
Base management fee (Note 3)	2,788	1,997	7,555	5,595
Performance based incentive fee (Note 3)	2,784	2,012	6,353	5,040
Administrative fee (Note 3)	412	251	1,147	829
Professional fees	314	559	1,163	1,348
General and administrative	381	333	1,088	1,142
Total expenses	<u>12,018</u>	<u>8,264</u>	<u>30,293</u>	<u>22,735</u>
Net investment income before excise tax	<u>11,236</u>	<u>8,103</u>	<u>25,753</u>	<u>20,335</u>
Provision for excise tax	100	56	306	174
Net investment income	<u>11,136</u>	<u>8,047</u>	<u>25,447</u>	<u>20,161</u>
Net realized and unrealized (loss) gain				
Net realized (loss) gain on non-affiliate investments	(8,665)	1,344	(8,364)	(2,372)
Net realized gain on non-controlled affiliate investments	30	—	30	—
Net realized gain (loss) on controlled affiliate investments	50	—	(1,150)	—
Net realized (loss) gain on investments	<u>(8,585)</u>	<u>1,344</u>	<u>(9,484)</u>	<u>(2,372)</u>
Net realized loss on extinguishment of debt	—	—	—	(395)
Net realized (loss) gain	<u>(8,585)</u>	<u>1,344</u>	<u>(9,484)</u>	<u>(2,767)</u>
Net unrealized appreciation (depreciation) on non-affiliate investments	3,442	3,929	(281)	10,314
Net unrealized depreciation on non-controlled affiliate investments	—	(228)	—	(1,867)
Net unrealized (depreciation) appreciation on controlled affiliate investments	—	(325)	1,450	(325)
Net unrealized appreciation on investments	<u>3,442</u>	<u>3,376</u>	<u>1,169</u>	<u>8,122</u>
Net realized and unrealized (loss) gain	<u>(5,143)</u>	<u>4,720</u>	<u>(8,315)</u>	<u>5,355</u>
Net increase in net assets resulting from operations	<u>\$ 5,993</u>	<u>\$ 12,767</u>	<u>\$ 17,132</u>	<u>\$ 25,516</u>
Net investment income per common share	<u>\$ 0.43</u>	<u>\$ 0.40</u>	<u>\$ 1.06</u>	<u>\$ 1.02</u>
Net increase in net assets resulting from operations per common share	<u>\$ 0.23</u>	<u>\$ 0.63</u>	<u>\$ 0.71</u>	<u>\$ 1.29</u>
Distributions declared per share	<u>\$ 0.30</u>	<u>\$ 0.30</u>	<u>\$ 0.90</u>	<u>\$ 0.90</u>
Weighted average shares outstanding	<u>25,738,054</u>	<u>20,269,813</u>	<u>23,995,369</u>	<u>19,826,790</u>

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	Distributable Earnings	Total Net Assets
	Shares	Amount			
Balance at June 30, 2021	20,024,241	\$ 20	\$ 282,136	(57,892)	\$ 224,264
Issuance of common stock, net of offering costs	395,068	1	6,624	—	6,625
Net increase in net assets resulting from operations, net of excise tax:					
Net investment income, net of excise tax	—	—	—	8,047	8,047
Net realized gain on investments	—	—	—	1,344	1,344
Net unrealized appreciation on investments	—	—	—	3,376	3,376
Issuance of common stock under dividend reinvestment plan	5,866	—	101	—	101
Distributions declared	—	—	—	(6,167)	(6,167)
Balance at September 30, 2021	<u>20,425,175</u>	<u>21</u>	<u>288,861</u>	<u>(51,292)</u>	<u>237,590</u>
Balance at June 30, 2022	24,857,104	26	350,173	(59,594)	290,605
Issuance of common stock, net of offering costs	1,523,519	1	18,995	—	18,996
Net increase in net assets resulting from operations, net of excise tax:					
Net investment income, net of excise tax	—	—	—	11,136	11,136
Net realized loss on investments	—	—	—	(8,585)	(8,585)
Net unrealized appreciation on investments	—	—	—	3,442	3,442
Issuance of common stock under dividend reinvestment plan	13,150	—	166	—	166
Distributions declared	—	—	—	(8,073)	(8,073)
Balance at September 30, 2022	<u>26,393,773</u>	<u>\$ 27</u>	<u>\$ 369,334</u>	<u>\$ (61,674)</u>	<u>\$ 307,687</u>

	Common Stock		Paid-In Capital in Excess of Par	Distributable Earnings	Total Net Assets
	Shares	Amount			
Balance at December 31, 2020	19,286,356	\$ 19	\$ 271,287	(58,709)	\$ 212,597
Issuance of common stock, net of offering costs	1,122,516	2	17,312	—	17,314
Net increase in net assets resulting from operations, net of excise tax:					
Net investment income, net of excise tax	—	—	—	20,161	20,161
Net realized loss on investments	—	—	—	(2,372)	(2,372)
Net realized loss on extinguishment of debt	—	—	—	(395)	(395)
Net unrealized appreciation on investments	—	—	—	8,122	8,122
Issuance of common stock under dividend reinvestment plan	16,303	—	262	—	262
Distributions declared	—	—	—	(18,099)	(18,099)
Balance at September 30, 2021	<u>20,425,175</u>	<u>21</u>	<u>288,861</u>	<u>(51,292)</u>	<u>237,590</u>
Balance at December 31, 2021	21,217,460	22	301,359	(56,046)	\$ 245,335
Issuance of common stock, net of offering costs	5,141,920	5	67,519	—	67,524
Net increase in net assets resulting from operations, net of excise tax:					
Net investment income, net of excise tax	—	—	—	25,447	25,447
Net realized loss on investments	—	—	—	(9,484)	(9,484)
Net unrealized appreciation on investments	—	—	—	1,169	1,169
Issuance of common stock under dividend reinvestment plan	34,393	—	456	—	456
Distributions declared	—	—	—	(22,760)	(22,760)
Balance at September 30, 2022	<u>26,393,773</u>	<u>\$ 27</u>	<u>\$ 369,334</u>	<u>\$ (61,674)</u>	<u>\$ 307,687</u>

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,	
	2022	2021
Cash flows from operating activities:		
Net increase in net assets resulting from operations	\$ 17,132	\$ 25,516
Adjustments to reconcile net increase in net assets resulting from operations to net cash used in operating activities:		
Amortization of debt issuance costs	1,142	744
Net realized loss on investments	9,484	2,372
Net realized loss on extinguishment of debt	—	395
Net unrealized appreciation on investments	(1,169)	(8,122)
Purchase of investments	(348,347)	(217,252)
Principal payments received on investments	114,433	119,260
Proceeds from sale of investments	49,681	5,285
Changes in assets and liabilities:		
Increase in interest receivable	(2,175)	(661)
Increase in end-of-term payments	(3,003)	(1,100)
Decrease in unearned income	(274)	(854)
Decrease (increase) in other assets	115	(507)
Increase in other accrued expenses	193	76
Increase in base management fee payable	1,164	135
Increase in incentive fee payable	769	1,037
Net cash used in operating activities	<u>(160,855)</u>	<u>(73,676)</u>
Cash flows from financing activities:		
Proceeds from issuance of 2027 Notes	57,500	—
Proceeds from issuance of 2026 Notes	—	57,500
Repayment of Asset-Backed Notes	(27,041)	—
Repayment of 2022 Notes	—	(37,375)
Proceeds from issuance of common stock, net of offering costs	67,525	17,312
Advances on Credit Facilities	119,000	89,000
Repayment of Credit Facilities	(47,000)	(36,000)
Debt issuance costs	(2,470)	(2,648)
Distributions paid	(20,752)	(17,493)
Net cash provided by financing activities	<u>146,762</u>	<u>70,296</u>
Net decrease in cash, cash equivalents and restricted cash	<u>(14,093)</u>	<u>(3,380)</u>
Cash, cash equivalents and restricted cash:		
Beginning of period	47,281	47,758
End of period	<u>\$ 33,188</u>	<u>\$ 44,378</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ 11,543</u>	<u>\$ 7,785</u>
Supplemental non-cash investing and financing activities:		
Warrant investments received and recorded as unearned income	<u>\$ 2,969</u>	<u>\$ 2,924</u>
Distributions payable	<u>\$ 7,918</u>	<u>\$ 6,128</u>
End-of-term payments receivable	<u>\$ 8,240</u>	<u>\$ 4,993</u>
Non-cash income	<u>\$ 4,504</u>	<u>\$ 3,523</u>
September 30,		
	2022	2021
Cash	\$ 23,839	\$ 20,817
Investments in money market funds	7,732	22,057
Restricted investments in money market funds	1,617	1,504
Total cash, cash equivalents and restricted cash	<u>\$ 33,188</u>	<u>\$ 44,378</u>

See Notes to Consolidated Financial Statements

Horizon Technology Finance Corporation and Subsidiaries
**Consolidated Schedule of Investments (Unaudited)
September 30, 2022
(Dollars in thousands)**

Portfolio Company (1)(3)	Sector	Type of Investment (7)	Cash Rate (4)	Index	Margin	Floor	Ceiling	ETP (10)	Maturity Date	Principal Amount	Cost of Investments (6)(9)	Fair Value (9)
Non-Affiliate Investments — 206.2% (8)												
Non-Affiliate Debt Investments — 197.9% (8)												
Non-Affiliate Debt Investments — Life Science — 83.0% (8)												
Avalo Therapeutics, Inc. (2)(5)(12)	Biotechnology	Term Loan	12.50%	Prime	6.25%	9.50%	-	3.00%	January 1, 2025	\$ 2,885	\$ 2,817	\$ 2,765
		Term Loan	12.50%	Prime	6.25%	9.50%	-	3.00%	January 1, 2025	2,885	2,817	2,765
		Term Loan	12.50%	Prime	6.25%	9.50%	-	3.00%	January 1, 2025	1,442	1,435	1,410
		Term Loan	12.50%	Prime	6.25%	9.50%	-	3.00%	February 1, 2025	2,885	2,813	2,763
		Term Loan	12.50%	Prime	6.25%	9.50%	-	3.00%	February 1, 2025	2,885	2,813	2,763
		Term Loan	12.50%	Prime	6.25%	9.50%	-	3.00%	April 1, 2025	1,442	1,404	1,379
		Term Loan	12.50%	Prime	6.25%	9.50%	-	3.00%	April 1, 2025	1,442	1,404	1,379
Castle Creek Biosciences, Inc. (2)(12)	Biotechnology	Term Loan	11.55%	Prime	6.05%	9.55%	13.50%	5.50%	May 1, 2026	5,000	4,887	4,887
		Term Loan	11.55%	Prime	6.05%	9.55%	13.50%	5.50%	May 1, 2026	5,000	4,959	4,959
		Term Loan	11.55%	Prime	6.05%	9.55%	13.50%	5.50%	May 1, 2026	3,000	2,976	2,976
		Term Loan	11.55%	Prime	6.05%	9.55%	13.50%	5.50%	May 1, 2026	5,000	4,959	4,959
		Term Loan	11.55%	Prime	6.05%	9.55%	13.50%	5.50%	May 1, 2026	5,000	4,959	4,959
		Term Loan	11.55%	Prime	6.05%	9.55%	13.50%	5.50%	May 1, 2026	3,000	2,975	2,975
Emalex Biosciences, Inc. (2)(12)	Biotechnology	Term Loan	10.45%	Libor	7.90%	9.75%	-	5.00%	June 1, 2024	2,188	2,168	2,168
		Term Loan	10.45%	Libor	7.90%	9.75%	-	5.00%	June 1, 2024	2,188	2,169	2,169
		Term Loan	10.45%	Libor	7.90%	9.75%	-	5.00%	November 1, 2025	5,000	4,916	4,916
		Term Loan	10.45%	Libor	7.90%	9.75%	-	5.00%	May 1, 2026	5,000	4,902	4,902
F-Star Therapeutics, Inc. (2)(5)(12)	Biotechnology	Term Loan	11.75%	Prime	6.25%	9.50%	-	4.00%	April 1, 2025	2,500	2,473	2,473
		Term Loan	11.75%	Prime	6.25%	9.50%	-	4.00%	July 1, 2025	2,500	2,471	2,471
Greenlight Biosciences, Inc. (2)(5)(12)	Biotechnology	Term Loan	12.00%	Prime	5.75%	9.00%	-	3.00%	July 1, 2025	5,000	4,843	4,843
		Term Loan	12.00%	Prime	5.75%	9.00%	-	3.00%	July 1, 2025	2,500	2,423	2,423
IMV Inc. (2)(5)(12)	Biotechnology	Term Loan	12.00%	Prime	5.75%	9.00%	-	5.00%	July 1, 2025	5,000	4,942	4,942
		Term Loan	12.00%	Prime	5.75%	9.00%	-	5.00%	July 1, 2025	2,500	2,470	2,470
		Term Loan	12.00%	Prime	5.75%	9.00%	-	5.00%	January 1, 2026	5,000	4,942	4,942
		Term Loan	12.00%	Prime	5.75%	9.00%	-	5.00%	January 1, 2026	5,000	4,941	4,941
KSQ Therapeutics, Inc. (2)(12)	Biotechnology	Term Loan	11.00%	Prime	4.75%	8.50%	-	5.50%	May 1, 2027	6,250	6,071	6,071
		Term Loan	11.00%	Prime	4.75%	8.50%	-	5.50%	May 1, 2027	6,250	6,172	6,172
LogicBio, Inc. (2)(5)(12)	Biotechnology	Term Loan	8.80%	Libor	6.25%	8.75%	-	4.50%	June 1, 2024	2,778	2,766	2,766
Native Microbials, Inc (2)(12)	Biotechnology	Term Loan	11.50%	Prime	5.25%	8.50%	-	5.00%	November 1, 2026	3,750	3,633	3,633
PDS Biotechnology Corporation (2)(5)(12)	Biotechnology	Term Loan	12.00%	Prime	5.75%	9.75%	-	3.75%	September 1, 2026	10,000	9,688	9,688
		Term Loan	12.00%	Prime	5.75%	9.75%	-	3.75%	September 1, 2026	3,750	3,692	3,692
		Term Loan	12.00%	Prime	5.75%	9.75%	-	3.75%	September 1, 2026	3,750	3,692	3,692
		Term Loan	12.00%	Prime	5.75%	9.75%	-	3.75%	September 1, 2026	3,750	3,692	3,692
Provivi, Inc. (2)(12)	Biotechnology	Term Loan	11.05%	Libor	8.50%	9.50%	-	5.50%	December 1, 2024	4,666	4,618	4,618
		Term Loan	11.05%	Libor	8.50%	9.50%	-	5.50%	December 1, 2024	4,666	4,618	4,618
		Term Loan	11.05%	Libor	8.50%	9.50%	-	5.50%	December 1, 2024	2,333	2,288	2,288
		Term Loan	11.05%	Libor	8.50%	9.50%	-	5.50%	December 1, 2024	2,333	2,288	2,288
		Term Loan	11.05%	Libor	8.50%	9.50%	-	5.50%	December 1, 2024	2,333	2,281	2,281
		Term Loan	11.05%	Libor	8.50%	9.50%	-	5.50%	December 1, 2024	2,333	2,281	2,281

See Notes to Consolidated Financial Statements

Horizon Technology Finance Corporation and Subsidiaries
**Consolidated Schedule of Investments (Unaudited)
September 30, 2022
(Dollars in thousands)**

Portfolio Company (1)(3)	Sector	Type of Investment (7)	Cash Rate (4)	Index	Margin	Floor	Ceiling	ETP (10)	Maturity Date	Principal Amount	Cost of Investments (6)(9)	Fair Value (9)
Stealth Biotherapeutics Inc. (2)(5) (12)	Biotechnology	Term Loan	11.75%	Prime	5.50%	8.75%	-	6.00%	October 1, 2025	5,000	4,906	4,906
		Term Loan	11.75%	Prime	5.50%	8.75%	-	6.00%	October 1, 2025	2,500	2,453	2,453
Aerobiotix, LLC (2)(12)	Medical Device	Term Loan	12.50%	Prime	6.25%	9.50%	-	6.00%	April 1, 2026	2,500	2,462	2,366
		Term Loan	12.50%	Prime	6.25%	9.50%	-	6.00%	April 1, 2026	2,500	2,462	2,365
Canary Medical Inc. (2)(12)	Medical Device	Term Loan	11.25%	Prime	5.75%	9.00%	-	7.00%	November 1, 2024	2,500	2,438	2,438
		Term Loan	11.25%	Prime	5.75%	9.00%	-	7.00%	November 1, 2024	2,500	2,486	2,486
		Term Loan	11.25%	Prime	5.75%	9.00%	-	7.00%	November 1, 2024	2,500	2,466	2,466
Ceribell, Inc. (2)(12)	Medical Device	Term Loan	9.00%	Prime	3.75%	8.25%	-	5.50%	October 1, 2024	5,000	4,965	4,965
		Term Loan	9.00%	Prime	3.75%	8.25%	-	5.50%	October 1, 2024	5,000	4,969	4,969
		Term Loan	9.00%	Prime	3.75%	8.25%	-	5.50%	October 1, 2024	2,500	2,475	2,475
		Term Loan	9.00%	Prime	3.75%	8.25%	-	5.50%	October 1, 2024	2,500	2,475	2,475
Cognoa, Inc. (2)(12)	Medical Device	Term Loan	11.75%	Prime	5.50%	8.75%	-	6.00%	August 1, 2026	5,000	4,924	4,924
		Term Loan	11.75%	Prime	5.50%	8.75%	-	6.00%	August 1, 2026	2,500	2,462	2,462
Conventus Orthopaedics, Inc. (2)(12)	Medical Device	Term Loan	10.55%	Libor	8.00%	9.25%	-	10.36%	July 1, 2025	3,960	3,892	3,892
		Term Loan	10.55%	Libor	8.00%	9.25%	-	10.36%	July 1, 2025	3,960	3,892	3,892
Corinth Medtech, Inc. (2)(12)	Medical Device	Term Loan	10.75%	Prime	5.25%	8.50%	-	20.00%	September 15, 2022	2,500	2,500	2,500
		Term Loan	10.75%	Prime	5.25%	8.50%	-	20.00%	September 15, 2022	2,500	2,500	2,500
CSA Medical, Inc. (2)(12)	Medical Device	Term Loan	10.75%	Libor	8.20%	10.00%	-	5.00%	January 1, 2024	2,000	1,981	1,981
		Term Loan	10.75%	Libor	8.20%	10.00%	-	5.00%	January 1, 2024	133	132	132
		Term Loan	10.75%	Libor	8.20%	10.00%	-	5.00%	March 1, 2024	2,400	2,379	2,379
Embody, Inc. (2)(12)	Medical Device	Term Loan	12.75%	Prime	6.50%	9.75%	-	28.00%	August 1, 2026	2,500	2,461	2,461
InfoBionic, Inc. (2)(12)	Medical Device	Term Loan	11.75%	Prime	6.25%	9.50%	-	4.00%	October 1, 2024	3,500	3,425	3,425
		Term Loan	11.75%	Prime	6.25%	9.50%	-	4.00%	June 1, 2025	1,000	971	971
Magnolia Medical Technologies, Inc. (2)(12)	Medical Device	Term Loan	10.50%	Prime	5.00%	9.75%	-	4.00%	March 1, 2025	5,000	4,810	4,810
		Term Loan	10.50%	Prime	5.00%	9.75%	-	4.00%	March 1, 2025	5,000	4,932	4,932
		Term Loan	10.50%	Prime	5.00%	9.75%	-	4.00%	March 1, 2025	5,000	4,925	4,925
		Term Loan	10.50%	Prime	5.00%	9.75%	-	4.00%	March 1, 2025	5,000	4,926	4,926
Scientia Vascular, Inc. (2)(12)	Medical Device	Term Loan	10.25%	Prime	4.75%	8.50%	-	5.00%	January 1, 2027	3,750	3,593	3,593
		Term Loan	10.25%	Prime	4.75%	8.50%	-	5.00%	January 1, 2027	3,750	3,702	3,702
Sonex Health, Inc. (2)(12)	Medical Device	Term Loan	12.00%	Prime	6.50%	9.75%	-	5.00%	June 1, 2025	2,500	2,428	2,428
		Term Loan	12.00%	Prime	6.50%	9.75%	-	5.00%	June 1, 2025	2,500	2,473	2,473
		Term Loan	12.00%	Prime	6.50%	9.75%	-	5.00%	June 1, 2025	2,500	2,473	2,473
		Term Loan	12.00%	Prime	6.50%	9.75%	-	8.00%	April 1, 2026	2,500	2,455	2,455
Spineology, Inc. (2)(12)	Medical Device	Term Loan	13.25%	Prime	7.00%	10.25%	-	1.00%	October 1, 2025	5,000	4,963	4,963
		Term Loan	13.25%	Prime	7.00%	10.25%	-	1.00%	April 1, 2026	2,500	2,479	2,479

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Portfolio Company (1)(3)	Sector	Type of Investment (7)	Cash Rate (4)	Index	Margin	Floor	Ceiling	ETP (10)	Maturity Date	Principal Amount	Cost of Investments (6)(9)	Fair Value (9)
Swift Health Systems Inc. (2)(12)	Medical Device	Term Loan	10.75%	Prime	5.25%	9.00%	-	5.00%	July 1, 2027	3,500	3,345	3,345
		Term Loan	10.75%	Prime	5.25%	9.00%	-	5.00%	July 1, 2027	3,500	3,451	3,451
Total Non-Affiliate Debt Investments — Life Science											255,997	255,525
Non-Affiliate Debt Investments — Sustainability — 24.7% (8)												
Dream Holdings, Inc. (2)(12)	Other Sustainability	Term Loan	13.00%	Prime	6.75%	10.00%	-	3.00%	April 1, 2026	3,750	3,692	3,692
		Term Loan	13.00%	Prime	6.75%	10.00%	-	3.00%	April 1, 2026	3,750	3,692	3,692
Nexii Building Solutions, Inc. (2)(12)	Other Sustainability	Term Loan	13.25%	Prime	7.00%	10.25%	-	2.50%	September 1, 2025	7,500	7,359	7,359
		Term Loan	13.25%	Prime	7.00%	10.25%	-	2.50%	September 1, 2025	7,500	7,359	7,359
		Term Loan	13.25%	Prime	7.00%	10.25%	-	2.50%	September 1, 2025	7,500	7,359	7,359
		Term Loan	13.25%	Prime	7.00%	10.25%	-	2.50%	July 1, 2026	5,000	4,893	4,893
		Term Loan	13.25%	Prime	7.00%	10.25%	-	2.50%	July 1, 2026	5,000	4,893	4,893
Soli Organic, Inc. (2)(12)	Other Sustainability	Term Loan	13.00%	Prime	6.75%	10.00%	-	2.75%	April 1, 2026	5,000	4,919	4,919
		Term Loan	13.00%	Prime	6.75%	10.00%	-	2.75%	April 1, 2026	2,500	2,313	2,313
		Term Loan	13.00%	Prime	6.75%	10.00%	-	2.75%	May 1, 2026	5,000	4,916	4,916
		Term Loan	13.00%	Prime	6.75%	10.00%	-	2.75%	May 1, 2026	2,500	2,458	2,458
Temperpack Technologies, Inc. (2)(12)	Other Sustainability	Term Loan	13.00%	Prime	6.75%	10.00%	-	2.50%	June 1, 2025	3,750	3,694	3,694
		Term Loan	13.00%	Prime	6.75%	10.00%	-	2.50%	June 1, 2025	3,750	3,713	3,713
		Term Loan	13.00%	Prime	6.75%	10.00%	-	2.50%	October 1, 2025	7,500	7,417	7,417
		Term Loan	13.00%	Prime	6.75%	10.00%	-	2.50%	October 1, 2025	3,750	3,709	3,709
		Term Loan	13.00%	Prime	6.75%	10.00%	-	2.50%	October 1, 2025	3,750	3,709	3,709
Total Non-Affiliate Debt Investments — Sustainability											76,095	76,095
Non-Affiliate Debt Investments — Technology — 80.2% (8)												
Axiom Space, Inc. (2)(12)	Communications	Term Loan	11.50%	Prime	6.00%	9.25%	-	2.50%	June 1, 2026	7,500	7,452	7,452
		Term Loan	11.50%	Prime	6.00%	9.25%	-	2.50%	June 1, 2026	7,500	7,452	7,452
		Term Loan	11.50%	Prime	6.00%	9.25%	-	2.50%	June 1, 2026	7,500	7,452	7,452
		Convertible Note	3.00%						July 1, 2023	250	250	250
Alula Holdings, Inc. (2)(12)	Consumer-related Technologies	Term Loan	12.25%	Prime	6.75%	10.00%	-	3.00%	January 1, 2025	5,000	4,961	4,961
		Term Loan	12.25%	Prime	6.75%	10.00%	-	3.00%	January 1, 2025	5,000	4,961	4,961
		Term Loan	12.25%	Prime	6.75%	10.00%	-	3.00%	January 1, 2025	3,000	2,977	2,977
		Term Loan	12.25%	Prime	6.75%	10.00%	-	3.00%	December 1, 2025	1,000	974	974
		Term Loan	12.25%	Prime	6.75%	10.00%	-	3.00%	February 1, 2026	1,000	974	974
Better Place Forests Co. (2)(12)	Consumer-related Technologies	Term Loan	12.50%	Prime	6.25%	9.50%	-	1.85%	July 1, 2025	5,000	4,944	4,944
		Term Loan	12.50%	Prime	6.25%	9.50%	-	1.85%	October 1, 2025	2,500	2,474	2,474
CAMP NYC, Inc. (2)(12)	Consumer-related Technologies	Term Loan	13.50%	Prime	7.25%	10.50%	-	3.00%	May 1, 2026	3,500	3,458	3,458
Clara Foods Co. (2)(12)	Consumer-related Technologies	Term Loan	11.25%	Prime	5.75%	9.00%	-	5.50%	August 1, 2025	2,500	2,481	2,481
		Term Loan	11.25%	Prime	5.75%	9.00%	-	5.50%	August 1, 2025	2,500	2,481	2,481

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Portfolio Company (1)(3)	Sector	Type of Investment (7)	Cash Rate (4)	Index	Margin	Floor	Ceiling	ETP (10)	Maturity Date	Principal Amount	Cost of Investments (6)(9)	Fair Value (9)
Divergent Technologies, Inc. (2)(12)	Consumer-related Technologies	Term Loan	11.25%	Prime	6.00%	9.50%	11.25%	3.00%	July 1, 2027	3,750	3,397	3,397
		Term Loan	11.25%	Prime	6.00%	9.50%	11.25%	3.00%	July 1, 2027	1,250	1,237	1,237
		Term Loan	11.25%	Prime	6.00%	9.50%	11.25%	3.00%	July 1, 2027	3,750	3,712	3,712
		Term Loan	11.25%	Prime	6.00%	9.50%	11.25%	3.00%	July 1, 2027	1,250	1,237	1,237
		Term Loan	11.25%	Prime	6.00%	9.50%	11.25%	3.00%	July 1, 2027	3,750	3,712	3,712
		Term Loan	11.25%	Prime	6.00%	9.50%	11.25%	3.00%	July 1, 2027	1,250	1,237	1,237
Interior Define, Inc. (2)(12)	Consumer-related Technologies	Term Loan	12.75%	Prime	6.50%	9.75%	-	4.00%	January 1, 2026	6,500	6,417	5,215
		Term Loan	12.75%	Prime	6.50%	9.75%	-	4.00%	January 1, 2026	6,000	5,858	4,760
Lyrical Foods, Inc. (2)(12)	Consumer-related Technologies	Term Loan	13.00%	Prime	6.75%	10.00%	-	9.75%	January 1, 2024	2,500	2,585	2,219
MyForest Foods Co. (2)(12)	Consumer-related Technologies	Term Loan	13.00%	Prime	6.75%	10.00%	-	3.00%	October 1, 2025	5,000	4,947	4,947
		Term Loan	13.00%	Prime	6.75%	10.00%	-	3.00%	October 1, 2025	2,500	2,474	2,474
NextCar Holding Company, Inc. (2)(12)	Consumer-related Technologies	Term Loan	11.25%	Prime	5.75%	9.00%	-	2.00%	January 1, 2026	5,000	4,947	4,947
		Term Loan	11.25%	Prime	5.75%	9.00%	-	2.00%	January 1, 2026	2,000	1,979	1,979
		Term Loan	11.25%	Prime	5.75%	9.00%	-	2.00%	January 1, 2026	2,500	2,474	2,474
		Term Loan	11.25%	Prime	5.75%	9.00%	-	2.00%	January 1, 2026	3,000	2,968	2,968
		Term Loan	11.25%	Prime	5.75%	9.00%	-	2.00%	January 1, 2026	2,500	2,453	2,453
		Term Loan	11.25%	Prime	5.75%	9.00%	-	2.00%	January 1, 2026	2,500	2,453	2,453
		Term Loan	11.25%	Prime	5.75%	9.00%	-	2.00%	January 1, 2026	5,000	4,904	4,904
		Term Loan	11.25%	Prime	5.75%	9.00%	-	2.00%	January 1, 2026	2,500	2,450	2,450
Optoro, Inc. (2)(12)	Consumer-related Technologies	Term Loan	11.75%	Prime	6.25%	9.50%	-	4.00%	August 1, 2027	2,500	2,339	2,339
Primary Kids, Inc. (2)(12)	Consumer-related Technologies	Term Loan	12.75%	Prime	7.25%	10.50%	-	3.00%	March 1, 2025	2,900	2,870	2,870
		Term Loan	12.75%	Prime	7.25%	10.50%	-	3.00%	March 1, 2025	2,900	2,870	2,870
		Term Loan	12.75%	Prime	7.25%	10.50%	-	3.00%	September 1, 2025	3,000	2,964	2,964
Unagi, Inc. (2)(12)	Consumer-related Technologies	Term Loan	14.00%	Prime	7.25%	11.00%	-	-	July 1, 2025	2,500	2,471	2,317
		Term Loan	14.00%	Prime	7.25%	11.00%	-	-	July 1, 2025	1,250	1,235	1,158
		Term Loan	14.00%	Prime	7.25%	11.00%	-	-	July 1, 2025	1,250	1,234	1,157
Liqid, Inc. (2)(12)	Networking	Term Loan	11.75%	Prime	6.25%	9.50%	-	4.00%	September 1, 2024	3,833	3,779	3,779
		Term Loan	11.75%	Prime	6.25%	9.50%	-	4.00%	September 1, 2024	3,833	3,779	3,779
		Term Loan	11.75%	Prime	6.25%	9.50%	-	4.00%	September 1, 2024	1,917	1,887	1,887
		Term Loan	11.75%	Prime	6.25%	9.50%	-	4.00%	September 1, 2024	1,917	1,887	1,887
		Term Loan	11.75%	Prime	6.25%	9.50%	-	4.00%	September 1, 2024	1,917	1,855	1,855
BriteCore Holdings, Inc. (2)(12)	Software	Term Loan	12.25%	Prime	6.75%	10.00%	-	4.00%	October 1, 2024	2,500	2,420	2,420
		Term Loan	12.25%	Prime	6.75%	10.00%	-	4.00%	October 1, 2024	2,500	2,486	2,486
		Term Loan	12.25%	Prime	6.75%	10.00%	-	4.00%	December 31, 2022	3,313	3,313	3,313
Decisyon, Inc. (12)	Software	Term Loan	15.68%	Prime	9.43%	12.68%	-	50.43%				

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Portfolio Company (1)(3)	Sector	Type of Investment (7)	Cash Rate (4)	Index	Margin	Floor	Ceiling	ETP (10)	Maturity Date	Principal Amount	Cost of Investments (6)(9)	Fair Value (9)
Dropoff, Inc. (2)(12)	Software	Term Loan	12.75%	Prime	6.50%	9.75%	-	3.50%	April 1, 2026	6,500	6,147	6,147
		Term Loan	12.75%	Prime	6.50%	9.75%	-	3.50%	April 1, 2026	6,000	5,847	5,847
		Term Loan	12.75%	Prime	6.50%	9.75%	-	3.50%	August 1, 2026	2,500	2,431	2,431
Engage3, LLC (2)(12)	Software	Term Loan	12.75%	Prime	6.25%	9.75%	-	4.50%	July 1, 2027	3,750	3,675	3,675
		Term Loan	11.75%	Prime	6.25%	9.75%	-	4.50%	July 1, 2027	3,750	3,715	3,715
Kodiak Robotics, Inc. (2)(12)	Software	Term Loan	11.75%	Prime	5.50%	10.25%	-	4.00%	April 1, 2026	10,000	9,809	9,809
		Term Loan	11.75%	Prime	5.50%	10.25%	-	4.00%	April 1, 2026	10,000	9,809	9,809
		Term Loan	11.75%	Prime	5.50%	10.25%	-	4.00%	April 1, 2026	5,000	4,904	4,904
		Term Loan	11.75%	Prime	5.50%	10.25%	-	4.00%	April 1, 2026	5,000	4,904	4,904
Lemongrass Holdings, Inc. (2)(12)	Software	Term Loan	12.75%	Prime	6.50%	9.75%	-	2.50%	March 1, 2026	5,000	4,941	4,941
		Term Loan	12.75%	Prime	6.50%	9.75%	-	2.50%	March 1, 2026	2,500	2,471	2,471
		Term Loan	11.50%	Prime	6.00%	9.25%	-	3.00%	July 1, 2025	2,500	2,472	2,472
Lytics, Inc. (2)(12)	Software	Term Loan	12.75%	Prime	7.25%	10.50%	-	3.00%	August 1, 2025	5,000	4,926	4,926
Reputation Institute, Inc. (2)(12)	Software	Term Loan	12.00%	Prime	5.75%	9.75%	-	5.00%	August 1, 2026	5,000	4,927	4,927
Slingshot Aerospace, Inc. (2)(12)	Software	Term Loan	12.00%	Prime	5.75%	9.75%	-	5.00%	August 1, 2026	5,000	4,927	4,927
		Term Loan	12.00%	Prime	5.75%	9.75%	-	5.00%	August 1, 2026	5,000	4,863	4,863
		Term Loan	12.00%	Prime	5.75%	9.75%	-	5.00%	August 1, 2026	5,000	4,927	4,927
Supply Network Visibility Holdings LLC (2)(12)	Software	Term Loan	12.00%	Prime	6.50%	9.75%	-	4.00%	February 1, 2025	3,500	3,469	3,469
		Term Loan	12.00%	Prime	6.50%	9.75%	-	4.00%	February 1, 2025	3,500	3,469	3,469
		Term Loan	12.00%	Prime	6.50%	9.75%	-	4.00%	December 1, 2025	2,500	2,470	2,470
		Term Loan	12.00%	Prime	6.50%	9.75%	-	4.00%	December 1, 2025	2,500	2,470	2,470
Total Non-Affiliate Debt Investments — Technology											249,694	246,720
Non-Affiliate Debt Investments												
— Healthcare information and services — 10.0% (8)												
Hound Labs inc. (2) (12)	Diagnostics	Term Loan	12.25%	Prime	6.00%	9.25%	-	3.50%	June 1, 2026	2,500	2,383	2,383
		Term Loan	12.25%	Prime	6.00%	9.25%	-	3.50%	June 1, 2026	2,500	2,470	2,470
		Term Loan	12.25%	Prime	6.00%	9.25%	-	3.50%	June 1, 2026	5,000	4,940	4,940
Secure Transfusion Services, Inc. (2)(12)	Other Healthcare	Term Loan	12.00%	Prime	5.75%	9.00%	-	4.00%	October 1, 2025	5,000	4,934	4,934
		Term Loan	12.00%	Prime	5.75%	9.00%	-	4.00%	December 31, 2025	2,500	2,463	2,463
BrightInsight, Inc. (2)(12)	Software	Term Loan	11.00%	Prime	5.50%	9.50%	-	3.00%	August 1, 2027	7,000	6,612	6,612
		Term Loan	11.00%	Prime	5.50%	9.50%	-	3.00%	August 1, 2027	3,500	3,445	3,445
		Term Loan	11.00%	Prime	5.50%	9.50%	-	3.00%	August 1, 2027	3,500	3,445	3,445
Total Non-Affiliate Debt Investments — Healthcare information and services											30,692	30,692
Total Non-Affiliate Debt Investments											612,478	609,032

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Portfolio Company (1)(3)	Sector	Type of Investment (7)	Number of Shares	Cost of Investments (6) (9)	Fair Value (9)
Non-Affiliate Warrant Investments — 7.2% (8)					
Non-Affiliate Warrants — Life Science — 1.8% (8)					
Avalo Therapeutics, Inc. (2)(5)(12)	Biotechnology	Common Stock Warrant	26,442	311	—
Castle Creek Biosciences, Inc. (2)(12)	Biotechnology	Preferred Stock Warrant	5,372	214	104
Corvium, Inc. (2)(12)	Biotechnology	Preferred Stock Warrant	661,956	52	—
Emalex Biosciences, Inc. (2)(12)	Biotechnology	Preferred Stock Warrant	110,402	176	244
F-Star Therapeutics, Inc. (2)(5)(12)	Biotechnology	Common Stock Warrant	21,120	35	—
Greenlight Biosciences, Inc. (2)(5)(12)	Biotechnology	Common Stock Warrant	71,292	366	5
Imunon, Inc. (2)(5)(12)	Biotechnology	Common Stock Warrant	16,502	65	—
IMV Inc. (2)(5)(12)	Biotechnology	Common Stock Warrant	397,726	67	4
KSQ Therapeutics, Inc. (2)(12)	Biotechnology	Preferred Stock Warrant	48,077	50	54
LogicBio, Inc. (2)(5)(12)	Biotechnology	Common Stock Warrant	7,843	8	—
Mustang Bio, Inc. (2)(5)(12)	Biotechnology	Common Stock Warrant	252,161	146	—
Native Microbials, Inc. (2)(12)	Biotechnology	Preferred Stock Warrant	94,253	52	59
PDS Biotechnology Corporation (2)(5)(12)	Biotechnology	Common Stock Warrant	299,848	160	160
Provi, Inc. (2)(12)	Biotechnology	Preferred Stock Warrant	164,608	278	513
Rocket Pharmaceuticals Corporation (5)(12)	Biotechnology	Common Stock Warrant	7,051	17	1
Stealth Biotherapeutics Inc. (2)(5)(12)	Biotechnology	Common Stock Warrant	795,455	264	—
vTv Therapeutics Inc. (2)(5)(12)	Biotechnology	Common Stock Warrant	95,293	44	—
Xeris Pharmaceuticals, Inc. (2)(5)(12)	Biotechnology	Common Stock Warrant	126,000	72	2
AccuVein Inc. (2)(12)	Medical Device	Common Stock Warrant	1,175	23	—
Aerin Medical, Inc. (2)(12)	Medical Device	Preferred Stock Warrant	1,818,183	64	1,187
Aerobiotix, LLC (2)(12)	Medical Device	Preferred Stock Warrant	27,330	46	52
Canary Medical Inc. (2)(12)	Medical Device	Preferred Stock Warrant	12,153	85	1,865
Ceribell, Inc. (2)(12)	Medical Device	Preferred Stock Warrant	145,483	69	204
Cognoa, Inc. (2)(12)	Medical Device	Preferred Stock Warrant	775,000	148	167
Conventus Orthopaedics, Inc. (2)(12)	Medical Device	Preferred Stock Warrant	7,972,222	221	209
CSA Medical, Inc. (2)(12)	Medical Device	Preferred Stock Warrant	1,375,727	153	134
CVRx, Inc. (2)(5)(12)	Medical Device	Common Stock Warrant	47,410	76	47
Ifobionic, Inc. (2)(12)	Medical Device	Preferred Stock Warrant	317,647	124	111

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September 30, 2022
(Dollars in thousands)**

Portfolio Company (1)(3)	Sector	Type of Investment (7)	Number of Shares	Cost of Investments (6) (9)	Fair Value (9)
Magnolia Medical Technologies, Inc. (2)(12)	Medical Device	Preferred Stock Warrant	699,485	141	135
Meditrina, Inc. (2)(12)	Medical Device	Preferred Stock Warrant	221,510	82	142
Scientia Vascular, Inc. (2)(12)	Medical Device	Preferred Stock Warrant	19,662	39	43
Sonex Health, Inc. (2)(12)	Medical Device	Preferred Stock Warrant	605,313	97	113
VERO Biotech LLC (2)(12)	Medical Device	Preferred Stock Warrant	408	53	—
Swift Health Systems Inc. (2)(12)	Medical Device	Preferred Stock Warrant	135,484	71	79
Total Non-Affiliate Warrants — Life Science				3,869	5,634
Non-Affiliate Warrants — Sustainability — 0.5% (8)					
Dream Holdings, Inc. (2)(12)	Other Sustainability	Preferred Stock Warrant	70,539	61	68
LiquiGlide, Inc. (2)(12)	Other Sustainability	Common Stock Warrant	61,539	39	45
Nexii Building Solutions, Inc. (2)(12)	Other Sustainability	Common Stock Warrant	209,669	489	888
Soli Organic, Inc. (2)(12)	Other Sustainability	Preferred Stock Warrant	681	214	345
Temperpack Technologies, Inc. (2)(12)	Other Sustainability	Preferred Stock Warrant	35,906	126	259
Total Non-Affiliate Warrants — Sustainability				929	1,605
Non-Affiliate Warrants — Technology — 4.2% (8)					
Axiom Space, Inc. (2)(12)	Communications	Common Stock Warrant	1,991	47	52
Intelepeer Holdings, Inc. (2)(12)	Communications	Preferred Stock Warrant	2,936,535	138	3,219
PebblePost, Inc. (2)(12)	Communications	Preferred Stock Warrant	598,850	92	193
Alula Holdings, Inc. (2)(12)	Consumer-related Technologies	Preferred Stock Warrant	20,000	93	57
Aterian, Inc. (2)(5)(12)	Consumer-related Technologies	Common Stock Warrant	76,923	195	—
Better Place Forests Co. (2)(12)	Consumer-related Technologies	Preferred Stock Warrant	10,690	27	32
Caastle, Inc. (2)(12)	Consumer-related Technologies	Preferred Stock Warrant	268,591	68	1,068
CAMP NYC, Inc. (2)(12)	Consumer-related Technologies	Preferred Stock Warrant	17,605	24	61
Clara Foods Co. (2)(12)	Consumer-related Technologies	Preferred Stock Warrant	46,745	31	378
Divergent Technologies, Inc. (2)(12)	Consumer-related Technologies	Preferred Stock Warrant	25,758	30	35
Getaround, Inc. (2)(12)	Consumer-related Technologies	Preferred Stock Warrant	651,040	450	199
Interior Define, Inc. (2)(12)	Consumer-related Technologies	Preferred Stock Warrant	553,710	103	—
MyForest Foods Co. (2)(12)	Consumer-related Technologies	Preferred Stock Warrant	143	29	33
NextCar Holding Company, Inc. (2)(12)	Consumer-related Technologies	Preferred Stock Warrant	630,626	188	116
Optoro, Inc. (2)(12)	Consumer-related Technologies	Preferred Stock Warrant	6,600	104	104
Primary Kids, Inc. (2)(12)	Consumer-related Technologies	Preferred Stock Warrant	553,778	57	425
Quip NYC Inc. (2)(12)	Consumer-related Technologies	Preferred Stock Warrant	6,191	324	525
Unagi, Inc. (2)(12)	Consumer-related Technologies	Preferred Stock Warrant	171,081	32	38
Updater, Inc. (2)(12)	Consumer-related Technologies	Common Stock Warrant	108,333	34	12
CPG Beyond, Inc. (2)(12)	Data Storage	Preferred Stock Warrant	500,000	242	895
Silk, Inc. (2)(12)	Data Storage	Preferred Stock Warrant	442,110	234	316
Global Worldwide LLC (2)(12)	Internet and Media	Preferred Stock Warrant	245,810	75	—
Rocket Lawyer Incorporated (2)(12)	Internet and Media	Preferred Stock Warrant	261,721	92	500
Skillshare, Inc. (2)(12)	Internet and Media	Preferred Stock Warrant	139,074	162	799
Liquid, Inc. (2)(12)	Networking	Preferred Stock Warrant	344,102	364	226
Halio, Inc. (2)(12)	Power Management	Preferred Stock Warrant	5,002,574	1,585	2,254
Avalanche Technology, Inc. (2)(12)	Semiconductors	Preferred and Common Stock Warrants	6,081	56	—
BriteCore Holdings, Inc. (2)(12)	Software	Preferred Stock Warrant	77,828	21	64
Decisyon, Inc. (12)	Software	Common Stock Warrant	82,967	46	—
Dropoff, Inc. (2)(12)	Software	Common Stock Warrant	516,732	455	187
E La Carte, Inc. (2)(5)(12)	Software	Common Stock Warrant	152,908	60	1
Kodiak Robotics, Inc. (2)(12)	Software	Preferred Stock Warrant	639,918	273	273
Lemongrass Holdings, Inc. (2)(12)	Software	Preferred Stock Warrant	101,308	34	38
Lotame Solutions, Inc. (2)(12)	Software	Preferred Stock Warrant	288,115	22	306
Lytics, Inc. (2)(12)	Software	Preferred Stock Warrant	26,733	11	14
Reputation Institute, Inc. (2)(12)	Software	Preferred Stock Warrant	3,731	56	35
Revinatate Holdings, Inc. (2)(12)	Software	Preferred Stock Warrant	498,241	47	81
Riv Data Corp. (2)(12)	Software	Preferred Stock Warrant	321,428	12	296
SIGNiX, Inc. (12)	Software	Preferred Stock Warrant	186,235	225	—
Skyword, Inc. (12)	Software	Preferred and Common Stock Warrants	301,055	48	9
Slingshot Aerospace, Inc. (2)(12)	Software	Preferred Stock Warrant	309,208	123	123
Supply Network Visibility Holdings LLC (2)(12)	Software	Preferred Stock Warrant	682	64	74
Topia Mobility, Inc. (2)(12)	Software	Preferred Stock Warrant	3,049,607	135	—
xAd, Inc. (2)(12)	Software	Preferred Stock Warrant	4,343,348	177	2
Total Non-Affiliate Warrants — Technology				6,685	13,040

See Notes to Consolidated Financial Statements

Horizon Technology Finance Corporation and Subsidiaries
**Consolidated Schedule of Investments (Unaudited)
September 30, 2022
(Dollars in thousands)**

Portfolio Company (1)(3)	Sector	Type of Investment (7)	Number of Shares	Cost of Investments (6) (9)	Fair Value (9)
Non-Affiliate Warrants — Healthcare information and services — 0.6% (8)					
Hound Labs, Inc. (2) (12)	Diagnostics	Preferred Stock Warrant	159,893	47	51
Kate Farms, Inc. (2)(12)	Other Healthcare	Preferred Stock Warrant	82,965	103	1,217
Watermark Medical, Inc. (2)(12)	Other Healthcare	Preferred Stock Warrant	27,373	73	—
Secure Transfusion Services, Inc. (2)(12)	Other Healthcare	Preferred Stock Warrant	77,690	48	68
BrightInsight, Inc. (2)(12)	Software	Preferred Stock Warrant	80,544	157	157
Medsphere Systems Corporation (2)(12)	Software	Preferred Stock Warrant	7,097,792	60	341
Total Non-Affiliate Warrants — Healthcare information and services				488	1,834
Total Non-Affiliate Warrants				11,971	22,113
Non-Affiliate Other Investments — 0.4% (8)					
Lumithera, Inc. (2)	Medical Device	Royalty Agreement		1,200	1,100
ZetOZ, Inc. (12)	Medical Device	Royalty Agreement		—	200
Total Non-Affiliate Other Investments				1,200	1,300
Non-Affiliate Equity — 0.7% (8)					
Castle Creek Biosciences, Inc. (12)	Biotechnology	Common Stock	1,162	250	250
SnagAJob.com, Inc. (12)	Consumer-related Technologies	Common Stock	829,674	8	83
Lumithera, Inc. (2)	Medical Device	Common Stock	392,651	2,000	1,700
Branded Online, Inc. (5)(12)	Software	Common Stock	108,004	1,079	146
Decisyon, Inc. (12)	Software	Preferred and Common Stock	72,638,663	230	—
Total Non-Affiliate Equity				3,567	2,179
Total Non-Affiliate Portfolio Investment Assets				\$ 629,216	\$ 634,624
Total Portfolio Investment Assets — 206.3% (8)				\$ 629,216	\$ 634,624
Short Term Investments — Unrestricted Investments — 2.5% (8)					
US Bank Money Market Deposit Account				\$ 7,732	\$ 7,732
Total Short Term Investments — Unrestricted Investments				\$ 7,732	\$ 7,732
Short Term Investments — Restricted Investments — 0.5% (8)					
US Bank Money Market Deposit Account				\$ 1,617	\$ 1,617
Total Short Term Investments — Restricted Investments				\$ 1,617	\$ 1,617

- (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 revolving credit facility (the “Key Facility”) with KeyBank National Association (“Key”), the Note Funding Agreement (the “NYL Facility” and, together with the Key Facility, the “Credit Facilities”) with several entities owned or affiliated with New York Life Insurance Company (“NYL Noteholders”) and/or the term debt securitization in connection with which an affiliate of the Company made an offering of \$100.0 million in aggregate principal amount of fixed rate asset-backed notes that were issued in conjunction with the \$160.0 million securitization of secured loans the Company completed on August 13, 2019 (“the Asset-Backed Notes”).
- (3) All non-affiliate investments are investments in which the Company owns less than 5% of the voting securities of the portfolio company. All non-controlled affiliate investments are investments in which the Company owns 5% or more of the voting securities of the portfolio company but not more than 25% of the voting securities of the portfolio company. All controlled affiliate investments are investments in which the Company owns more than 25% of the portfolio company’s outstanding voting securities or has the power to exercise control over management or policies of such portfolio company (including through a management agreement).
- (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. Debt investments are at variable rates for the term of the debt investment, unless otherwise indicated. All debt investments based on the London InterBank Offered Rate (“LIBOR”) are based on one-month LIBOR. For each debt investment, the current interest rate in effect as of September 30, 2022 is provided.
- (5) Portfolio company is a public company.
- (6) For debt investments, represents principal balance less unearned income.
- (7) Warrants, Equity and Other Investments are non-income producing.
- (8) Value as a percent of net assets.
- (9) As of September 30, 2022, 7.4% and 7.3% of the Company’s total assets on a cost and fair value basis, respectively, are in non-qualifying assets. Under Section 55(a) of the Investment Company Act of 1940, as amended (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 has a payment-in-kind (“PIK”) feature.
- (12) The fair value of the investment was valued using significant unobservable inputs.

See Notes to Consolidated Financial Statements

Horizon Technology Finance Corporation and Subsidiaries
Consolidated Schedule of Investments
December 31, 2021
(Dollars in thousands)

Portfolio Company (1)(3)	Sector	Type of Investment (7)	Cash Rate (4)	Index	Margin	Floor	Ceiling	ETP (10)	Maturity Date	Principal Amount	Cost of Investments (6)(9)	Fair Value (9)
Non-Affiliate Investments — 186.7% (8)												
Non-Affiliate Debt Investments — 178.3% (8)												
Non-Affiliate Debt Investments — Life Science — 77.3% (8)												
Castle Creek Pharmaceuticals Holdings, Inc. (2)(12)	Biotechnology	Term Loan	9.30%	Libor	7.50%	9.30%	-	5.00%	March 1, 2024	\$ 5,000	\$ 4,957	\$ 4,957
		Term Loan	9.30%	Libor	7.50%	9.30%	-	5.00%	March 1, 2024	5,000	4,957	4,957
		Term Loan	9.30%	Libor	7.50%	9.30%	-	5.00%	March 1, 2024	5,000	4,957	4,957
		Term Loan	9.30%	Libor	7.50%	9.30%	-	5.00%	March 1, 2024	5,000	4,957	4,957
Avalo Therapeutics, Inc. (2)(5)(12)	Biotechnology	Term Loan	9.50%	Prime	6.25%	9.50%	-	3.00%	January 1, 2025	5,000	4,909	4,909
		Term Loan	9.50%	Prime	6.25%	9.50%	-	3.00%	January 1, 2025	5,000	4,909	4,909
		Term Loan	9.50%	Prime	6.25%	9.50%	-	3.00%	January 1, 2025	2,500	2,454	2,454
		Term Loan	9.50%	Prime	6.25%	9.50%	-	3.00%	February 1, 2025	5,000	4,906	4,906
		Term Loan	9.50%	Prime	6.25%	9.50%	-	3.00%	February 1, 2025	5,000	4,906	4,906
		Term Loan	9.50%	Prime	6.25%	9.50%	-	3.00%	April 1, 2025	2,500	2,451	2,451
		Term Loan	9.50%	Prime	6.25%	9.50%	-	3.00%	April 1, 2025	2,500	2,451	2,451
Emalex Biosciences, Inc. (2)(12)	Biotechnology	Term Loan	9.75%	Libor	7.90%	9.75%	-	5.00%	June 1, 2024	2,500	2,420	2,420
		Term Loan	9.75%	Libor	7.90%	9.75%	-	5.00%	June 1, 2024	2,500	2,472	2,472
		Term Loan	9.75%	Libor	7.90%	9.75%	-	5.00%	November 1, 2025	5,000	4,896	4,896
F-Star Therapeutics, Inc. (2)(5)(12)	Biotechnology	Term Loan	9.50%	Prime	6.25%	9.50%	-	4.00%	April 1, 2025	2,500	2,465	2,465
		Term Loan	9.50%	Prime	6.25%	9.50%	-	4.00%	July 1, 2025	2,500	2,463	2,463
Greenlight Biosciences, Inc. (2)(12)	Biotechnology	Term Loan	9.50%	Prime	6.25%	9.50%	-	4.00%	July 1, 2025	5,000	4,850	4,850
		Term Loan	9.50%	Prime	6.25%	9.50%	-	4.00%	July 1, 2025	2,500	2,475	2,475
IMV Inc. (2)(5)(12)	Biotechnology	Term Loan	9.00%	Prime	6.25%	9.00%	-	5.00%	July 1, 2025	5,000	4,799	4,799
		Term Loan	9.00%	Prime	6.25%	9.00%	-	5.00%	July 1, 2025	2,500	2,462	2,462
LogicBio, Inc. (2)(5)(12)	Biotechnology	Term Loan	8.75%	Libor	6.25%	8.75%	-	4.50%	June 1, 2024	4,028	4,011	4,011
Provivi, Inc. (2)(12)	Biotechnology	Term Loan	9.50%	Libor	8.50%	9.50%	-	5.50%	December 1, 2024	5,000	4,935	4,935
		Term Loan	9.50%	Libor	8.50%	9.50%	-	5.50%	December 1, 2024	5,000	4,935	4,935
		Term Loan	9.50%	Libor	8.50%	9.50%	-	5.50%	December 1, 2024	2,500	2,440	2,440
		Term Loan	9.50%	Libor	8.50%	9.50%	-	5.50%	December 1, 2024	2,500	2,440	2,440
		Term Loan	9.50%	Libor	8.50%	9.50%	-	5.50%	December 1, 2024	2,500	2,430	2,430
		Term Loan	9.50%	Libor	8.50%	9.50%	-	5.50%	December 1, 2024	2,500	2,430	2,430
Stealth Biotherapeutics Inc. (2)(5)(12)	Biotechnology	Term Loan	8.75%	Prime	5.50%	8.75%	-	6.00%	October 1, 2025	5,000	4,631	4,631
		Term Loan	8.75%	Prime	5.50%	8.75%	-	6.00%	October 1, 2025	2,500	2,441	2,441
Canary Medical Inc. (2)(12)	Medical Device	Term Loan	9.00%	Prime	5.75%	9.00%	-	7.00%	November 1, 2024	2,500	2,394	2,394
Ceribell, Inc. (2)(12)	Medical Device	Term Loan	8.25%	Libor	6.70%	8.25%	-	5.50%	October 1, 2024	5,000	4,926	4,926
		Term Loan	8.25%	Libor	6.70%	8.25%	-	5.50%	October 1, 2024	5,000	4,957	4,957
		Term Loan	8.25%	Libor	6.70%	8.25%	-	5.50%	October 1, 2024	2,500	2,466	2,466
		Term Loan	8.25%	Libor	6.70%	8.25%	-	5.50%	October 1, 2024	2,500	2,466	2,466
Conventus Orthopaedics, Inc. (2)(12)	Medical Device	Term Loan	9.25%	Libor	8.00%	9.25%	-	10.36%	July 1, 2025	4,056	4,009	4,009
		Term Loan	9.25%	Libor	8.00%	9.25%	-	10.36%	July 1, 2025	4,056	4,009	4,009
Corinth Medtech, Inc. (2)(12)	Medical Device	Term Loan	8.50%	Prime	5.25%	8.50%	-	20.00%	April 1, 2022	2,500	2,495	2,495
		Term Loan	8.50%	Prime	5.25%	8.50%	-	20.00%	April 1, 2022	2,500	2,495	2,495
CSA Medical, Inc. (2)(12)	Medical Device	Term Loan	10.00%	Libor	8.20%	10.00%	-	5.00%	January 1, 2024	3,125	3,095	3,095
		Term Loan	10.00%	Libor	8.20%	10.00%	-	5.00%	January 1, 2024	208	206	206
		Term Loan	10.00%	Libor	8.20%	10.00%	-	5.00%	March 1, 2024	3,600	3,569	3,569

See Notes to Consolidated Financial Statements

Horizon Technology Finance Corporation and Subsidiaries
Consolidated Schedule of Investments
December 31, 2021
(Dollars in thousands)

Portfolio Company (1)(3)	Sector	Type of Investment (7)	Cash Rate (4)	Index	Margin	Floor	Ceiling	ETP (10)	Maturity Date	Principal Amount	Cost of Investments (6)(9)	Fair Value (9)
Embody, Inc. (2)(12)	Medical Device	Term Loan	9.75%	Prime	6.50%	9.75%	-	28.00%	August 1, 2026	2,500	2,457	2,457
InfoBionic, Inc. (2)(12)	Medical Device	Term Loan	9.50%	Prime	6.25%	9.50%	-	4.00%	October 1, 2024	3,500	3,397	3,397
		Term Loan	9.50%	Prime	6.25%	9.50%	-	4.00%	June 1, 2025	1,000	963	963
MacuLogix, Inc. (2)(12)(14)	Medical Device	Term Loan	10.08%	Libor	7.68%	10.08%	-	6.00%	September 1, 2023	7,500	7,447	4,481
		Term Loan	10.08%	Libor	7.68%	10.08%	-	6.00%	September 1, 2023	4,050	4,022	2,420
Magnolia Medical Technologies, Inc. (2)(12)	Medical Device	Term Loan	9.75%	Prime	5.00%	9.75%	-	4.00%	March 1, 2025	5,000	4,952	4,952
		Term Loan	9.75%	Prime	5.00%	9.75%	-	4.00%	March 1, 2025	5,000	4,952	4,952
		Term Loan	9.75%	Prime	5.00%	9.75%	-	4.00%	March 1, 2025	5,000	4,944	4,944
		Term Loan	9.75%	Prime	5.00%	9.75%	-	4.00%	March 1, 2025	5,000	4,944	4,944
Sonex Health, Inc. (2)(12)	Medical Device	Term Loan	9.25%	Prime	6.00%	9.25%	-	5.00%	June 1, 2024	2,500	2,391	2,391
		Term Loan	9.25%	Prime	6.00%	9.25%	-	5.00%	June 1, 2024	2,500	2,472	2,472
		Term Loan	9.25%	Prime	6.00%	9.25%	-	5.00%	June 1, 2024	2,500	2,472	2,472
Spineology, Inc. (2)(12)	Medical Device	Term Loan	10.25%	Prime	7.00%	10.25%	-	1.00%	October 1, 2025	5,000	4,928	4,928
Total Non-Affiliate Debt Investments — Life Science											194,237	189,669
Non-Affiliate Debt Investments — Sustainability — 18.8% (8)												
LiquiGlide, Inc. (2)(12)	Other Sustainability	Term Loan	9.50%	Prime	6.25%	9.50%	-	5.00%	January 1, 2025	2,000	1,928	1,928
Nexii Building Solutions, Inc. (2)(12)	Other Sustainability	Term Loan	10.25%	Prime	7.00%	10.25%	-	2.50%	September 1, 2025	7,500	7,322	7,322
		Term Loan	10.25%	Prime	7.00%	10.25%	-	2.50%	September 1, 2025	7,500	7,322	7,322
		Term Loan	10.25%	Prime	7.00%	10.25%	-	2.50%	September 1, 2025	7,500	7,322	7,322
Temperpack Technologies, Inc. (2)(12)	Other Sustainability	Term Loan	10.00%	Prime	6.75%	10.00%	-	2.50%	June 1, 2025	3,750	3,703	3,703
		Term Loan	10.00%	Prime	6.75%	10.00%	-	2.50%	June 1, 2025	3,750	3,703	3,703
		Term Loan	10.00%	Prime	6.75%	10.00%	-	2.50%	October 1, 2025	7,500	7,396	7,396
		Term Loan	10.00%	Prime	6.75%	10.00%	-	2.50%	October 1, 2025	3,750	3,698	3,698
		Term Loan	10.00%	Prime	6.75%	10.00%	-	2.50%	October 1, 2025	3,750	3,698	3,698
Total Non-Affiliate Debt Investments — Sustainability											46,092	46,092
Non-Affiliate Debt Investments — Technology — 77.2% (8)												
Axiom Space, Inc. (2)(12)	Communications	Term Loan	9.25%	Prime	6.00%	9.25%	-	2.50%	June 1, 2026	7,500	7,442	7,442
		Term Loan	9.25%	Prime	6.00%	9.25%	-	2.50%	June 1, 2026	7,500	7,442	7,442
		Convertible Note	3.00%	Prime	6.00%	9.25%	-	2.50%	July 1, 2023	250	250	250
Alula Holdings, Inc. (2)(12)	Consumer-related Technologies	Term Loan	10.00%	Prime	6.75%	10.00%	-	3.00%	January 1, 2025	5,000	4,935	4,935
		Term Loan	10.00%	Prime	6.75%	10.00%	-	3.00%	January 1, 2025	5,000	4,949	4,949
		Term Loan	10.00%	Prime	6.75%	10.00%	-	3.00%	January 1, 2025	3,000	2,969	2,969
		Term Loan	10.00%	Prime	6.75%	10.00%	-	3.00%	December 1, 2025	1,000	968	968
Better Place Forests Co. (2)(12)	Consumer-related Technologies	Term Loan	9.50%	Prime	6.25%	9.50%	-	1.85%	July 1, 2025	5,000	4,928	4,928
CAMP NYC, Inc. (2)(12)	Consumer-related Technologies	Term Loan	10.50%	Prime	7.25%	10.50%	-	3.00%	May 1, 2026	3,500	3,430	3,430
Clara Foods Co. (2)(12)	Consumer-related Technologies	Term Loan	9.00%	Prime	5.75%	9.00%	-	5.50%	August 1, 2025	2,500	2,476	2,476
		Term Loan	9.00%	Prime	5.75%	9.00%	-	5.50%	August 1, 2025	2,500	2,476	2,476
Interior Define, Inc. (2)(12)	Consumer-related Technologies	Term Loan	9.75%	Prime	6.50%	9.75%	-	4.00%	January 1, 2026	6,500	6,397	6,397

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Horizon Technology Finance Corporation and Subsidiaries
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December 31, 2021
(Dollars in thousands)

Portfolio Company (1)(3)	Sector	Type of Investment (7)	Cash Rate		Index	Margin	Floor	Ceiling	ETP (10)	Maturity Date	Principal Amount	Cost of Investments (6)(9)	Fair Value (9)
			(4)										
		Term Loan	9.75%	Prime		6.50%	9.75%	-	4.00%	January 1, 2026	6,000	5,775	5,775
Lyrical Foods, Inc. (2)(12)	Consumer-related Technologies	Term Loan	10.00%	Prime		6.75%	10.00%	-	9.75%	January 1, 2024	2,500	2,480	2,480
NextCar Holding Company, Inc. (2)(12)	Consumer-related Technologies	Term Loan	9.00%	Prime		5.75%	9.00%	-	10.10%	January 1, 2026	5,000	4,935	4,935
		Term Loan	9.00%	Prime		5.75%	9.00%	-	10.10%	January 1, 2026	2,000	1,920	1,920
Primary Kids, Inc. (2)(12)	Consumer-related Technologies	Term Loan	10.50%	Prime		7.25%	10.50%	-	3.00%	March 1, 2025	3,000	2,961	2,961
		Term Loan	10.50%	Prime		7.25%	10.50%	-	3.00%	March 1, 2025	3,000	2,961	2,961
		Term Loan	10.50%	Prime		7.25%	10.50%	-	3.00%	September 1, 2025	3,000	2,955	2,955
Quip NYC Inc. (2)(12)	Consumer-related Technologies	Term Loan	11.25%	Prime		8.00%	11.25%	-	3.00%	April 1, 2026	10,000	9,639	9,639
Unagi, Inc. (2)(12)	Consumer-related Technologies	Term Loan	11.00%	Prime		7.75%	11.00%	-	-	July 1, 2025	2,500	2,446	2,446
		Term Loan	11.00%	Prime		7.75%	11.00%	-	-	July 1, 2025	1,250	1,234	1,234
Updater, Inc. (2)(12)	Consumer-related Technologies	Term Loan	12.00%	Prime		5.75%	12.00%	14.00%	0.56%	December 20, 2024	5,000	4,961	4,961
		Term Loan	12.00%	Prime		5.75%	12.00%	14.00%	0.56%	December 20, 2024	5,000	4,961	4,961
		Term Loan	12.00%	Prime		5.75%	12.00%	14.00%	0.56%	December 20, 2024	10,000	9,922	9,922
Liquid, Inc. (2)(12)	Networking	Term Loan	9.50%	Prime		6.25%	9.50%	-	4.00%	September 1, 2024	5,000	4,770	4,770
		Term Loan	9.50%	Prime		6.25%	9.50%	-	4.00%	September 1, 2024	5,000	4,924	4,924
		Term Loan	9.50%	Prime		6.25%	9.50%	-	4.00%	September 1, 2024	2,500	2,459	2,459
		Term Loan	9.50%	Prime		6.25%	9.50%	-	4.00%	September 1, 2024	2,500	2,459	2,459
		Term Loan	9.50%	Prime		6.25%	9.50%	-	4.00%	September 1, 2024	2,500	2,414	2,414
Branded Online, Inc. (2)(12)	Software	Term Loan	9.50%	Prime		6.25%	9.50%	-	6.00%	September 1, 2026	5,000	4,719	4,719
		Term Loan	9.50%	Prime		6.25%	9.50%	-	6.00%	November 1, 2026	2,500	2,355	2,355
		Term Loan	9.50%	Prime		6.25%	9.50%	-	-	July 1, 2023	5,000	5,000	5,000
BriteCore Holdings, Inc. (2)(12)	Software	Term Loan	10.50%	Prime		7.25%	10.50%	-	4.00%	October 1, 2024	2,500	2,481	2,481
		Term Loan	10.50%	Prime		7.25%	10.50%	-	4.00%	October 1, 2024	2,500	2,481	2,481
Decisyon, Inc. (12)	Software	Term Loan	12.68%	Prime		9.23%	12.68%	-	50.43%	January 1, 2023	3,470	3,470	3,470
Dropoff, Inc. (2)(12)	Software	Term Loan	9.75%	Prime		6.50%	9.75%	-	3.50%	April 1, 2026	6,500	6,087	6,087
		Term Loan	9.75%	Prime		6.50%	9.75%	-	3.50%	April 1, 2026	6,000	5,816	5,816
E La Carte, Inc. (2)(12)	Software	Term Loan	9.75%	Prime		6.50%	9.75%	-	4.00%	October 1, 2025	3,000	2,937	2,937
		Term Loan	9.75%	Prime		6.50%	9.75%	-	4.00%	October 1, 2025	3,000	2,958	2,958
		Term Loan	9.75%	Prime		6.50%	9.75%	-	4.00%	October 1, 2025	1,500	1,479	1,479
Lytics, Inc. (2)(12)	Software	Term Loan	9.25%	Prime		6.00%	9.25%	-	4.00%	July 1, 2025	2,500	2,464	2,464
Reputation Institute, Inc. (2)(12)	Software	Term Loan	10.50%	Prime		7.25%	10.50%	-	3.00%	August 1, 2025	5,000	4,905	4,905
Supply Network Visiblity Holdings LLC (2)(12)	Software	Term Loan	9.75%	Prime		6.50%	9.75%	-	4.00%	February 1, 2025	3,500	3,458	3,458
		Term Loan	9.75%	Prime		6.50%	9.75%	-	4.00%	February 1, 2025	3,500	3,458	3,458
		Term Loan	9.75%	Prime		6.50%	9.75%	-	4.00%	December 1, 2025	2,500	2,463	2,463
		Term Loan	9.75%	Prime		6.50%	9.75%	-	4.00%	December 1, 2025	2,500	2,463	2,463
Total Non-Affiliate Debt Investments — Technology												189,274	189,274
Non-Affiliate Debt Investments — Healthcare information and services — 5.0% (8)													
IDbyDNA, Inc. (2)(12)	Diagnostics	Term Loan	9.00%	Prime		5.75%	9.00%	-	5.50%	January 1, 2025	5,000	4,902	4,902
		Term Loan	9.00%	Prime		5.75%	9.00%	-	5.50%	January 1, 2025	5,000	4,936	4,936
		Term Loan	9.00%	Prime		5.75%	9.00%	-	5.50%	January 1, 2026	2,500	2,444	2,444
Total Non-Affiliate Debt Investments — Healthcare information and services												12,282	12,282
Total Non-Affiliate Debt Investments												441,885	437,317

See Notes to Consolidated Financial Statements

Horizon Technology Finance Corporation and Subsidiaries
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(Dollars in thousands)

Portfolio Company (1)(3)	Sector	Type of Investment (7)	Number of Shares	Cost of Investments (6) (9)	Fair Value (9)
Non-Affiliate Warrant Investments — 8.2% (8)					
Non-Affiliate Warrants — Life Science — 1.0% (8)					
Avalo Therapeutics, Inc. (2)(5)(12)	Biotechnology	Common Stock Warrant	317,306	311	27
Castle Creek Pharmaceuticals, Inc. (2)(12)	Biotechnology	Preferred Stock Warrant	2,428	142	148
Celision Corporation (2)(5)(12)	Biotechnology	Common Stock Warrant	295,053	65	1
Corvium, Inc. (2)(12)	Biotechnology	Preferred Stock Warrant	661,956	54	—
Emalex Biosciences, Inc. (2)(12)	Biotechnology	Preferred Stock Warrant	92,002	139	162
F-Star Therapeutics, Inc. (2)(5)(12)	Biotechnology	Common Stock Warrant	21,120	36	3
IMV Inc. (2)(5)(12)	Biotechnology	Common Stock Warrant	284,090	64	64
LogicBio, Inc. (2)(5)(12)	Biotechnology	Common Stock Warrant	7,843	8	—
Mustang Bio, Inc. (2)(5)(12)	Biotechnology	Common Stock Warrant	252,161	146	5
Provivi, Inc. (2)(12)	Biotechnology	Preferred Stock Warrant	164,608	278	519
Rocket Pharmaceuticals Corporation (5)(12)	Biotechnology	Common Stock Warrant	7,051	17	9
Stealth Biotherapeutics Inc. (2)(5)(12)	Biotechnology	Common Stock Warrant	795,455	264	45
Strongbridge U.S. Inc. (2)(5)(12)	Biotechnology	Common Stock Warrant	160,714	72	110
vTv Therapeutics Inc. (2)(5)(12)	Biotechnology	Common Stock Warrant	95,293	44	—
AcuVein Inc. (2)(12)	Medical Device	Common Stock Warrant	1,175	24	—
Aerin Medical, Inc. (2)(12)	Medical Device	Preferred Stock Warrant	1,818,183	66	463
Canary Medical Inc. (2)(12)	Medical Device	Preferred Stock Warrant	7,292	53	45
Ceribell, Inc. (2)(12)	Medical Device	Preferred Stock Warrant	134,299	61	172
Conventus Orthopaedics, Inc. (2)(12)	Medical Device	Preferred Stock Warrant	6,361,111	149	169
CSA Medical, Inc. (2)(12)	Medical Device	Preferred Stock Warrant	1,375,727	154	108
CVRx, Inc. (2)(5)(12)	Medical Device	Common Stock Warrant	47,410	80	90
Infobionic, Inc. (2)(12)	Medical Device	Preferred Stock Warrant	317,647	124	121
MacuLogix, Inc. (2)(12)	Medical Device	Preferred Stock Warrant	454,460	238	—
Magnolia Medical Technologies, Inc. (2)(12)	Medical Device	Preferred Stock Warrant	441,780	91	112
Meditrina, Inc. (2)(12)	Medical Device	Preferred Stock Warrant	221,510	83	122
Sonex Health, Inc. (2)(12)	Medical Device	Preferred Stock Warrant	484,250	77	75
VERO Biotech LLC (2)(12)	Medical Device	Preferred Stock Warrant	408	53	30
Total Non-Affiliate Warrants — Life Science				2,893	2,600
Non-Affiliate Warrants — Sustainability — 0.4% (8)					
LiquiGlide, Inc. (2)(12)	Other Sustainability	Common Stock Warrant	61,359	39	36
Nexii Building Solutions, Inc. (2)(12)	Other Sustainability	Common Stock Warrant	142,405	356	331
Temperpack Technologies, Inc. (2)(12)	Other Sustainability	Preferred Stock Warrant	48,756	107	552
Total Non-Affiliate Warrants — Sustainability				502	919

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Horizon Technology Finance Corporation and Subsidiaries
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Portfolio Company (1)(3)	Sector	Type of Investment (7)	Number of Shares	Cost of Investments (6) (9)	Fair Value (9)
Non-Affiliate Warrants — Technology — 6.2% (8)					
Axiom Space, Inc. (2)(12)	Communications	Common Stock Warrant	1,991	45	42
Intelepeer Holdings, Inc. (2)(12)	Communications	Preferred Stock Warrant	2,936,535	140	3,141
PebblePost, Inc. (2)(12)	Communications	Preferred Stock Warrant	598,850	92	161
Alula Holdings, Inc. (2)(12)	Consumer-related Technologies	Preferred Stock Warrant	20,000	93	70
Aterian, Inc. (2)(5)(12)	Consumer-related Technologies	Common Stock Warrant	76,923	195	1
Better Place Forests Co. (2)(12)	Consumer-related Technologies	Preferred Stock Warrant	9,353	23	23
Caastle, Inc. (2)(12)	Consumer-related Technologies	Preferred Stock Warrant	268,591	68	823
CAMP NYC, Inc. (2)(12)	Consumer-related Technologies	Preferred Stock Warrant	17,605	22	22
Clara Foods Co. (2)(12)	Consumer-related Technologies	Preferred Stock Warrant	46,745	30	368
Getaround, Inc. (2)(12)	Consumer-related Technologies	Preferred Stock Warrant	651,040	450	367
Interior Define, Inc. (2)(12)	Consumer-related Technologies	Preferred Stock Warrant	553,710	103	103
NextCar Holding Company, Inc. (2)(12)	Consumer-related Technologies	Preferred Stock Warrant	310,463	47	47
Primary Kids, Inc. (2)(12)	Consumer-related Technologies	Preferred Stock Warrant	553,778	57	51
Quip NYC Inc. (2)(12)	Consumer-related Technologies	Preferred Stock Warrant	6,191	324	503
Unagi, Inc. (2)(12)	Consumer-related Technologies	Preferred Stock Warrant	134,421	25	24
Updater, Inc. (2)(12)	Consumer-related Technologies	Common Stock Warrant	108,333	34	31
CPG Beyond, Inc. (2)(12)	Data Storage	Preferred Stock Warrant	500,000	242	859
Silk, Inc. (2)(12)	Data Storage	Preferred and Common Stock Warrant	44,211,003	234	188
Global Worldwide LLC (2)(12)	Internet and Media	Preferred Stock Warrant	245,810	75	6
Rocket Lawyer Incorporated (2)(12)	Internet and Media	Preferred Stock Warrant	261,721	92	741
Skillshare, Inc. (2)(12)	Internet and Media	Preferred Stock Warrant	139,074	162	2,403
Liquid, Inc. (2)(12)	Networking	Preferred Stock Warrant	344,102	364	938
Kinestral, Inc. (2)(12)	Power Management	Preferred Stock Warrant	5,002,574	1,585	2,609
Avalanche Technology, Inc. (2)(12)	Semiconductors	Preferred and Common Stock Warrant	6,753	101	—
Branded Online, Inc. (2)(12)	Software	Common Stock Warrant	16,678	370	443
BriteCore Holdings, Inc. (2)(12)	Software	Preferred Stock Warrant	55,591	5	37
Decision, Inc. (12)	Software	Common Stock Warrant	82,967	46	—
Dropoff, Inc. (2)(12)	Software	Common Stock Warrant	482,283	397	395
E La Carte, Inc. (2)(12)	Software	Preferred Stock Warrant	181,947	61	53
Lotame Solutions, Inc. (2)(12)	Software	Preferred Stock Warrant	288,115	23	276
Lytics, Inc. (2)(12)	Software	Preferred Stock Warrant	26,733	12	12
Reputation Institute, Inc. (2)(12)	Software	Preferred Stock Warrant	3,731	54	52
Revinatone Holdings, Inc. (2)(12)	Software	Preferred Stock Warrant	615,475	44	66
Riv Data Corp. (2)(12)	Software	Preferred Stock Warrant	321,428	12	292
SIGNIX, Inc. (12)	Software	Preferred Stock Warrant	186,235	224	—
Skyword, Inc. (12)	Software	Preferred and Common Stock Warrant	301,055	49	4
Supply Network Visibility Holdings LLC (2)(12)	Software	Preferred Stock Warrant	682	64	62
Topia Mobility, Inc. (2)(12)	Software	Preferred Stock Warrant	3,049,607	138	—
xAd, Inc. (2)(12)	Software	Preferred Stock Warrant	4,343,348	179	1
Total Non-Affiliate Warrants — Technology				6,281	15,214
Non-Affiliate Warrants — Healthcare information and services — 0.6% (8)					
IDbyDNA, Inc. (2)(12)	Diagnostics	Preferred Stock Warrant	472,006	112	95
Kate Farms, Inc. (2)(12)	Other Healthcare	Preferred Stock Warrant	82,965	101	1,177
Watermark Medical, Inc. (2)(12)	Other Healthcare	Preferred Stock Warrant	27,373	74	—
Medisphere Systems Corporation (2)(12)	Software	Preferred Stock Warrant	7,097,792	60	195
Total Non-Affiliate Warrants — Healthcare information and services				347	1,467
Total Non-Affiliate Warrants				10,023	20,200
Non-Affiliate Other Investments — 0.1% (8)					
ZetrOZ, Inc. (12)	Medical Device	Royalty Agreement		—	200
Total Non-Affiliate Other Investments				—	200
Non-Affiliate Equity — 0.1% (8)					
SnagAJob.com, Inc. (12)	Consumer-related Technologies	Common Stock	82,974	9	83
Zeta Global Holdings Corp. (2)(5)(12)	Internet and Media	Common Stock	18,405	240	155
Decision, Inc. (12)	Software	Preferred and Common Stock	72,638,663	230	120
Total Non-Affiliate Equity				479	358
Total Non-Affiliate Portfolio Investment Assets				\$ 452,387	\$ 458,075
Controlled Affiliate Investments — 0.0% (8)					
Controlled Affiliate Other Investments — Biotechnology — 0.0% (8)					
HESP LLC (12)(13)	Biotechnology	Other Investment		\$ 1,450	\$ —
Total Controlled Affiliate Other Investments				1,450	—
Total Controlled Affiliate Portfolio Investment Assets				\$ 1,450	\$ —
Total Portfolio Investment Assets — 186.7% (8)				\$ 453,837	\$ 458,075
Short Term Investments — Unrestricted Investments — 3.2% (8)					
US Bank Money Market Deposit Account				\$ 7,868	\$ 7,868
Total Short Term Investments — Unrestricted Investments				\$ 7,868	\$ 7,868
Short Term Investments — Restricted Investments — 0.6% (8)					
US Bank Money Market Deposit Account				\$ 1,359	\$ 1,359
Total Short Term Investments — Restricted Investments				\$ 1,359	\$ 1,359

- (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, the NYL and/or the Asset-Backed Notes.

See Notes to Consolidated Financial Statements

Horizon Technology Finance Corporation and Subsidiaries**Consolidated Schedule of Investments****December 31, 2021****(Dollars in thousands)**

- (3) All non-affiliate investments are investments in which the Company owns less than 5% of the voting securities of the portfolio company. All non-controlled affiliate investments are investments in which the Company owns 5% or more of the voting securities of the portfolio company but not more than 25% of the voting securities of the portfolio company. All controlled affiliate investments are investments in which the Company owns more than 25% of the portfolio company's outstanding voting securities or has the power to exercise control over management or policies of such portfolio company (including through a management agreement).
- (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 ETPs, and any additional fees related to the investments, such as deferred interest, commitment fees or prepayment fees. Debt investments are at variable rates for the term of the debt investment, unless otherwise indicated. All debt investments based on LIBOR are based on one-month LIBOR. For each debt investment, the current interest rate in effect as of December 31, 2021 is provided.
- (5) Portfolio company is a public company.
- (6) For debt investments, represents principal balance less unearned income.
- (7) Warrants, Equity and Other Investments are non-income producing.
- (8) Value as a percent of net assets.
- (9) As of December 31, 2021, 5.8% of the Company's total assets on a cost and fair value basis are in non-qualifying assets. 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 has a PIK feature.
- (12) The fair value of the investment was valued using significant unobservable inputs.
- (13) On July 8, 2020, Espero assigned substantially all of their assets to their respective assignment estates and respectively appointed Espero ABC to administer their respective estates and facilitate the orderly sale and liquidation of Espero's property and assets. On October 6, 2020, the Court of Chancery of the State of Delaware approved the transfer of the assets of Espero to the Company and Credit II or their designees in consideration for the Company and Credit II's credit bid at auction of \$7.0 million. On October 22, 2020, Espero ABC transferred the assets of Espero to HESP LLC, a Delaware limited liability company, wholly owned by the Company.
- (14) Debt investment is on non-accrual status as of December 31, 2021.

See Notes to Consolidated Financial Statements

Horizon Technology Finance Corporation and Subsidiaries
Notes to Consolidated Financial Statements

Note 1. Organization

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

On October 28, 2010, the Company completed an initial public offering (“IPO”) and its common stock trades on the Nasdaq Global Select Market under the symbol “HRZN”.

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

The Company formed Horizon Funding 2019-1 LLC (“2019-1 LLC”) as a Delaware limited liability company on May 2, 2019 and Horizon Funding Trust 2019-1 on May 15, 2019 (“2019-1 Trust” and, together with the 2019-1 LLC, the “2019-1 Entities”). The 2019-1 Entities are special purpose bankruptcy remote entities and are separate legal entities from the Company. The Company formed the 2019-1 Entities for purposes of securitizing the Asset-Backed Notes.

The Company and Arena Sunset SPV, LLC (“Arena”) formed Horizon Funding I, LLC (“HFI”) as a Delaware limited liability company on May 9, 2018, with Horizon Secured Loan Fund I LLC, a Delaware limited liability company (“HSLFI”) as its sole member. HFI is a special purpose bankruptcy-remote entity and is a separate legal entity from HSLFI. Any assets conveyed to HFI are not available to creditors of HSLFI or any other entity other than HFI’s lenders.

On April 21, 2020, the Company purchased all of the limited liability company interests of Arena in HSLFI, including, without limitation, undistributed amounts owed to Arena and interest accrued and unpaid on the debt investments of HSLFI through the date of purchase. As of April 21, 2020, HSLFI and its subsidiary, HFI, are consolidated by the Company.

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

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

On March 14, 2022, the Company completed a follow-on public offering of 2,500,000 shares of its common stock at a public offering price of \$14.35 per share, for total net proceeds to the Company of \$34.3 million, after deducting underwriting commission and discounts and other offering expenses.

Horizon Technology Finance Corporation and Subsidiaries
Notes to Consolidated Financial Statements

Note 2. Basis of presentation and significant accounting policies

The consolidated financial statements of the Company have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) and pursuant to the requirements for reporting on Form 10-Q and Articles 6 and 10 of Regulation S-X (“Regulation S-X”) under the Securities Act of 1933, as amended (the “Securities Act”). In the opinion of management, the consolidated financial statements reflect all adjustments and reclassifications, consisting solely of normal recurring accruals, that are necessary for the fair presentation of financial results as of and for the periods presented. All intercompany balances and transactions have been eliminated. The current period’s results of operations are not necessarily indicative of results that ultimately may be achieved for the year. Therefore, the unaudited financial statements and notes should be read in conjunction with the audited financial statements and notes thereto for the year ended December 31, 2021.

Principles of consolidation

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

Assets related to transactions that do not meet Accounting Standards Codification (“ASC”) Topic 860, *Transfers and Servicing* requirements for accounting sale treatment are reflected in the Company’s Consolidated Statements of Assets and Liabilities as investments. Those assets are owned by special purpose entities, including 2019-1 Entities, that are consolidated in the Company’s consolidated financial statements. The creditors of the special purpose entities have received security interests in such assets and such assets are not intended to be available to the creditors of the Company (or any affiliate of the Company).

Use of estimates

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

Fair value

The Company records all of its investments at fair value in accordance with relevant GAAP, which establishes a framework used to measure fair value and requires disclosures for fair value measurements. The Company has categorized its investments carried at fair value, based on the priority of the valuation technique, into a three-level fair value hierarchy as more fully described in Note 6. Fair value is a market-based measure considered from the perspective of the market participant who holds the financial instrument rather than an entity specific measure. Therefore, when market assumptions are not readily available, the Company’s own assumptions are set to reflect those that management believes market participants would use in pricing the financial instrument at the measurement date.

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

See Note 6 for additional information regarding fair value.

Horizon Technology Finance Corporation and Subsidiaries
Notes to Consolidated Financial Statements

Segments

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

Investments

Investments are recorded at fair value. Pursuant to the amended SEC Rule 2a-5 of the 1940 Act, on July 29, 2022, the Board designated the Advisor as the Company's "valuation designee." The valuation designee determines the fair value of the Company's portfolio investments and the Company's board of directors (the "Board") oversees the valuation designee. The Company has the intent to hold its debt investments for the foreseeable future or until maturity or payoff.

Interest on debt investments is accrued and included in income based on contractual rates applied to principal amounts outstanding. Interest income is determined using a method that results in a level rate of return on principal amounts outstanding. Generally, when a debt investment becomes 90 days or more past due, or if the Company otherwise does not expect to receive interest and principal repayments, the debt investment is placed on non-accrual status and the recognition of interest income may be discontinued. Interest payments received on non-accrual debt investments may be recognized as income, on a cash basis, or applied to principal depending upon management's judgment at the time the debt investment is placed on non-accrual status. As of September 30, 2022, there were no investments on nonaccrual status. As of December 31, 2021, there was one investment on non-accrual status with a cost of \$11.5 million and a fair value of \$6.9 million. For the three and nine months ended September 30, 2022, the Company did not recognize any interest income from debt investments on non-accrual status. For the three months ended September 30, 2021, the Company did not recognize any interest income from debt investments on non-accrual status. For the nine months ended September 30, 2021, the Company recognized, as interest income, payments of \$1.3 million received from one portfolio company whose debt investment was on non-accrual status.

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

Certain debt investment agreements also require the borrower to make an ETP, that is accrued into interest receivable and taken into income over the life of the debt investment to the extent such amounts are expected to be collected. The Company will generally cease accruing the income if there is insufficient value to support the accrual or the Company does not expect the borrower to be able to pay the ETP when due. The proportion of the Company's total investment income that resulted from the portion of ETPs not received in cash for the three months ended September 30, 2022 and 2021 was 7.0% and 5.2%, respectively. The proportion of the Company's total investment income that resulted from the portion of ETPs not received in cash for the nine months ended September 30, 2022 and 2021 was 7.5% and 6.7%, respectively.

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

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

Debt issuance costs

Debt issuance costs are fees and other direct incremental costs incurred by the Company in obtaining debt financing from its lenders and issuing debt securities. The unamortized balance of debt issuance costs as of September 30, 2022 and December 31, 2021 was \$5.6 million and \$4.3 million, respectively. These amounts are amortized and included in interest expense in the consolidated statements of operations over the life of the borrowings. The accumulated amortization balances as of September 30, 2022 and December 31, 2021 were \$4.4 million and \$3.2 million, respectively. The amortization expense for the three months ended September 30, 2022 and 2021 was \$0.4 million and \$0.2 million, respectively. The amortization expense for the nine months ended September 30, 2022 and 2021 was \$1.1 million and \$0.7 million, respectively.

Income taxes

As a BDC, the Company has elected to be treated as a RIC under Subchapter M of the Code and operates in a manner so as to qualify for the tax treatment applicable to RICs. In order to qualify as a RIC and to avoid the imposition of corporate-level income tax on the portion of its taxable income distributed to stockholders, among other things, the Company is required to meet certain source of income and asset diversification requirements and to timely distribute dividends out of assets legally available for distribution to its stockholders of an amount generally at least equal to 90% of its investment company taxable income, as defined by the Code and determined without regard to any deduction for dividends paid, for each tax year. The Company, among other things, has made and intends to continue to make the requisite distributions to its stockholders, which generally relieves the Company from corporate-level U.S. federal income taxes. Accordingly, no provision for federal income tax has been recorded in the financial statements. Differences between taxable income and net increase in net assets resulting from operations either can be temporary, meaning they will reverse in the future, or permanent. In accordance with ASC Topic 946, *Financial Services—Investment Companies*, as amended, of the Financial Accounting Standards Board ("FASB"), permanent tax differences, such as non-deductible excise taxes paid, are reclassified from distributions in excess of net investment income and net realized loss on investments to paid-in-capital at the end of each fiscal year. These permanent book-to-tax differences are reclassified on the consolidated statements of changes in net assets to reflect their tax character but have no impact on total net assets. For the year ended December 31, 2021, the Company reclassified \$0.4 million to paid-in capital from distributions in excess of net investment income, which related to excise taxes payable.

Depending on the level of taxable income earned in a tax year, the Company may choose to carry forward taxable income in excess of current year distributions into the next tax year and incur a 4% U.S. federal excise tax on such income, as required. To the extent that the Company determines that its estimated current year annual taxable income will be in excess of estimated current year distributions, the Company accrues excise tax, if any, on estimated excess taxable income as taxable income is earned. For the three and nine months ended September 30, 2022, \$0.1 million and \$0.3 million, respectively, was accrued for U.S. federal excise tax. For the three and nine months ended September 30, 2021, \$0.1 million and \$0.2 million, respectively, was recorded for U.S. federal excise tax.

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The Company evaluates tax positions taken in the course of preparing the Company's tax returns to determine whether the tax positions are "more-likely-than-not" to be sustained by the applicable tax authority in accordance with ASC Topic 740, *Income Taxes*, as modified by ASC Topic 946. Tax benefits of positions not deemed to meet the more-likely-than-not threshold, or uncertain tax positions, would be recorded as a tax expense in the current year. It is the Company's policy to recognize accrued interest and penalties related to uncertain tax benefits in income tax expense. The Company had no material uncertain tax positions at September 30, 2022 and December 31, 2021. The Company's income tax returns for the 2021, 2020 and 2019 tax years remain subject to examination by U.S. federal and state tax authorities.

Distributions

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

The Company has adopted a dividend reinvestment plan that provides for reinvestment of cash distributions on behalf of its stockholders, unless a stockholder elects to receive cash. As a result, if the Board declares a cash distribution, then stockholders who have not "opted out" of the dividend reinvestment plan will have their cash distributions automatically reinvested in additional shares of the Company's common stock, rather than receiving the cash distribution. The Company may issue new shares or purchase shares in the open market to fulfill its obligations under the plan.

Stockholders' Equity

On July 30, 2020, the Company entered into an At-The-Market ("ATM") sales agreement (the "2020 Equity Distribution Agreement"), with Goldman Sachs & Co. LLC and B. Riley FBR, Inc. (each a "Sales Agent" and, collectively, the "Sales Agents"). The 2020 Equity Distribution Agreement provided that the Company may offer and sell its shares from time to time through the Sales Agents up to \$100.0 million worth of its common stock, in amounts and at times to be determined by the Company.

On August 2, 2021, the Company terminated the 2020 Equity Distribution Agreement and entered into a new ATM sales agreement (the "2021 Equity Distribution Agreement"), with the Sales Agents. The remaining shares available under the 2020 Equity Distribution Agreement are no longer available for issuance. The 2021 Equity Distribution Agreement provides that the Company may offer and sell its shares from time to time through the Sales Agents up to \$100.0 million worth of its common stock, in amounts and at times to be determined by the Company. Sales of the Company's common stock, if any, may be made in negotiated transactions or transactions that are deemed to be "at-the-market," as defined in Rule 415 under the Securities Act, including sales made directly on the NASDAQ or similar securities exchange or sales made to or through a market maker other than on an exchange, at prices related to the prevailing market prices or at negotiated prices.

During the three months ended September 30, 2022, the Company sold 1,523,519 shares of common stock under the 2021 Equity Distribution Agreement. For the same period, the Company received total accumulated net proceeds of approximately \$19.0 million, including \$0.4 million of offering expenses, from these sales.

During the three months ended September 30, 2021, the Company sold 395,068 shares of common stock under the 2020 Equity Distribution Agreement and the 2021 Equity Distribution Agreement. For the same period, the Company received total accumulated net proceeds of approximately \$6.6 million, including \$0.2 million of offering expenses, from these sales.

During the nine months ended September 30, 2022, the Company sold 2,641,920 shares of common stock under the 2021 Equity Distribution Agreement. For the same period, the Company received total accumulated net proceeds of approximately \$33.2 million, including \$0.6 million of offering expenses, from these sales.

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During the nine months ended September 30, 2021, the Company sold 1,122,516 shares of common stock under the 2020 Equity Distribution Agreement and the 2021 Equity Distribution Agreement. For the same period, the Company received total accumulated net proceeds of approximately \$17.3 million, including \$0.5 million of offering expenses, from these sales.

The Company generally uses net proceeds from these offerings to make investments, to pay down liabilities and for general corporate purposes. As of September 30, 2022, shares representing approximately \$48.9 million of its common stock remain available for issuance and sale under the Equity Distribution Agreement.

Stock Repurchase Program

On April 29, 2022, the Board extended a previously authorized stock repurchase program which allows the Company to repurchase up to \$5.0 million of its common stock at prices below the Company's net asset value per share as reported in its most recent consolidated financial statements. Under the repurchase program, the Company may, but is not obligated to, repurchase shares of its outstanding common stock in the open market or in privately negotiated transactions from time to time. Any repurchases by the Company will comply with the requirements of Rule 10b-18 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and any applicable requirements of the 1940 Act. Unless extended by the Board, the repurchase program will terminate on the earlier of June 30, 2023 or the repurchase of \$5.0 million of the Company's common stock. During the three and nine months ended September 30, 2022 and 2021, the Company did not make any repurchases of its common stock. From the inception of the stock repurchase program through September 30, 2022, the Company repurchased 167,465 shares of its common stock at an average price of \$11.22 on the open market at a total cost of \$1.9 million.

Transfers of financial assets

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

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

Recently issued accounting pronouncements

In March 2020, the FASB issued Accounting Standards Update No. 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting ("ASU 2020-04"). ASU 2020-04 provides optional expedients and exceptions for applying GAAP to contract modifications and hedging relationships, subject to meeting certain criteria, that reference LIBOR or another rate that is expected to be discontinued. The amendments in ASU 2020-04 are effective for all entities as of March 12, 2020 through December 31, 2022. The Company is currently assessing the impact of ASU 2020-04 and the LIBOR transition on its consolidated financial statements.

In June 2022, the FASB issues Accounting Standards Update No. 2022-03, Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions ("ASU 2022-03"). ASU 2022-03 clarifies the guidance when measuring the fair value of an equity security subject to contractual restrictions that prohibit the sale of the security. The amendments in ASU 2022-03 are effective for public companies for fiscal years beginning after December 15, 2023, and interim periods within those fiscal years. The Company is currently assessing the impact of ASU 2022-03 on its consolidated financial statements.

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Note 3. Related party transactions***Investment Management Agreement***

At a special meeting of the stockholders on October 30, 2018, the stockholders approved a new Investment Management Agreement which became effective on March 7, 2019. The new Investment Management Agreement replaced the previously effective Amended and Restated Investment Management Agreement dated as of October 28, 2010 and amended effective July 1, 2014. On October 28, 2022, the Board unanimously approved the renewal of the Investment Management Agreement. Under the terms of the Investment Management Agreement, the Advisor determines the composition of the Company's investment portfolio, the nature and timing of the changes to the investment portfolio and the manner of implementing such changes; identifies, evaluates and negotiates the structure of the investments the Company makes (including performing due diligence on the Company's prospective portfolio companies); and closes, monitors and administers the investments the Company makes, including the exercise of any voting or consent rights.

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

The base management fee will be calculated at an annual rate of 2.00% of the Company's gross assets (less cash and cash equivalents) including any assets acquired with the proceeds of leverage; provided, that, to the extent the Company's gross assets (less cash and cash equivalents) exceed \$250 million, the base management fee on the amount of such excess over \$250 million will be calculated at an annual rate of 1.60% of the Company's gross assets (less cash and cash equivalents) including any assets acquired with the proceeds of leverage. The base management fee is payable monthly in arrears and is prorated for any partial month.

The base management fee payable at September 30, 2022 and December 31, 2021 was \$1.9 million and \$0.7 million, respectively. The base management fee expense was \$2.8 million and \$2.0 million for the three months ended September 30, 2022 and 2021, respectively. The base management fee expense was \$7.6 million and \$5.6 million for the nine months ended September 30, 2022 and 2021, respectively.

The incentive fee has two parts, as follows:

The first part, which is subject to the Incentive Fee Cap and Deferral Mechanism, as defined below, is calculated and payable quarterly in arrears based on the Company's pre-incentive fee net investment income for the immediately preceding calendar quarter. For this purpose, "Pre-Incentive Fee Net Investment Income" means interest income, dividend income and any other income (including any other fees (other than fees for providing managerial assistance), such as commitment, origination, structuring, diligence and consulting fees or other fees received from portfolio companies) accrued during the calendar quarter, minus expenses for the quarter (including the base management fee, expenses payable under the Administration Agreement (as defined below), and any interest expense and any dividends paid on any issued and outstanding preferred stock, but excluding the incentive fee). Pre-Incentive Fee Net Investment Income includes, in the case of investments with a deferred interest feature (such as original issue discount, debt instruments with PIK interest and zero coupon securities), accrued income the Company has not yet received in cash. The incentive fee with respect to the Pre-Incentive Fee Net Investment Income is 20.00% of the amount, if any, by which the Pre-Incentive Fee Net Investment Income for the immediately preceding calendar quarter exceeds a hurdle rate of 1.75% (which is 7.00% annualized) of the Company's net assets at the end of the immediately preceding calendar quarter, adjusted for any share issuances or repurchases during the relevant quarter, subject to a "catch-up" provision measured as of the end of each calendar quarter. Under this provision, in any calendar quarter, the Advisor receives no incentive fee until the Pre-Incentive Fee Net Investment Income equals the hurdle rate of 1.75%, but then receives, as a "catch-up," 100.00% of the Pre-Incentive Fee Net Investment Income with respect to that portion of such Pre-Incentive Fee Net Investment Income, if any, that exceeds the hurdle rate but is less than 2.1875% quarterly (which is 8.75% annualized). The effect of this "catch-up" provision is that, if Pre-Incentive Fee Net Investment Income exceeds 2.1875% in any calendar quarter, the Advisor will receive 20.00% of the Pre-Incentive Fee Net Investment Income as if the hurdle rate did not apply.

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

The incentive fee on Pre-Incentive Fee Net Investment Income is subject to a fee cap and deferral mechanism which is determined based upon a look-back period of up to three years and is expensed when incurred. For this purpose, the look-back period for the incentive fee based on Pre-Incentive Fee Net Investment Income (the "Incentive Fee Look-back Period") includes the relevant calendar quarter and the 11 preceding full calendar quarters. Each quarterly incentive fee payable on Pre-Incentive Fee Net Investment Income is subject to a cap (the "Incentive Fee Cap") and a deferral mechanism through which the Advisor may recoup a portion of such deferred incentive fees (collectively, the "Incentive Fee Cap and Deferral Mechanism"). The Incentive Fee Cap is equal to (a) 20.00% of Cumulative Pre-Incentive Fee Net Return (as defined below) during the Incentive Fee Look-back Period less (b) cumulative incentive fees of any kind paid to the Advisor during the Incentive Fee Look-back Period. To the extent the Incentive Fee Cap is zero or a negative value in any calendar quarter, the Company will not pay an incentive fee on Pre-Incentive Fee Net Investment Income to the Advisor in that quarter. To the extent that the payment of incentive fees on Pre-Incentive Fee Net Investment Income is limited by the Incentive Fee Cap, the payment of such fees will be deferred and paid in subsequent calendar quarters up to three years after their date of deferment, subject to certain limitations, which are set forth in the Investment Management Agreement. The Company only pays incentive fees on Pre-Incentive Fee Net Investment Income to the extent allowed by the Incentive Fee Cap and Deferral Mechanism. "Cumulative Pre-Incentive Fee Net Return" during any Incentive Fee Look-back Period means the sum of (a) Pre-Incentive Fee Net Investment Income and the base management fee for each calendar quarter during the Incentive Fee Look-back Period and (b) the sum of cumulative realized capital gains and losses, cumulative unrealized capital appreciation and cumulative unrealized capital depreciation during the applicable Incentive Fee Look-back Period.

The second part of the incentive fee is determined and payable in arrears as of the end of each calendar year (or, upon termination of the Investment Management Agreement, as of the termination date), and equals 20.00% of the Company's realized capital gains, if any, on a cumulative basis from the date of the election to be a BDC through the end of each calendar year, computed net of all realized capital losses and unrealized capital depreciation on a cumulative basis through the end of such year, less all previous amounts paid in respect of the capital gain incentive fee. However, in accordance with GAAP, the Company is required to include the aggregate unrealized capital appreciation on investments in the calculation and accrue a capital gain incentive fee on a quarterly basis, as if such unrealized capital appreciation were realized, even though such unrealized capital appreciation is not permitted to be considered in calculating the fee actually payable under the Investment Management Agreement.

The performance based incentive fee expense was \$2.8 million and \$2.0 million for the three months ended September 30, 2022 and 2021, respectively. The performance based incentive fee expense was \$6.4 million and \$5.0 million for the nine months ended September 30, 2022 and 2021, respectively. The incentive fee on Pre-Incentive Fee Net Investment Income was not subject to the Incentive Fee Cap and Deferral Mechanism for the three and nine months ended September 30, 2022 and 2021. The performance based incentive fee payable as of September 30, 2022 and December 31, 2021 was \$2.8 million and \$2.0 million, respectively. The entire incentive fee payable as of September 30, 2022 and December 31, 2021 represented part one of the incentive fee.

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Administration Agreement

The Company entered into an administration agreement (the “Administration Agreement”) with the Advisor to provide administrative services to the Company. For providing these services, facilities and personnel, the Company reimburses the Advisor for the Company’s allocable portion of overhead and other expenses incurred by the Advisor in performing its obligations under the Administration Agreement, including rent, the fees and expenses associated with performing compliance functions and the Company’s allocable portion of the costs of compensation and related expenses of the Company’s Chief Financial Officer and Chief Compliance Officer and their respective staffs. The administrative fee expense was \$0.4 million and \$0.3 million for the three months ended September 30, 2022 and 2021, respectively. The administrative fee expense was \$1.1 million and \$0.8 million for the nine months ended September 30, 2022 and 2021, respectively.

Note 4. Investments

The following table shows the Company’s investments as of September 30, 2022 and December 31, 2021:

	September 30, 2022		December 31, 2021	
	Cost	Fair Value	Cost	Fair Value
	(In thousands)			
Investments				
Debt	\$ 612,478	\$ 609,032	\$ 441,885	\$ 437,317
Warrants	11,971	22,113	10,023	20,200
Other	1,200	1,300	1,450	200
Equity	3,567	2,179	479	358
Total investments	\$ 629,216	\$ 634,624	\$ 453,837	\$ 458,075

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The following table shows the Company's investments by industry sector as of September 30, 2022 and December 31, 2021:

	September 30, 2022		December 31, 2021	
	Cost	Fair Value	Cost	Fair Value
(In thousands)				
Life Science				
Biotechnology	\$ 148,952	\$ 147,442	\$ 109,899	\$ 107,902
Medical Device	114,364	116,967	88,681	84,567
Technology				
Communications	22,883	26,070	22,853	25,920
Consumer-Related	109,906	108,301	92,158	93,194
Data Storage	476	1,211	476	1,047
Internet and Media	329	1,299	569	3,305
Networking	13,551	13,413	17,390	17,964
Power Management	1,585	2,254	1,585	2,609
Semiconductors	56	—	101	—
Software	108,910	107,441	60,902	60,807
Sustainability				
Other Sustainability	77,024	77,700	46,595	47,011
Healthcare Information and Services				
Diagnostics	9,840	9,844	12,393	12,377
Other	7,621	8,682	175	1,177
Software	13,719	14,000	60	195
Total investments	\$ 629,216	\$ 634,624	\$ 453,837	\$ 458,075

Note 5. Transactions with affiliated companies

A non-controlled affiliated company is generally a portfolio company in which the Company owns 5% or more of such portfolio company's voting securities but not more than 25% of such portfolio company's voting securities.

For the three and nine months ended September 30, 2022, there were no transactions related to investments in non-controlled affiliated companies.

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Transactions related to investments in non-controlled affiliated companies for the year ended December 31, 2021 were as follows:

Portfolio Company	Fair value at December 31, 2020	Year ended December 31, 2021						Fair value at December 31, 2021	Interest income
		Purchases	Principal Payments	Transfers in/(out) at fair value	Discount accretion	Net unrealized gain/(loss)	Net realized gain/(loss)		
(In thousands)									
Decisyon, Inc. (1)	\$ 1,181	\$ —	\$ —	\$ (1,181)	\$ —	\$ —	\$ —	\$ —	\$ 41
	626	—	—	(638)	12	—	—	—	21
	227	—	—	(227)	—	—	—	—	7
	228	—	—	(228)	—	—	—	—	7
	685	—	—	(685)	—	—	—	—	22
	276	—	—	(276)	—	—	—	—	9
	183	—	—	(183)	—	—	—	—	6
	120	—	—	(120)	—	—	—	—	—
MVI (ABC) LLC fka StereoVision, Inc.	2,382	—	(2,783)	—	—	—	401	—	139
	—	250	(250)	—	—	—	—	—	—
	—	70	(70)	—	—	—	—	—	—
	—	330	(330)	—	—	—	—	—	—
	—	150	(150)	—	—	—	—	—	—
	1,639	—	—	—	—	(848)	(791)	—	—
Total non-controlled affiliates	\$ 7,547	\$ 800	\$ (3,583)	\$ (3,538)	\$ 12	\$ (848)	\$ (390)	\$ —	\$ 252

(1) As of December 31, 2021, the Company no longer owns 5% or more of the portfolio company.

A controlled affiliated company is generally a portfolio company in which the Company owns more than 25% of such portfolio company's voting securities or has the power to exercise control over management or policies of such portfolio company (including through a management agreement). Transactions related to investments in controlled affiliated companies for the nine months ended September 30, 2022 were as follows:

Portfolio Company	Fair value at December 31, 2021	Nine months ended September 30, 2022						Fair value at September 30, 2021	Dividend income
		Purchases	Sales	Transfers in/(out) at fair value	Dividends declared	Net unrealized gain/(loss)	Net realized gain/(loss)		
(In thousands)									
HESP LLC	—	—	(300)	—	—	1,450	(1,150)	—	—
Total controlled affiliates	\$ —	\$ —	\$ (300)	\$ —	\$ —	\$ 1,450	\$ (1,150)	\$ —	\$ —

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Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair value of the Company's investments may fluctuate from period to period. Additionally, the fair value of the Company's investments may differ significantly from the values that would have been used had a ready market existed for such investments and may differ materially from the values that the Company may ultimately realize. Further, such investments are generally subject to legal and other restrictions on resale or otherwise are less liquid than publicly traded securities. If the Company was required to liquidate a portfolio investment in a forced or liquidation sale, the Company could realize significantly less than the value at which the Company has recorded such portfolio investment.

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

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

Debt investments: The fair value of debt investments is estimated by discounting the expected future cash flows using the period end rates at which similar debt investments would be made to borrowers with similar credit ratings and for the same remaining maturities. At September 30, 2022 and December 31, 2021, the hypothetical market yields used ranged from 3% to 25% and 3% to 23%, respectively. Significant increases (decreases) in this unobservable input would result in a significantly lower (higher) fair value measurement. These assets are recorded at fair value on a recurring basis and are categorized as Level 3 within the fair value hierarchy described above.

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

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

- Underlying asset value of the issuer is estimated based on information available, including any information regarding the most recent rounds of borrower funding. Significant increases (decreases) in this unobservable input would result in a significantly higher (lower) fair value measurement.
- Volatility, or the amount of uncertainty or risk about the size of the changes in the warrant price, is based on indices of publicly traded companies similar in nature to the underlying company issuing the warrant. A total of seven such indices are used. Significant increases (decreases) in this unobservable input would result in a significantly higher (lower) fair value measurement.
- The risk-free interest rates are derived from the U.S. Treasury yield curve. The risk-free interest rates are calculated based on a weighted average of the risk-free interest rates that correspond closest to the expected remaining life of the warrant.
- Other adjustments, including a marketability discount on private company warrants, are estimated based on management's judgment about the general industry environment.

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- Historical portfolio experience on cancellations and exercises of the Company's warrants are utilized as the basis for determining the estimated time to exit of the warrants in each financial reporting period. Warrants may be exercised in the event of acquisitions, mergers or initial public offerings, and cancelled due to events such as bankruptcies, restructuring activities or additional financings. These events cause the expected remaining life assumption to be shorter than the contractual term of the warrants. Significant increases (decreases) in this unobservable input would result in significantly higher (lower) fair value measurement.

Under certain circumstances the Company may use an alternative technique to value warrants that better reflects the warrants' fair value, such as an expected settlement of a warrant in the near term or a model that incorporates a put feature associated with the warrant. The fair value may be determined based on the expected proceeds to be received from such settlement or based on the net present value of the expected proceeds from the put option.

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

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

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

The following tables provide a summary of quantitative information about the Company's Level 3 fair value measurements of the Company's investments as of September 30, 2022 and December 31, 2021. In addition to the techniques and inputs noted in the table below, according to the Company's valuation policy, the Company may also use other valuation techniques and methodologies when determining its fair value measurements.

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The following table is not intended to be all-inclusive, but rather provides information on the significant Level 3 inputs as they relate to the Company's fair value measurements as of September 30, 2022:

September 30, 2022					
Investment Type	Fair Value	Valuation Techniques/ Methodologies	Unobservable Input	Range	Weighted Average(1)
(Dollars in thousands, except per share data)					
Debt investments	\$ 605,719	Discounted Expected Future Cash Flows	Hypothetical Market Yield	3% – 25%	14%
	3,313	Multiple Probability Weighted Cash Flow Model	Probability Weighting	25%	25%
Warrant investments	21,894	Black-Scholes Valuation Model	Price Per Share	0.000 – 1,89999	\$ 64.53
			Average Industry Volatility	25%	25%
			Marketability Discount	20%	20%
			Estimated Time to Exit (in years)	1 to 4	2
Other investments	1,300	Multiple Probability Weighted Cash Flow Model	Discount Rate	25%	25%
			Probability Weighting	100%	100%
Equity investments	2,033	Last Equity Financing	Price Per Share	1.000 – 215.0303	\$ 30.09
Total Level 3 investments	\$ 634,259				

(1) Weighted average is calculated by multiplying (a) the unobservable input for each investment in the investment type by (b) (1) the fair value of the related investment in the investment type divided by (2) the total fair value of the investment type.

The following table is not intended to be all-inclusive, but rather provides information on the significant Level 3 inputs as they relate to the Company's fair value measurements as of December 31, 2021:

December 31, 2021					
Investment Type	Fair Value	Valuation Techniques/ Methodologies	Unobservable Input	Range	Weighted Average(1)
(Dollars in thousands, except per share data)					
Debt investments	\$ 430,417	Discounted Expected Future Cash Flows	Hypothetical Market Yield	3% – 23%	12%
	6,900	Multiple Probability Weighted Cash Flow Model	Probability Weighting	20% - 50%	33%
Warrant investments	19,837	Black-Scholes Valuation Model	Price Per Share	0.000 – 980.0000	\$ 20.35
			Average Industry Volatility	25%	25%
			Marketability Discount	20%	20%
			Estimated Time to Exit (in years)	1 to 4	2
Other investments	200	Multiple Probability Weighted Cash Flow Model	Discount Rate	25%	25%
			Probability Weighting	0% – 100%	100%
Equity investments	203	Last Equity Financing	Price Per Share	0.000 – 1.0000	\$ 0.41
Total Level 3 investments	\$ 457,557				

(1) Weighted average is calculated by multiplying (a) the unobservable input for each investment in the investment type by (b) (1) the fair value of the related investment in the investment type divided by (2) the total fair value of the investment type.

Borrowings: The Key Facility and the NYL Facility approximate fair value due to the variable interest rate of the facilities and are categorized as Level 2 within the fair value hierarchy described above. Additionally, the Company considers its creditworthiness in determining the fair value of such borrowings. The fair value of the fixed-rate 2026 Notes (as defined in Note 7) is based on the closing public share price on the date of measurement. On September 30, 2022, the closing price of the 2026 Notes on the New York Stock Exchange was \$24.37 per note and had an aggregate fair value of \$56.1 million. Therefore, the Company has categorized these borrowing as Level 1 within the fair value hierarchy described above. The fair value of the fixed-rate 2027 Notes (as defined in Note 7) is based on the closing public share price on the date of measurement. On September 30, 2022, the closing price of the 2027 Notes on the New York Stock Exchange was \$23.18 per note and had an aggregate fair value of \$53.3 million. Therefore, the Company has categorized these borrowing as Level 1 within the fair value hierarchy described above. Based on market quotations on September 30, 2022, the Asset-Backed Notes were trading at par value and had an aggregate par value of \$43.5 million, and are categorized as Level 3 within the fair value hierarchy described above. These borrowings are not recorded at fair value on a recurring basis.

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

The following tables detail the assets that are carried at fair value and measured at fair value on a recurring basis as of September 30, 2022 and December 31, 2021 and indicate the fair value hierarchy of the valuation techniques utilized by the Company to determine the fair value:

	September 30, 2022			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Investments in money market funds	\$ —	\$ 7,732	\$ —	\$ 7,732
Restricted investments in money market funds	\$ —	\$ 1,617	\$ —	\$ 1,617
Debt investments	\$ —	\$ —	\$ 609,032	\$ 609,032
Warrant investments	—	219	21,894	22,113
Other investments	—	—	1,300	1,300
Equity investments	146	—	2,033	2,179
Total investments	\$ 146	\$ 219	\$ 634,259	\$ 634,624

	December 31, 2021			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Investments in money market funds	\$ —	\$ 7,868	\$ —	\$ 7,868
Restricted investments in money market funds	\$ —	\$ 1,359	\$ —	\$ 1,359
Debt investments	\$ —	\$ —	\$ 437,317	\$ 437,317
Warrant investments	—	363	19,837	20,200
Other investments	—	—	200	200
Equity investments	155	—	203	358
Total investments	\$ 155	\$ 363	\$ 457,557	\$ 458,075

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The following table shows a reconciliation of the beginning and ending balances for Level 3 assets measured at fair value on a recurring basis for the three months ended September 30, 2022:

	Three months ended September 30, 2022				
	Debt Investments	Warrant Investments	Equity Investments	Other Investments	Total
	(In thousands)				
Level 3 assets, beginning of period	\$ 551,560	\$ 25,167	\$ 453	\$ 200	\$ 577,380
Purchase of investments	94,627	—	—	—	94,627
Warrants and equity received and classified as Level 3	—	964	—	—	964
Principal payments received on investments	(26,929)	—	—	(31)	(26,960)
Proceeds from sale of investments	(6,088)	(38)	—	—	(6,126)
Net realized (loss) gain on investments	(8,492)	266	—	31	(8,195)
Unrealized appreciation (depreciation) included in earnings	8,095	(3,348)	(420)	(100)	4,227
Transfer out of Level 3	—	(1,117)	—	—	(1,117)
Transfer out of debt investments	(3,200)	—	2,000	1,200	—
Other	(541)	—	—	—	(541)
Level 3 assets, end of period	<u>\$ 609,032</u>	<u>\$ 21,894</u>	<u>\$ 2,033</u>	<u>\$ 1,300</u>	<u>\$ 634,259</u>

During the three months ended September 30, 2022, there were two transfers out of Level 3. One transfer out of Level 3 related to warrants held in one portfolio company with an aggregate fair value of \$0.04 million that was transferred to Level 2 upon the portfolio company becoming a public company. One transfer out of Level 3 related to warrants held in one portfolio company with an aggregate fair value of \$1.1 million that was transferred to Level 1 upon the portfolio company becoming a public company.

The following table shows a reconciliation of the beginning and ending balances for Level 3 assets measured at fair value on a recurring basis for the three months ended September 30, 2021:

	Three months ended September 30, 2021				
	Debt Investments	Warrant Investments	Equity Investments	Other Investments	Total
	(In thousands)				
Level 3 assets, beginning of period	\$ 385,814	\$ 15,102	\$ 237	\$ 1,700	\$ 402,853
Purchase of investments	98,592	—	—	—	98,592
Warrants and equity received and classified as Level 3	—	1,394	—	—	1,394
Principal payments received on investments	(53,588)	—	—	—	(53,588)
Proceeds from sale of investments	(34)	(1,519)	—	—	(1,553)
Net realized (loss) gain on investments	(40)	1,384	—	—	1,344
Unrealized appreciation (depreciation) included in earnings	798	3,353	149	(375)	3,925
Other	(1,606)	—	—	—	(1,606)
Level 3 assets, end of period	<u>\$ 429,936</u>	<u>\$ 19,714</u>	<u>\$ 386</u>	<u>\$ 1,325</u>	<u>\$ 451,361</u>

During the three months ended September 30, 2021, there were no transfers in or out of Level 3.

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The following table shows a reconciliation of the beginning and ending balances for Level 3 assets measured at fair value on a recurring basis for the nine months ended September 30, 2022:

	Nine months ended September 30, 2022				
	Debt Investments	Warrant Investments	Equity Investments	Other Investments	Total
	(In thousands)				
Level 3 assets, beginning of period	\$ 437,317	\$ 19,837	\$ 203	\$ 200	\$ 457,557
Purchase of investments	348,097	—	250	—	348,347
Warrants and equity received and classified as Level 3	—	2,441	—	—	2,441
Principal payments received on investments	(114,120)	—	—	(313)	(114,433)
Proceeds from sale of investments	(49,088)	(464)	—	—	(49,552)
Net realized (loss) gain on investments	(8,492)	535	—	(1,137)	(9,094)
Unrealized appreciation (depreciation) included in earnings	1,128	662	(420)	1,350	2,720
Transfer out of Level 3	—	(1,117)	—	—	(1,117)
Transfer out of debt investments	(3,200)	—	2,000	1,200	—
Other	(2,610)	—	—	—	(2,610)
Level 3 assets, end of period	<u>\$ 609,032</u>	<u>\$ 21,894</u>	<u>\$ 2,033</u>	<u>\$ 1,300</u>	<u>\$ 634,259</u>

During the nine months ended September 30, 2022, there were two transfers out of Level 3. One transfer out of Level 3 related to warrants held in one portfolio company with an aggregate fair value of \$0.04 million that was transferred to Level 2 upon the portfolio company becoming a public company. One transfer out of Level 3 related to warrants held in one portfolio company with an aggregate fair value of \$1.1 million that was transferred to Level 1 upon the portfolio company becoming a public company.

The change in unrealized appreciation included in the consolidated statement of operations attributable to Level 3 investments still held at September 30, 2022 includes \$3.5 million in unrealized depreciation on debt and other investments, \$1.2 million in unrealized appreciation on warrant investments and \$0.4 million in unrealized depreciation on equity investments.

The following table shows a reconciliation of the beginning and ending balances for Level 3 assets measured at fair value on a recurring basis for the nine months ended September 30, 2021:

	Nine months ended September 30, 2021				
	Debt Investments	Warrant Investments	Equity Investments	Other Investments	Total
	(In thousands)				
Level 3 assets, beginning of period	\$ 333,495	\$ 12,736	\$ 2,117	\$ 1,700	\$ 350,048
Purchase of investments	217,252	—	—	—	217,252
Warrants and equity received and classified as Level 3	—	2,313	—	—	2,313
Principal payments received on investments	(119,260)	—	—	—	(119,260)
Proceeds from sale of investments	(135)	(3,159)	—	(13)	(3,307)
Net realized (loss) gain on investments	(5,035)	2,566	—	—	(2,469)
Unrealized appreciation (depreciation) included in earnings	5,609	5,329	(1,682)	(362)	8,894
Transfer out of Level 3	—	(71)	(49)	—	(120)
Other	(1,990)	—	—	—	(1,990)
Level 3 assets, end of period	<u>\$ 429,936</u>	<u>\$ 19,714</u>	<u>\$ 386</u>	<u>\$ 1,325</u>	<u>\$ 451,361</u>

During the nine months ended September 30, 2021, there were two transfers out of Level 3. One transfer out of Level 3 related to warrants held in one portfolio company with an aggregate fair value of \$0.1 million that was transferred to Level 2 upon the portfolio company becoming a public company. One transfer out of Level 3 related to equity held in one portfolio company with an aggregate fair value of \$0.1 million that was transferred to Level 1 upon the portfolio company becoming a public company.

The change in unrealized appreciation included in the consolidated statement of operations attributable to Level 3 investments still held at September 30, 2021 includes \$0.3 million in unrealized depreciation on debt and other investments, \$6.3 million in unrealized appreciation on warrant investments and \$1.5 million in unrealized depreciation on equity investments.

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

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

As of September 30, 2022 and December 31, 2021, all of the balances of all the Company's financial instruments were recorded at fair value, except for the Company's borrowings, as previously described.

Market risk

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

Note 7. Borrowings

The following table shows the Company's borrowings as of September 30, 2022 and December 31, 2021:

	September 30, 2022			December 31, 2021		
	Total Commitment	Balance Outstanding	Unused Commitment	Total Commitment	Balance Outstanding	Unused Commitment
	(In thousands)					
Key Facility	\$ 125,000	\$ 67,500	\$ 57,500	\$ 125,000	\$ 53,500	\$ 71,500
NYL Facility	200,000	136,750	63,250	100,000	78,750	21,250
Asset-Backed Notes	43,461	43,461	—	70,500	70,500	—
2027 Notes	57,500	57,500	—	—	—	—
2026 Notes	57,500	57,500	—	57,500	57,500	—
Total before debt issuance costs	483,461	362,711	120,750	353,000	260,250	92,750
Unamortized debt issuance costs attributable to term borrowings	—	(3,700)	—	—	(2,637)	—
Total borrowings outstanding, net	<u>\$ 483,461</u>	<u>\$ 359,011</u>	<u>\$ 120,750</u>	<u>\$ 353,000</u>	<u>\$ 257,613</u>	<u>\$ 92,750</u>

As of September 30, 2022, with certain limited exceptions, the Company, as a BDC, is only allowed to borrow amounts such that the Company's asset coverage, as defined in the 1940 Act, is at least 150% after such borrowings. As of September 30, 2022, the asset coverage for borrowed amounts was 185%.

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The Company entered into the Key Facility with Key effective November 4, 2013. On June 22, 2021, the Company amended the Key Facility, among other things, to amend the interest rate applied to the outstanding principal balance and to extend the period during which we may request advances under the Key Facility to June 22, 2024. The Key Facility has an accordion feature which allows for an increase in the total loan commitment to \$150 million from the \$125 million commitment. The Key Facility is collateralized by all debt investments and warrants held by Credit II and permits an advance rate of up to 60% of eligible debt investments held by Credit II. The Key Facility contains covenants that, among other things, require the Company to maintain a minimum net worth and to restrict the debt investments securing the Key Facility to certain criteria for qualified debt investments and includes portfolio company concentration limits as defined in the related loan agreement. The Key Facility is scheduled to mature on June 22, 2026. Through June 21, 2021, the interest rate on the Key Facility was based upon the one-month LIBOR plus a spread of 3.25%, with a LIBOR floor of 1.00%. From and after June 30, 2021, the interest rate on the Key Facility is based on the rate of interest published in The Wall Street Journal as the prime rate in the United States plus 0.25%, with a prime rate floor of 4.25%. The prime rate was 6.25% and 3.25% on September 30, 2022 and December 31, 2021, respectively. The average interest rate for the three months ended September 30, 2022 and 2021 was 5.60% and 4.25%, respectively. The average interest rate for the nine months ended September 30, 2022 and 2021 was 4.75% and 4.25%, respectively. The Key Facility requires the payment of an unused line fee in an amount up to 0.50% on an annualized basis of any unborrowed amount available under the facility. As of September 30, 2022 and December 31, 2021, the Company had borrowing capacity under the Key Facility of \$57.5 million and \$71.5 million, respectively. At September 30, 2022 and December 31, 2021, \$28.0 million and \$19.8 million, respectively, was available for borrowing, subject to existing terms and advance rates.

On September 29, 2017, the Company issued and sold an aggregate principal amount of \$32.5 million of 6.25% notes due in 2022 and on October 11, 2017, pursuant to the underwriters' 30 day option to purchase additional notes, the Company sold an additional \$4.9 million of such notes (collectively, the "2022 Notes"). The 2022 Notes had a stated maturity of September 15, 2022 and were redeemable in whole or in part at the Company's option at any time or from time to time on or after September 15, 2019 at a redemption price of \$25 per security plus accrued and unpaid interest. The 2022 Notes bore interest at a rate of 6.25% per year, payable quarterly on March 15, June 15, September 15 and December 15 of each year. The 2022 Notes were the Company's direct unsecured obligations and (i) ranked equally in right of payment with the Company's current and future unsecured indebtedness; (ii) were senior in right of payment to any of the Company's future indebtedness that expressly provides it is subordinated to the 2022 Notes; (iii) were effectively subordinated to all of the Company's existing and future secured indebtedness (including indebtedness that is initially unsecured to which the Company subsequently grants security), to the extent of the value of the assets securing such indebtedness, and (iv) were structurally subordinated to all existing and future indebtedness and other obligations of any of the Company's subsidiaries. On April 24, 2021 (the "Redemption Date"), the Company redeemed all of the issued and outstanding 2022 Notes in an aggregate principal amount of \$37.4 million and paid accrued interest of \$0.3 million. The Company accelerated \$0.4 million of unamortized debt issuance costs related to the 2022 Notes. The 2022 Notes were delisted effective on the Redemption Date.

On March 30, 2021, the Company issued and sold an aggregate principal amount of \$57.5 million of 4.875% notes due in 2026 (the "2026 Notes"). The amount of 2026 Notes issued and sold included the full exercise by the underwriters of their option to purchase \$7.5 million aggregate principal of additional notes. The 2026 Notes have a stated maturity of March 30, 2026 and may be redeemed in whole or in part at the Company's option at any time or from time to time on or after March 30, 2023 at a redemption price of \$25 per security plus accrued and unpaid interest. The 2026 Notes bear interest at a rate of 4.875% per year, payable quarterly on March 30, June 30, September 30 and December 30 of each year. The 2026 Notes are the Company's direct unsecured obligations and (i) rank equally in right of payment with the Company's current and future unsecured indebtedness; (ii) are senior in right of payment to any of the Company's future indebtedness that expressly provides it is subordinated to the 2026 Notes; (iii) are effectively subordinated to all of the Company's existing and future secured indebtedness (including indebtedness that is initially unsecured to which the Company subsequently grants security), to the extent of the value of the assets securing such indebtedness, and (iv) are structurally subordinated to all existing and future indebtedness and other obligations of any of the Company's subsidiaries. As of September 30, 2022, the Company was in material compliance with the terms of the 2026 Notes. The 2026 Notes are listed on the New York Stock Exchange under the symbol "HTFB".

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On June 15, 2022, the Company issued and sold an aggregate principal amount of \$50.0 million of 6.25% notes due in 2027 and on July 11, 2022, pursuant to the underwriters' 30 day option to purchase additional notes, the Company sold an additional \$7.5 million of such notes (collectively, the "2027 Notes"). The 2027 Notes have a stated maturity of June 15, 2027 and may be redeemed in whole or in part at the Company's option at any time or from time to time on or after June 15, 2024 at a redemption price of \$25 per security plus accrued and unpaid interest. The 2027 Notes bear interest at a rate of 6.25% per year, payable quarterly on March 30, June 30, September 30 and December 30 of each year, commencing on September 30, 2022. The 2027 Notes are the Company's direct unsecured obligations and (i) rank equally in right of payment with the Company's current and future unsecured indebtedness; (ii) are senior in right of payment to any of the Company's future indebtedness that expressly provides it is subordinated to the 2027 Notes; (iii) are effectively subordinated to all of the Company's existing and future secured indebtedness (including indebtedness that is initially unsecured to which the Company subsequently grants security), to the extent of the value of the assets securing such indebtedness, and (iv) are structurally subordinated to all existing and future indebtedness and other obligations of any of the Company's subsidiaries. As of September 30, 2022, the Company was in material compliance with the terms of the 2027 Notes. The 2027 Notes are listed on the New York Stock Exchange under the symbol "HTFC".

On August 13, 2019, the Company completed a term debt securitization in connection with which an affiliate of the Company made an offering of the Asset-Backed Notes. The Asset-Backed Notes were rated A+(sf) by Morningstar Credit Ratings, LLC on August 13, 2019. There has been no change in the rating since August 13, 2019.

The Asset-Backed Notes were issued by the 2019-1 Trust pursuant to a note purchase agreement, dated as of August 13, 2019, by and among the Company and Keybank Capital Markets Inc. as Initial Purchaser, and are backed by a pool of loans made to certain portfolio companies of the Company and secured by certain assets of those portfolio companies and are to be serviced by the Company. Interest on the Asset-Backed Notes will be paid, to the extent of funds available, at a fixed rate of 4.21% per annum. The reinvestment period of the Asset-Backed Notes ended July 15, 2021 and the maturity date is September 15, 2027.

At September 30, 2022 and December 31, 2021, the Asset-Backed Notes had an outstanding principal balance of \$43.5 million and \$70.5 million, respectively.

Under the terms of the Asset-Backed Notes, the Company is required to maintain a reserve cash balance, funded through proceeds from the sale of the Asset-Backed Notes, which may be used to pay monthly interest and principal payments on the Asset-Backed Notes. The Company has segregated these funds and classified them as restricted investments in money market funds. At September 30, 2022 and December 31, 2021, there were approximately \$0.6 million and \$0.9 million of restricted investments, respectively.

On April 21, 2020, the Company purchased all of the limited liability company interests of Arena in HSLFI, which is a party to the NYL Facility. HFI entered into the NYL Facility with the NYL Noteholders for an aggregate purchase price of up to \$100.0 million, with an accordion feature of up to \$200.0 million at the mutual discretion and agreement of HSLFI and the NYL Noteholders. On June 1, 2018, HSLFI sold or contributed to HFI certain secured loans made to certain portfolio companies pursuant to the Sale and Servicing Agreement. Any notes issued by HFI are collateralized by all investments held by HFI and permit an advance rate of up to 67% of the aggregate principal amount of eligible debt investments. The notes were issued pursuant to the Indenture. The interest rate on the notes issued under the NYL Facility is based on the three year USD mid-market swap rate plus a margin of between 3.55% and 5.15% with an interest rate floor, depending on the rating of such notes at the time of issuance.

On February 25, 2022, the Company amended its NYL Facility, increasing the commitment by \$100.0 million to enable its wholly-owned subsidiary to issue up to \$200.0 million of secured notes. The amendment to the NYL Facility extends the investment period to June 2023 and the maturity date to June 2028. In addition, the amendment, among other things, reduces the applicable margin used to calculate the credit facility's interest rate on the Company's borrowings above \$100.0 million. Such borrowings will be priced at the three-year USD mid-market swap rate plus 3.00%.

There were \$136.8 million and \$78.8 million in advances made by the NYL Noteholders as of September 30, 2022 and December 31, 2021, respectively. The interest rate as of September 30, 2022 and December 31, 2021 was 5.11% and 4.62%, respectively. As of September 30, 2022 and December 31, 2021, the Company had borrowing capacity under the NYL Facility of \$63.2 million and \$21.2 million, respectively. At September 30, 2022 and December 31, 2021, \$49.2 million and \$5.7 million, respectively, was available for borrowing, subject to existing terms and advance rates.

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

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

The balance of unfunded commitments to extend credit was \$214.5 million and \$114.5 million as of September 30, 2022 and December 31, 2021, respectively. Commitments to extend credit consist principally of the unused portions of commitments that obligate the Company to extend credit, often subject to financial or non-financial milestones and other conditions to borrow that must be achieved before the commitment can be drawn. In addition, the commitments generally have fixed expiration dates or other termination clauses. Since commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

The following table provides the Company's unfunded commitments by portfolio company as of September 30, 2022:

	September 30, 2022	
	Principal Balance	Fair Value of Unfunded Commitment Liability
	(In thousands)	
Better Place Forests Co.	\$ 5,000	\$ 6
BrightInsight, Inc.	21,000	278
Britecore Holdings, Inc.	5,000	66
Canary Medical Inc.	2,500	34
Castle Creek Biosciences	4,000	72
Ceribell, Inc.	2,500	4
Divergent Technologies, Inc.	30,000	315
DropOff, Inc.	7,500	188
Embodiment, Inc.	2,000	20
Engage3, LLC	8,000	40
Hound Labs, Inc.	7,500	87
Interior Define, Inc.	5,000	65
KSQ Therapeutics, Inc.	10,000	100
Lytics, Inc.	1,250	—
Magnolia Medical Technologies, Inc.	10,000	122
Native Microbials, Inc.	8,750	64
Optoro, Inc.	15,000	38
PDS Biotechnology Corporation	10,000	158
Scientia Vascular, Inc.	10,000	110
Slingshot Aerospace, Inc.	5,000	64
Soli, Inc.	7,500	147
Sonex Health, Inc.	2,500	45
Swift Health Systems Inc.	25,500	105
Temperpack Technologies, Inc.	9,000	19
Total	\$ 214,500	\$ 2,147

The table above also provides the fair value of the Company's unfunded commitment liability as of September 30, 2022, which totaled \$2.1 million. The fair value at inception of the delay draw credit agreements is equal to the fees and/or warrants received to enter into these agreements, taking into account the remaining terms of the agreements and the counterparties' credit profile. The unfunded commitment liability reflects the fair value of these future funding commitments and is included in the Company's consolidated statement of assets and liabilities.

Horizon Technology Finance Corporation and Subsidiaries
Notes to Consolidated Financial Statements

Note 9. Concentrations of credit risk

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

The Company's largest debt investments may vary from period to period as new debt investments are recorded and existing debt investments are repaid. The Company's five largest debt investments, at cost, represented 22% and 26% of total debt investments outstanding as of September 30, 2022 and December 31, 2021, respectively. No single debt investment represented more than 10% of the total debt investments as of September 30, 2022 and December 31, 2021. Investment income, consisting of interest and fees, can fluctuate significantly upon repayment of large debt investments. Interest income from the five largest debt investments accounted for 18% and 21% of total interest and fee income on investments for the three months ended September 30, 2022 and 2021, respectively. Interest income from the five largest debt investments accounted for 18% and 13% of total interest and fee income on investments for the nine months ended September 30, 2022 and 2021, respectively.

Horizon Technology Finance Corporation and Subsidiaries
Notes to Consolidated Financial Statements

Note 10. Distributions

The Company's distributions are recorded on the declaration date. The following table summarizes the Company's distribution activity for the nine months ended September 30, 2022 and for the year ended December 31, 2021:

Date Declared	Record Date	Payment Date	Amount Per Share	Cash Distribution	DRIP Shares Issued	DRIP Share Value
(In thousands, except share and per share data)						
Nine Months Ended September 30, 2022						
7/29/2022	11/17/22	12/15/22	\$ 0.10	\$ —	—	\$ —
7/29/2022	10/18/22	11/15/22	0.10	—	—	—
7/29/2022	9/19/22	10/14/22	0.10	2,558	7,703	81
4/29/2022	8/18/22	9/15/22	0.10	2,528	4,925	60
4/29/2022	7/19/22	8/16/22	0.10	2,484	3,939	55
4/29/2022	6/17/22	7/15/22	0.10	2,434	4,286	51
2/25/2022	5/18/22	6/15/22	0.10	2,378	4,428	50
2/25/2022	4/19/22	5/16/22	0.10	2,349	4,088	49
2/25/2022	3/18/22	4/14/22	0.10	2,352	3,221	46
			<u>\$ 0.90</u>	<u>\$ 17,083</u>	<u>32,590</u>	<u>\$ 392</u>
Year Ended December 31, 2021						
10/22/21	2/18/22	3/16/22	\$ 0.10	\$ 2,100	3,409	\$ 46
10/22/21	1/19/22	2/16/22	0.10	2,096	2,680	43
10/22/21	12/17/21	1/14/22	0.10	2,031	3,417	56
10/22/21	11/18/21	12/15/21	0.05	1,013	1,197	20
7/23/21	11/18/21	12/15/21	0.10	2,027	2,395	38
7/23/21	10/19/21	11/16/21	0.10	2,010	1,907	34
7/23/21	9/17/21	10/15/21	0.10	2,008	2,068	36
4/23/21	8/18/21	9/15/21	0.10	1,996	2,041	34
4/23/21	7/20/21	8/16/21	0.10	1,983	1,937	34
4/23/21	6/17/21	7/16/21	0.10	1,964	1,888	33
2/26/21	5/18/21	6/15/21	0.10	1,964	1,671	29
2/26/21	4/20/21	5/14/21	0.10	1,937	1,794	29
2/26/21	3/18/21	4/16/21	0.10	1,938	1,653	28
			<u>\$ 1.25</u>	<u>\$ 25,067</u>	<u>28,057</u>	<u>\$ 460</u>

On October 28, 2022, the Board declared monthly distributions per share and a special dividend per share, payable as set forth in the following table:

Monthly distributions

Ex-Dividend Date	Record Date	Payment Date	Distributions Declared
December 16, 2022	December 19, 2022	January 13, 2023	\$ 0.11
January 17, 2023	January 18, 2023	February 15, 2023	\$ 0.11
February 16, 2023	February 17, 2023	March 15, 2023	\$ 0.11

Special distribution

Ex-Dividend Date	Record Date	Payment Date	Distributions Declared
November 16, 2022	November 17, 2022	December 15, 2022	\$ 0.05

After paying distributions of \$0.30 per share and earning net investment income of \$0.43 per share for the quarter, the Company's undistributed spillover income as of September 30, 2022 was \$0.67 per share. Spillover income includes any ordinary income and net capital gains from the preceding tax years that were not distributed during such tax years.

Horizon Technology Finance Corporation and Subsidiaries
Notes to Consolidated Financial Statements

Note 11. Financial highlights

The following table shows financial highlights for the Company:

	Nine months ended September 30,	
	2022	2021
(In thousands, except share and per share data)		
Per share data:		
Net asset value at beginning of period	\$ 11.56	\$ 11.02
Net investment income	1.06	1.02
Realized loss	(0.40)	(0.14)
Unrealized appreciation on investments	0.05	0.41
Net increase in net assets resulting from operations	0.71	1.29
Distributions declared (1)	(0.90)	(0.90)
From net investment income	(0.90)	(0.90)
From net realized gain on investments	—	—
Return of capital	—	—
Other (2)	0.29	0.22
Net asset value at end of period	\$ 11.66	\$ 11.63
Per share market value, beginning of period	\$ 15.92	\$ 13.24
Per share market value, end of period	\$ 10.01	\$ 16.26
Total return based on a market value (3)	(31.5)%	29.6%
Shares outstanding at end of period	26,393,773	20,425,175
Ratios to average net assets:		
Expenses without incentive value (4)	11.4%	10.6%
Incentive fees (4)	3.0%	3.0%
Net expenses (4)	14.4%	13.6%
Net investment income with incentive fees (4)	12.1%	12.1%
Net assets at the end of the period	\$ 307,687	\$ 237,590
Average net asset value	\$ 280,904	\$ 223,031
Average debt per share	\$ 13.32	\$ 11.07
Portfolio turnover ratio (5)	14.9%	29.0%

- (1) Distributions are determined based on taxable income calculated in accordance with income tax regulations, which may differ from amounts determined under GAAP due to (i) changes in unrealized appreciation and depreciation, (ii) temporary and permanent differences in income and expense recognition, and (iii) the amount of spillover income carried over from a given tax year for distribution in the following tax year. The final determination of taxable income for each tax year, as well as the tax attributes for distributions in such tax year, will be made after the close of the tax year.
- (2) Includes the impact of the different share amounts as a result of calculating per share data based on the weighted average basic shares outstanding during the period and certain per share data based on the shares outstanding as of a period end or transaction date. The issuance of common stock on a per share basis reflects the incremental net asset value changes as a result of the issuance of common stock in the Company's continuous public offering and pursuant to the Company's distribution reinvestment plan. The issuance of common stock at an offering price, net of sales commissions and dealer manager fees, that is greater than the net asset value per share results in an increase in net asset value per share.
- (3) The total return equals the change in the ending market value over the beginning of period price per share plus distributions paid per share during the period, divided by the beginning price.
- (4) Annualized.
- (5) Calculated by dividing the lesser of purchases or the sum of (1) principal prepayments and (2) maturities by the monthly average debt investment balance.

Horizon Technology Finance Corporation and Subsidiaries
Notes to Consolidated Financial Statements

Note 12. Subsequent Events

On October 21, 2022, the Company funded a \$0.4 million equity investment to an existing portfolio company, Emalex Biosciences, Inc.

On October 21, 2022, the Company funded a \$7.0 million debt investment to a new portfolio company, Robin Healthcare, Inc.

On October 26, 2022, the Company priced a securitization of secured debt investments through Horizon Funding Trust 2022-1, an indirect, bankruptcy-remote subsidiary of the Company. The Horizon Funding Trust 2022-1 securitization is a private securitization under Rule 144A and to persons outside the United States pursuant to Regulation S under the Securities Act in which the Company expects to sell a pool of loans with an aggregate principal balance of approximately \$160 million to a securitization trust and receive proceeds from the issuance and sale of \$100.0 million aggregate principal amount of rated notes with a coupon of 7.56% ("7.56% Notes"). Following pricing, total proceeds, including cash and securities, are expected to be \$98.8 million before fees and expenses. The transaction is scheduled to close on November 9, 2022, subject to customary closing conditions.

This disclosure does not constitute an offer to sell or a solicitation of an offer to buy any of the 7.56% Notes, nor shall there be any offer, solicitation or sale in any state or jurisdiction in which such an offer, solicitation or sale would be unlawful.

On October 28, 2022, the Company funded a \$2.5 million debt investment to an existing portfolio company, Sonex Health, Inc.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

In this quarterly report on Form 10-Q, except where the context suggests otherwise, the terms "we," "us," "our" and "Horizon Technology Finance" refer to Horizon Technology Finance Corporation and its consolidated subsidiaries. The information contained in this section should be read in conjunction with our consolidated financial statements and related notes thereto appearing elsewhere in this quarterly report on Form 10-Q.

Forward-looking statements

This quarterly report on Form 10-Q, including the Management's Discussion and Analysis of Financial Condition and Results of Operations, contains statements that constitute forward-looking statements, which relate to future events or our future performance or financial condition. These forward-looking statements are not historical facts, but rather are based on current expectations, estimates and projections about our industry, our beliefs and our assumptions. The forward-looking statements contained in this quarterly report on Form 10-Q involve risks and uncertainties, including statements as to:

- our future operating results, including the performance of our existing debt investments, warrants and other investments;
- the introduction, withdrawal, success and timing of business initiatives and strategies;
- general economic and political trends and other external factors, including the COVID-19 pandemic, continuing supply chain disruptions, increased inflation and a general slowdown in economic activity;
- the relative and absolute investment performance and operations of our investment advisor, Horizon Technology Finance Management LLC, or the Advisor;
- the impact of increased competition;
- the impact of investments we intend to make and future acquisitions and divestitures;
- the unfavorable resolution of legal proceedings;
- our business prospects and the prospects of our portfolio companies, including our and their ability to achieve our respective objectives as a result of the COVID-19 pandemic;
- the impact, extent and timing of technological changes and the adequacy of intellectual property protection;
- our regulatory structure and tax status;
- the impact of geopolitical conditions, including revolution, insurgency, terrorism or war, including those arising out of the ongoing conflict between Russia and Ukraine;
- our ability to qualify and maintain qualification as a regulated investment company, or RIC, and as a business development company, or BDC;
- the adequacy of our cash resources and working capital;
- the timing of cash flows, if any, from the operations of our portfolio companies;
- the impact of interest rate volatility on our results, particularly if we use leverage as part of our investment strategy;

- the ability of our portfolio companies to achieve their objective;
- the impact of legislative and regulatory actions and reforms and regulatory supervisory or enforcement actions of government agencies relating to us or our Advisor;
- our contractual arrangements and relationships with third parties;
- our ability to access capital and any future financings by us;
- the ability of our Advisor to attract and retain highly talented professionals;
- the impact of changes to tax legislation and, generally, our tax position; and
- our ability to fund unfunded commitments.

We use words such as “anticipates,” “believes,” “expects,” “intends,” “seeks” and similar expressions to identify forward-looking statements. Undue influence should not be placed on the forward looking statements as our actual results could differ materially from those projected in the forward-looking statements for any reason, including the factors in “Risk Factors” and elsewhere in our annual report on Form 10-K for the year ended December 31, 2021, and elsewhere in this quarterly report on Form 10-Q.

We have based the forward-looking statements included in this report on information available to us on the date of this report, and we assume no obligation to update any such forward-looking statements. Although we undertake no obligation to revise or update any forward-looking statements in this quarterly report on Form 10-Q, whether as a result of new information, future events or otherwise, you are advised to consult any additional disclosures that we may make directly to you or through reports that we in the future may file with the U.S. Securities and Exchange Commission, or the SEC, including periodic reports on Form 10-Q and Form 10-K and current reports on Form 8-K.

Overview

We are a specialty finance company that lends to and invests in development-stage companies in the technology, life science, healthcare information and services and sustainability industries, which we refer to as our “Target Industries.” Our investment objective is to maximize our investment portfolio’s total return by generating current income from the debt investments we make and capital appreciation from the warrants we receive when making such debt investments. We are focused on making secured debt investments, which we refer to collectively as “Venture Loans,” to venture capital and private equity backed companies and publicly traded companies in our Target Industries, which we refer to as “Venture Lending.” Our debt investments are typically secured by first liens or first liens behind a secured revolving line of credit, or collectively “Senior Term Loans.” Some of our debt investments may also be subordinated to term debt provided by third parties. As of September 30, 2022, 89.9%, or \$547.4 million, of our debt investment portfolio at fair value consisted of Senior Term Loans. Venture Lending is typically characterized by (1) the making of a secured debt investment after a venture capital or equity investment in the portfolio company has been made, which investment provides a source of cash to fund the portfolio company’s debt service obligations under the Venture Loan, (2) the senior priority of the Venture Loan which requires repayment of the Venture Loan prior to the equity investors realizing a return on their capital, (3) the amortization of the Venture Loan and (4) the lender’s receipt of warrants or other success fees with the making of the Venture Loan.

We are an externally managed, closed-end, non-diversified management investment company that has elected to be regulated as a business development company, or BDC, under the Investment Company Act of 1940, as amended, or the 1940 Act. In addition, for U.S. federal income tax purposes, we have elected to be treated as a regulated investment company, or RIC, under Subchapter M of the Internal Revenue Code of 1986, as amended, or the Code. As a BDC, we are required to comply with regulatory requirements, including limitations on our use of debt. We are permitted to, and expect to, finance our investments through borrowings subject to a 150% asset coverage test. As defined in the 1940 Act, asset coverage of 150% means that for every \$100 of net assets a BDC holds, it may raise up to \$200 from borrowing and issuing senior securities. The amount of leverage that we may employ will depend on our assessment of market conditions and other factors at the time of any proposed borrowing. As a RIC, we generally are not subject to corporate-level income taxes on our investment company taxable income, determined without regard to any deductions for dividends paid, and our net capital gain that we distribute as dividends for U.S. federal income tax purposes to our stockholders as long as we meet certain source-of-income, distribution, asset diversification and other requirements.

We were formed in March 2010 and completed an initial public offering.

Our investment activities, and our day-to-day operations, are managed by our Advisor and supervised by our board of directors, or the Board, of which a majority of the members are independent of us. Under an investment management agreement dated March 7, 2019, or the Investment Management Agreement, we have agreed to pay our Advisor a base management fee and an incentive fee for its advisory services to us. We have also entered into an administration agreement, or the Administration Agreement, with our Advisor under which we have agreed to reimburse our Advisor for our allocable portion of overhead and other expenses incurred by our Advisor in performing its obligations under the Administration Agreement.

Portfolio composition and investment activity

The following table shows our portfolio by type of investment as of September 30, 2022 and December 31, 2021:

	September 30, 2022			December 31, 2021		
	Number of Investments	Fair Value	Percentage of Total Portfolio	Number of Investments	Fair Value	Percentage of Total Portfolio
	(Dollars in thousands)					
Debt investments	57	\$ 609,032	96.0%	45	\$ 437,317	95.5%
Warrants	89	22,113	3.5	73	20,200	4.3
Other investments	2	1,300	0.2	2	200	0.1
Equity	5	2,179	0.3	3	358	0.1
Total		\$ 634,624	100.0%		\$ 458,075	100.0%

The following table shows total portfolio investment activity as of and for the three and nine months ended September 30, 2022 and 2021:

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
	(In thousands)			
Beginning portfolio	\$ 577,492	\$ 404,121	\$ 458,075	\$ 352,545
New debt investments	94,627	98,592	348,347	217,252
Less refinanced debt balances	—	—	(25,000)	—
Net new debt investments	94,627	98,592	323,347	217,252
Principal payments received on investments	(4,960)	(3,221)	(11,916)	(11,303)
Early pay-offs and principal paydowns	(22,000)	(50,367)	(77,517)	(107,957)
Accretion of debt investment fees	1,980	1,016	4,533	3,186
New debt investment fees	(1,474)	(962)	(4,259)	(2,332)
Proceeds from sale of investments	(6,255)	(1,553)	(49,681)	(5,285)
Net realized (loss) gain on investments	(8,228)	1,344	(9,127)	(1,882)
Net unrealized appreciation on investments	3,442	3,376	1,169	8,122
Ending portfolio	\$ 634,624	\$ 452,346	\$ 634,624	\$ 452,346

We receive payments on our debt investments based on scheduled amortization of the outstanding balances. In addition, we receive repayments of some of our debt investments prior to their scheduled maturity date. The frequency or volume of these repayments may fluctuate significantly from period to period.

The following table shows our debt investments by industry sector as of September 30, 2022 and December 31, 2021:

	September 30, 2022		December 31, 2021	
	Debt Investments at Fair Value	Percentage of Total Portfolio	Debt Investments at Fair Value	Percentage of Total Portfolio
(Dollars in thousands)				
Life Science				
Biotechnology	\$ 146,046	24.0%	\$ 106,809	24.4%
Medical Device	109,479	18.0	82,860	18.9
Technology				
Communications	22,606	3.7	22,576	5.2
Consumer-Related	105,135	17.2	90,678	20.8
Networking	13,187	2.2	17,026	3.9
Software	105,792	17.4	58,994	13.5
Sustainability				
Other Sustainability	76,095	12.5	46,092	10.5
Healthcare Information and Services				
Diagnostics	9,793	1.6	12,282	2.8
Other Healthcare	7,397	1.2	—	—
Software	13,502	2.2		
Total	\$ 609,032	100.0%	\$ 437,317	100.0%

The largest debt investments in our portfolio may vary from period to period as new debt investments are originated and existing debt investments are repaid. Our five largest debt investments represented 22% and 26% of total debt investments outstanding as of September 30, 2022 and December 31, 2021, respectively. No single debt investment represented more than 10% of our total debt investments as of September 30, 2022 and December 31, 2021.

Debt investment asset quality

We use an internal credit rating system which rates each debt investment on a scale of 4 to 1, with 4 being the highest credit quality rating and 3 being the rating for a standard level of risk. A rating of 2 represents an increased level of risk and, while no loss is currently anticipated for a 2-rated debt investment, there is potential for future loss of principal. A rating of 1 represents a deteriorating credit quality and a high degree of risk of loss of principal. Our internal credit rating system is not a national credit rating system. As of September 30, 2022 and December 31, 2021, our debt investments had a weighted average credit rating of 3.1 and 3.2, respectively. The following table shows the classification of our debt investment portfolio by credit rating as of September 30, 2022 and December 31, 2021:

Credit Rating	September 30, 2022			December 31, 2021		
	Number of Investments	Debt Investments at Fair Value	Percentage of Debt Investments	Number of Investments	Debt Investments at Fair Value	Percentage of Debt Investments
(Dollars in thousands)						
4	6	\$ 95,996	15.8%	9	\$ 104,863	24.0%
3	48	495,118	81.3	34	322,084	73.6
2	3	17,918	2.9	1	3,470	0.8
1	—	—	—	1	6,900	1.6
Total	57	\$ 609,032	100.0%	45	\$ 437,317	100.0%

As of September 30, 2022, there were no debt investments with an internal credit rating of 1. As of December 31, 2021, there was one debt investment with an internal credit rating of 1, with an aggregate cost of \$11.5 million and an aggregate fair value of \$6.9 million.

Consolidated results of operations

As a BDC and a RIC, we are subject to certain constraints on our operations, including limitations imposed by the 1940 Act and the Code. The consolidated results of operations described below may not be indicative of the results we report in future periods.

Comparison of the three months ended September 30, 2022 and 2021

The following table shows consolidated results of operations for the three months ended September 30, 2022 and 2021:

	For the three months ended September 30,	
	2022	2021
	(In thousands)	
Total investment income	\$ 23,254	\$ 16,367
Total expenses	12,018	8,264
Net investment income before excise tax	11,236	8,103
Provision for excise tax	100	56
Net investment income	11,136	8,047
Net realized (loss) gain	(8,585)	1,344
Net unrealized appreciation on investments	3,442	3,376
Net increase in net assets resulting from operations	\$ 5,993	\$ 12,767
Average debt investments, at fair value	\$ 583,184	\$ 403,220
Average gross assets less cash	\$ 634,614	\$ 436,808
Average borrowings outstanding	\$ 364,714	\$ 239,147

Net increase in net assets resulting from operations can vary substantially from period to period for various reasons, including, without limitation, the recognition of realized gains and losses and unrealized appreciation and depreciation on investments. As a result, quarterly comparisons of net increase in net assets resulting from operations may not be meaningful.

Investment income

Total investment income increased by \$6.9 million, or 42.1%, to \$23.3 million for the three months ended September 30, 2022 as compared to the three months ended September 30, 2021. For the three months ended September 30, 2022, total investment income consisted primarily of \$22.7 million in interest income from investments, which included \$5.5 million in income from the accretion of origination fees and end of term payments, or ETPs, and \$0.5 million in fee income. Interest income on debt investments increased by \$8.7 million, or 62.1%, to \$22.7 million, for the three months ended September 30, 2022 compared to the three months ended September 30, 2021. Interest income on debt investments for the three months ended September 30, 2022 as compared to the three months ended September 30, 2021 increased primarily due to an increase of \$180.0 million, or 44.6%, in the average size of our debt investment portfolio and in increase in Prime which is the base rate for most of our variable rate debt investments. Fee income, which includes success fee, other fee and prepayment fee income on debt investments, decreased by \$1.8 million, or 78.2%, to \$0.5 million for the three months ended September 30, 2022 compared to the three months ended September 30, 2021 primarily due to lower fee income earned on prepayments.

The following table shows our dollar-weighted annualized yield for the three months ended September 30, 2022 and 2021:

Investment type:	For the three months ended September 30,	
	2022	2021
Debt investments ⁽¹⁾	15.9%	16.2%
All investments ⁽¹⁾	15.3%	15.5%

(1) We calculate the dollar-weighted annualized yield on average investment type for any period as (1) total related investment income during the period divided by (2) the average of the fair value of the investment type outstanding on (a) the last day of the calendar month immediately preceding the first day of the period and (b) the last day of each calendar month during the period. The dollar-weighted annualized yield on average investment type is higher than what investors will realize because it does not reflect our expenses or any sales load paid by investors.

Investment income, consisting of interest income and fees on debt investments, can fluctuate significantly upon repayment of large debt investments. Interest income from the five largest debt investments in the aggregate accounted for 18% and 21% of investment income for the three months ended September 30, 2022 and 2021, respectively.

Expenses

Total expenses increased by \$3.8 million, or 45.4%, to \$12.0 million for the three months ended September 30, 2022 as compared to the three months ended September 30, 2021. Total expenses for each period consisted of interest expense, base management fee, incentive and administrative fees, professional fees and general and administrative expenses.

Interest expense increased by \$2.2 million, or 71.6%, to \$5.3 million for the three months ended September 30, 2022 as compared to the three months ended September 30, 2021. Interest expense, which includes the amortization of debt issuance costs, increased primarily due to an increase in average borrowings of \$125.6 million, or 52.5%, for the three months ended September 30, 2022 as compared to the three months ended September 30, 2021 and an increase in our effective cost of debt for the three months ended September 30, 2022 as compared to the three months ended September 30, 2021.

Base management fee expense increased by \$0.8 million, or 39.6%, to \$2.8 million for the three months ended September 30, 2022 as compared to the three months ended September 30, 2021. Base management fee increased primarily due to an increase of \$180.0 million, or 44.6%, in average debt investments for the three months ended September 30, 2022 as compared to the three months ended September 30, 2021.

Performance based incentive fee expense increased by \$0.8 million, or 38.4%, to \$2.8 million for the three months ended September 30, 2022 as compared to the three months ended September 30, 2021. This increase was due to an increase of \$3.9 million, or 38.4%, in Pre-Incentive Fee Net Investment Income for the three months ended September 30, 2022 compared to the three months ended September 30, 2021.

Administrative fee expense, professional fees and general and administrative expenses were \$1.1 for the three months ended September 30, 2022 and 2021.

Net realized gains and losses and net unrealized appreciation and depreciation

Realized gains or losses on investments are measured by the difference between the net proceeds from the repayment or sale and the cost basis of our investments without regard to unrealized appreciation or depreciation previously recognized. Realized gains or losses on investments include investments charged off during the period, net of recoveries. The net change in unrealized appreciation or depreciation on investments primarily reflects the change in portfolio investment fair values during the reporting period, including the reversal of previously recorded unrealized appreciation or depreciation when gains or losses are realized.

During the three months ended September 30, 2022, we realized net losses on investments totaling \$8.6 million primarily due to the settlement of one of our debt investments. During the three months ended September 30, 2021, we realized net gains on investments totaling \$1.3 million primarily due to the realized gain from the exercise and sale of two of our warrant investments.

During the three months ended September 30, 2022, net unrealized appreciation on investments totaled \$3.4 million which was primarily due the reversal of previously recorded unrealized depreciation from the settlement of one of our debt investments partially offset by the unrealized depreciation on our warrant and equity investments. During the three months ended September 30, 2021, net unrealized appreciation on investments totaled \$3.4 million which was primarily due to the unrealized appreciation on our warrant investments.

Comparison of the nine months ended September 30, 2022 and 2021

The following table shows consolidated results of operations for the nine months ended September 30, 2022 and 2021:

	For the nine months ended September 30,	
	2022	2021
	(In thousands)	
Total investment income	\$ 56,046	\$ 43,070
Total expenses	30,293	22,735
Net investment income before excise tax	25,753	20,335
Provision for excise tax	306	174
Net investment income	25,447	20,161
Net realized loss	(9,484)	(2,767)
Net unrealized appreciation on investments	1,169	8,122
Net increase in net assets resulting from operations	\$ 17,132	\$ 25,516
Average debt investments, at fair value	\$ 521,661	\$ 372,606
Average gross assets less cash	\$ 567,019	\$ 403,783
Average borrowings outstanding	\$ 319,623	\$ 219,531

Net increase in net assets resulting from operations can vary substantially from period to period for various reasons, including, without limitation, the recognition of realized gains and losses and unrealized appreciation and depreciation on investments. As a result, quarterly comparisons of net increase in net assets resulting from operations may not be meaningful.

Investment income

Total investment income increased by \$13.0 million, or 30.1%, to \$56.0 million the nine months ended September 30, 2022 as compared to the nine months ended September 30, 2021. For the nine months ended September 30, 2022, total investment income consisted primarily of \$54.3 million in interest income from investments, which included \$12.4 million in income from the accretion of origination fees and ETPs and \$1.7 million in fee income. Interest income on debt investments increased by \$15.1 million, or 38.6%, to \$54.3 million, for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021. Interest income on debt investments for the nine months ended September 30, 2022 as compared to the nine months ended September 30, 2021 increased primarily due to an increase of \$149.1 million, or 40.0%, in the average size of our debt investment portfolio offset by \$1.3 million in interest income received from the settlement of a debt investment previously on nonaccrual status collected during the nine months ended September 30, 2021. Fee income, which includes success fee, other fee and prepayment fee income on debt investments, decreased by \$2.2 million, or 55.6%, to \$1.7 million for the nine months ended September 30, 2022 compared the nine months ended September 30, 2021, primarily due to lower fee income earned on prepayments.

The following table shows our dollar-weighted annualized yield for the nine months ended September 30, 2022 and 2021:

Investment type:	For the nine months ended September 30,	
	2022	2021
Debt investments ⁽¹⁾	14.3%	15.4%
All investments ⁽¹⁾	13.7%	14.7%

(1) We calculate the dollar-weighted annualized yield on average investment type for any period as (1) total related investment income during the period divided by (2) the average of the fair value of the investment type outstanding on (a) the last day of the calendar month immediately preceding the first day of the period and (b) the last day of each calendar month during the period. The dollar-weighted annualized yield on average investment type is higher than what investors will realize because it does not reflect our expenses or any sales load paid by investors.

Investment income, consisting of interest income and fees on debt investments, can fluctuate significantly upon repayment of large debt investments. Interest income from the five largest debt investments in the aggregate accounted for 18% and 13%, respectively, of investment income for the nine months ended September 30, 2022 and 2021.

Expenses

Total expenses increased by \$7.6 million, or 33.2%, to \$30.3 million for the nine months ended September 30, 2022 as compared to the nine months ended September 30, 2021. Total expenses for each period consisted of interest expense, base management fee, incentive and administrative fees, professional fees and general and administrative expenses.

Interest expense increased by \$4.2 million, or 47.9%, to \$13.0 million for the nine months ended September 30, 2022 as compared to the nine months ended September 30, 2021. Interest expense, which includes the amortization of debt issuance costs, increased primarily due to an increase in average borrowings of \$100.1 million, or 45.6%, for the nine months ended September 30, 2022 as compared to the nine months ended September 30, 2021 and an increase in our effective cost of debt for the nine months ended September 30, 2022 as compared to the nine months ended September 30, 2021.

Base management fee expense increased by \$2.0 million, or 35.0%, to \$7.6 million for the nine months ended September 30, 2022 as compared to the nine months ended September 30, 2021. Base management fee increased primarily due to an increase of \$149.1 million, or 40.0%, in average debt investments for the nine months ended September 30, 2022 as compared to the nine months ended September 30, 2021.

Performance based incentive fee expense increased by \$1.3 million, or 26.1%, to \$6.4 million for the nine months ended September 30, 2022 as compared to the nine months ended September 30, 2021. This increase was due to an increase of \$6.6 million, or 26.2%, in Pre-Incentive Fee Net Investment Income for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021.

Administrative fee expense, professional fees and general and administrative expenses were \$3.4 million and \$3.3 million for the nine months ended September 30, 2022 and 2021.

Net realized gains and losses and net unrealized appreciation and depreciation

Realized gains or losses on investments are measured by the difference between the net proceeds from the repayment or sale and the cost basis of our investments without regard to unrealized appreciation or depreciation previously recognized. Realized gains or losses on investments include investments charged off during the period, net of recoveries. The net change in unrealized appreciation or depreciation on investments primarily reflects the change in portfolio investment fair values during the reporting period, including the reversal of previously recorded unrealized appreciation or depreciation when gains or losses are realized.

During the nine months ended September 30, 2022, we realized net losses on investments totaling \$9.5 million primarily due the settlement of one of our debt investments and the settlement of one of our other investments. During the nine months ended September 30, 2021, we realized net losses on investments totaling \$2.4 million primarily due to the realized loss on the settlement of one of our debt investments partially offset by 1) the realized gain from the consideration we received from the termination of warrants upon the initial public offering of one portfolio company and 2) the realized gain from the consideration we received from exercise and sale of three of our warrant investments. During the same period, we elected to exercise our option to redeem, in full, our 2022 Notes at par plus accrued and unpaid interest which resulted in a realized loss on debt extinguishment of \$0.4 million.

During the nine months ended September 30, 2022, net unrealized appreciation on investments totaled \$1.2 million which was primarily due to the reversal of previously recorded unrealized depreciation from the settlement of one of our debt investments and the settlement of one of our other investments partially offset by (1) the unrealized depreciation on one of our debt investments and (2) the unrealized depreciation on our equity investments. During the nine months ended September 30, 2021, net unrealized appreciation on investments totaled \$8.1 million which was primarily due to (1) the reversal of previously recorded unrealized depreciation from the settlement of one of our debt investments and (2) the unrealized appreciation on our warrant investments partially offset by the unrealized depreciation on one of our equity investments.

Liquidity and capital resources

As of September 30, 2022 and December 31, 2021, we had cash and investments in money market funds of \$31.6 million and \$45.9 million, respectively. Cash and investments in money market funds are available to fund new investments, reduce borrowings, pay expenses, repurchase common stock and pay distributions. In addition, as of September 30, 2022 and December 31, 2021, we had \$1.6 million and \$1.4 million, respectively, of restricted investments in money market funds. Restricted investments in money market funds may be used to make monthly interest and principal payments on our term debt securitization in connection with which an affiliate of ours made an offering of \$100.0 million in aggregate principal amount of fixed rate asset-backed notes that were issued in conjunction with the \$160.0 million securitization of secured loans the Company completed on August 13, 2019, or the Asset-Backed Notes, or our Note Funding Agreement, or the NYL Facility and our revolving credit facility with KeyBank National Association, or the Key Facility, together with the NYL Facility, the Credit Facilities, and issuance of our public debt offerings.

On July 30, 2020, we entered into an At-The-Market, or ATM, sales agreement, or the 2020 Equity Distribution Agreement, with Goldman Sachs & Co. LLC and B. Riley FBR, Inc., each a Sales Agent and, collectively, the Sales Agents. The 2020 Equity Distribution Agreement provided that we may offer and sell shares of common stock from time to time through the Sales Agents representing up to \$100.0 million worth of our common stock, in amounts and at times to be determined by us.

On August 2, 2021, we terminated the 2020 Equity Distribution Agreement and entered into a new ATM sales agreement, or the 2021 Equity Distribution Agreement with the Sales Agents. The remaining shares available under the 2020 Equity Distribution Agreement are no longer available for issuance. The 2021 Equity Distribution Agreement provides that we may offer and sell our shares from time to time through the Sales Agents up to \$100.0 million worth of our common stock, in amounts and at times to be determined by us. Sales of our common stock, if any, may be made in negotiated transactions or transactions that are deemed to be “at-the-market,” as defined in Rule 415 under the Securities Act, including sales made directly on the NASDAQ or similar securities exchange or sales made to or through a market maker other than on an exchange, at prices related to the prevailing market prices or at negotiated prices.

During the three months ended September 30, 2022, we sold 1,523,519 shares of common stock under the 2021 Equity Distribution Agreement. For the same period, we received total accumulated net proceeds of approximately \$19.0 million, including \$0.4 million of offering expenses, from these sales.

During the three months ended September 30, 2021, we sold 395,068 shares of common stock under the 2020 Equity Distribution Agreement and the 2021 Equity Distribution Agreement. For the same period, we received total accumulated net proceeds of approximately \$6.6 million, including \$0.2 million of offering expenses, from these sales.

During the nine months ended September 30, 2022, we sold 2,641,920 shares of common stock under the 2021 Equity Distribution Agreement. For the same period, we received total accumulated net proceeds of approximately \$33.2 million, including \$0.6 million of offering expenses, from these sales.

During the nine months ended September 30, 2021, we sold 1,122,516 shares of common stock under the 2020 Equity Distribution Agreement and the 2021 Equity Distribution Agreement. For the same period, we received total accumulated net proceeds of approximately \$17.3 million, including \$0.5 million of offering expenses, from these sales.

On April 29, 2022, our Board extended a previously authorized stock repurchase program which allows us to repurchase up to \$5.0 million of our common stock at prices below our NAV per share as reported in our most recent consolidated financial statements. Under the repurchase program, we may, but are not obligated to, repurchase shares of our outstanding common stock in the open market or in privately negotiated transactions from time to time. Any repurchases by us will comply with the requirements of Rule 10b-18 under the Exchange Act and any applicable requirements of the 1940 Act. Unless extended by our Board, the repurchase program will terminate on the earlier of June 30, 2023 or the repurchase of \$5.0 million of our common stock. During the three and nine months ended September 30, 2022 and 2021, we did not make any repurchases of our common stock. From the inception of the stock repurchase program through September 30, 2022, we repurchased 167,465 shares of our common stock at an average price of \$11.22 on the open market at a total cost of \$1.9 million.

At September 30, 2022 and December 31, 2021, the outstanding principal balance under our Key Facility, was \$67.5 million and \$53.5 million, respectively. As of September 30, 2022 and December 31, 2021, we had borrowing capacity under the Key Facility of \$57.5 million and \$71.5 million, respectively. At September 30, 2022 and December 31, 2021, \$28.0 million and \$19.8 million, respectively, were available for borrowing, subject to existing terms and advance rates.

At September 30, 2022 and December 31, 2021, the outstanding principal balance under the NYL Facility was \$136.8 million and \$78.8 million, respectively. As of September 30, 2022 and December 31, 2021, we had borrowing capacity under the NYL Facility of \$63.2 million and \$21.2 million, respectively. At September 30, 2022 and December 31, 2021, \$49.2 million and \$5.7, respectively, was available, subject to existing terms and advance rates.

Our operating activities used cash of \$160.9 million for the nine months ended September 30, 2022, and our financing activities provided cash of \$146.8 million for the same period. Our operating activities used cash to purchase investments in portfolio companies partially offset by principal payments received on our debt investments. Our financing activities provided cash primarily from the issuance of the 2027 Notes (as defined below), the completion of a follow-on public offering of 2.5 million shares of common stock for net proceeds of \$34.3 million, after deducting underwriting commission and discounts and other offering expenses and advances on our Credit Facilities, partially offset by cash used to repay a portion of the outstanding principal under our Key Facility, to repay our Asset-Backed Notes and to pay distributions to our stockholders.

Our operating activities used cash of \$73.7 million for the nine months ended September 30, 2021, and our financing activities provided cash of \$70.3 million for the same period. Our operating activities used cash to purchase investments in portfolio companies partially offset by principal payments received on our debt investments. Our financing activities provided cash primarily from the issuance of the 2026 Notes (as defined below), advances on our Credit Facilities and the sale of shares through our ATM for net proceeds of \$17.3 million, after deducting underwriting commission and discounts and other offering expenses, partially offset by cash used to repay our Key Facility and pay distributions to our stockholders.

Our primary use of available funds is to make debt investments in portfolio companies and for general corporate purposes. We expect to raise additional equity and debt capital opportunistically as needed and, subject to market conditions, to support our future growth to the extent permitted by the 1940 Act.

In order to remain subject to taxation as a RIC, we intend to distribute to our stockholders all or substantially all of our investment company taxable income. In addition, as a BDC, we are required to maintain asset coverage of at least 150%. This requirement limits the amount that we may borrow.

We believe that our current cash, cash generated from operations, and funds available from our Credit Facilities will be sufficient to meet our working capital and capital expenditure commitments for at least the next 12 months.

Current borrowings

The following table shows our borrowings as of September 30, 2022 and December 31, 2021:

	September 30, 2022			December 31, 2021		
	Total Commitment	Balance Outstanding	Unused Commitment	Total Commitment	Balance Outstanding	Unused Commitment
	(In thousands)					
Key Facility	\$ 125,000	\$ 67,500	\$ 57,500	\$ 125,000	\$ 53,500	\$ 71,500
NYL Facility	200,000	136,750	63,250	100,000	78,750	21,250
Asset-Backed Notes	43,461	43,461	—	70,500	70,500	—
2027 Notes	57,500	57,500	—	—	—	—
2026 Notes	57,500	57,500	—	57,500	57,500	—
Total before debt issuance costs	483,461	362,711	120,750	353,000	260,250	92,750
Unamortized debt issuance costs attributable to term borrowings	—	(3,700)	—	—	(2,637)	—
Total borrowings outstanding, net	<u>\$ 483,461</u>	<u>\$ 359,011</u>	<u>\$ 120,750</u>	<u>\$ 353,000</u>	<u>\$ 257,613</u>	<u>\$ 92,750</u>

We entered into the Key Facility effective November 4, 2013. Through June 21, 2021, the interest rate on the Key Facility was based upon the one-month LIBOR plus a spread of 3.25%, with a LIBOR floor of 1.00%. From and after September 30, 2021, the interest rate on the Key Facility is based on the rate of interest published in The Wall Street Journal as the prime rate in the United States plus 0.25%, with a prime rate floor of 4.25%. The prime rate was 6.25% and 3.25% as of September 30, 2022 and December 31, 2021, respectively. The interest rates in effect were 6.50% and 4.25% as of September 30, 2022 and December 31, 2021, respectively. The Key Facility requires the payment of an unused line fee in an amount equal to 0.50% of any unborrowed amount available under the facility annually.

The Key Facility has an accordion feature which allows for an increase in the total loan commitment to \$150 million. On June 22, 2021, we amended the Key Facility, among other things, to amend the interest rate applied to the outstanding principal balance and to extend the period during which we may request advances under the Key Facility, or the Revolving Period, to June 22, 2024. The Key Facility is collateralized by debt investments held by Credit II and permits an advance rate of up to sixty percent (60%) of eligible debt investments held by Credit II. The Key Facility contains covenants that, among other things, require us to maintain a minimum net worth, to restrict the debt investments securing the Key Facility to certain criteria for qualified debt investments and to comply with portfolio company concentration limits as defined in the related loan agreement. After the Revolving Period, we may not request new advances, and we must repay the outstanding advances under the Key Facility as of such date, at such times and in such amounts as are necessary to maintain compliance with the terms and conditions of the Key Facility, particularly the condition that the principal balance of the Key Facility not exceed sixty percent (60%) of the aggregate principal balance of our eligible debt investments to our portfolio companies. The maturity of the Key Facility, the date on which all outstanding advances under the Key Facility are due and payable, is on June 22, 2026.

On September 29, 2017, we issued and sold an aggregate principal amount of \$32.5 million of the 2022 Notes, and on October 11, 2017, pursuant to the underwriters' 30-day option to purchase additional notes, we sold an additional \$4.9 million of the 2022 Notes. The 2022 Notes had a stated maturity of September 15, 2022 and could be redeemed in whole or in part at our option at any time or from time to time on or after September 15, 2019 at a redemption price of \$25 per security plus accrued and unpaid interest. The 2022 Notes bore interest at a rate of 6.25% per year payable quarterly on March 15, June 15, September 15 and December 15 of each year. The 2022 Notes were our direct, unsecured obligations and (1) ranked equally in right of payment with our current and future unsecured indebtedness; (2) were senior in right of payment to any of our future indebtedness that expressly provided it is subordinated to the 2022 Notes; (3) were effectively subordinated to all of our existing and future secured indebtedness (including indebtedness that was initially unsecured to which we subsequently grant security), to the extent of the value of the assets securing such indebtedness and (4) were structurally subordinated to all existing and future indebtedness and other obligations of any of our subsidiaries. On April 24, 2021, or the Redemption Date, we redeemed all of the issued and outstanding 2022 Notes in an aggregate principal amount of \$37.4 million and paid accrued interest of \$0.3 million. The 2022 Notes were delisted effective on the Redemption Date.

On March 30, 2021, we issued and sold an aggregate principal amount of \$57.5 million of 4.875% notes due in 2026, or the 2026 Notes. The amount of 2026 Notes issued and sold included the full exercise by the underwriters of their option to purchase \$7.5 million aggregate principal of additional notes. The 2026 Notes have a stated maturity of March 30, 2026 and may be redeemed in whole or in part at our option at any time or from time to time on or after March 30, 2023 at a redemption price of \$25 per security plus accrued and unpaid interest. The 2026 Notes bear interest at a rate of 4.875% per year, payable quarterly on March 30, June 30, September 30 and December 30 of each year. The 2026 Notes are our direct unsecured obligations and (i) rank equally in right of payment with our current and future unsecured indebtedness; (ii) are senior in right of payment to any of our future indebtedness that expressly provides it is subordinated to the 2026 Notes; (iii) are effectively subordinated to all of our existing and future secured indebtedness (including indebtedness that is initially unsecured to which we subsequently grants security), to the extent of the value of the assets securing such indebtedness, and (iv) are structurally subordinated to all existing and future indebtedness and other obligations of any of our subsidiaries. As of September 30, 2022, we were in material compliance with the terms of the 2026 Notes. The 2026 Notes are listed on the New York Stock Exchange under the symbol “HTFB”.

On June 15, 2022, we issued and sold an aggregate principal amount of \$50.0 million of 6.25% notes due in 2027 and on July 11, 2022, pursuant to the underwriters’ 30 day option to purchase additional notes, we sold an additional \$7.5 million of such notes, or collectively, the 2027 Notes. The 2027 Notes have a stated maturity of June 15, 2027 and may be redeemed in whole or in part at our option at any time or from time to time on or after June 15, 2024 at a redemption price of \$25 per security plus accrued and unpaid interest. The 2027 Notes bear interest at a rate of 6.25% per year, payable quarterly on March 30, June 30, September 30 and December 30 of each year, commencing on September 30, 2022. The 2027 Notes are our direct unsecured obligations and (i) rank equally in right of payment with our current and future unsecured indebtedness; (ii) are senior in right of payment to any of our future indebtedness that expressly provides it is subordinated to the 2027 Notes; (iii) are effectively subordinated to all of our existing and future secured indebtedness (including indebtedness that is initially unsecured to which we subsequently grants security), to the extent of the value of the assets securing such indebtedness, and (iv) are structurally subordinated to all existing and future indebtedness and other obligations of any of our subsidiaries. As of September 30, 2022, we were in material compliance with the terms of the 2027 Notes. The 2027 Notes are listed on the New York Stock Exchange under the symbol “HTFC”.

On August 13, 2019, the Asset-Backed Notes were issued by the 2019-1 Trust pursuant to a note purchase agreement, dated as of August 13, 2019, by and among us and Keybank Capital Markets Inc. as Initial Purchaser, and are backed by a pool of loans made to certain portfolio companies of ours and secured by certain assets of those portfolio companies and are to be serviced by us. Interest on the Asset-Backed Notes will be paid, to the extent of funds available, at a fixed rate of 4.21% per annum. The Asset-Backed Notes have a two-year reinvestment period and a stated maturity of September 15, 2027. The Asset-Backed Notes were rated A+(sf) by Morningstar Credit Ratings, LLC on August 13, 2019. There has been no change in the rating since August 13, 2019.

At September 30, 2022, and December 31, 2021, the Asset-Backed Notes had an outstanding principal balance of \$43.5 million and \$70.5 million, respectively.

Under the terms of the Asset-Backed Notes, we are required to maintain a reserve cash balance, funded through proceeds from the sale of the Asset-Backed Notes, which may be used to pay monthly interest and principal payments on the Asset-Backed Notes. The Company has segregated these funds and classified them as restricted investments in money market funds. At September 30, 2022, and December 31, 2021, there were approximately \$0.6 million and \$0.9 million, respectively, of restricted investments.

On April 21, 2020, we purchased all of the limited liability company interests of Arena in HSLFI. HFI is a wholly-owned subsidiary of HSLFI. HFI entered into the NYL Facility with the NYL Noteholders for an aggregate purchase price of up to \$100.0 million, with an accordion feature of up to \$200.0 million at the mutual discretion and agreement of HSLFI and the NYL Noteholders. On June 1, 2018, HSLFI sold or contributed to HFI certain secured loans made to certain portfolio companies pursuant to the Sale and Servicing Agreement. Any notes issued by HFI are collateralized by all investments held by HFI and permit an advance rate of up to 67% of the aggregate principal amount of eligible debt investments.

On February 25, 2022, the Company amended its NYL Facility, increasing the commitment by \$100 million to enable its wholly-owned subsidiary to issue up to \$200 million of secured notes. The amendment to the facility extends the investment period to June 2023 and the maturity date to June 2028. In addition, the amendment, among other things, reduces the applicable margin used to calculate the credit facility's interest rate on the Company's borrowings above \$100 million. Such borrowings will be priced at the three-year USD mid-market swap rate plus 3.00%.

Under the terms of the NYL Facility, we are required to maintain a reserve cash balance, which may be used to pay monthly interest and principal payments on the NYL Facility. The Company has segregated these funds and classified them as restricted investments in money market funds. At September 30, 2022, and December 31, 2021, there were approximately \$1.0 million and \$0.5 million, respectively, of restricted investments.

There were \$136.8 million and \$78.8 million in notes issued to the NYL Noteholders as of September 30, 2022 and December 31, 2021, respectively, at an interest rate of 5.11% and 4.62%, respectively. As of September 30, 2022 and December 31, 2021, the Company had borrowing capacity under the NYL Facility of \$63.2 million and \$21.2 million, respectively. At September 30, 2022 and December 31, 2021, \$49.2 million and \$5.7 million, respectively, was available for borrowing, subject to existing terms and advance rates.

Other assets

As of September 30, 2022 and December 31, 2021, other assets were \$2.6 million and \$2.5 million, respectively, which is primarily comprised of debt issuance costs and prepaid expenses.

Contractual obligations and off-balance sheet arrangements

The following table shows our significant contractual payment obligations and off-balance sheet arrangements as of September 30, 2022:

	Payments due by period				
	Total	Less than 1 year	1 – 3 Years	3 – 5 Years	After 5 years
	(In thousands)				
Borrowings	\$ 362,711	\$ 6,412	\$ 161,657	\$ 194,642	\$ —
Unfunded commitments	214,500	161,000	53,500	—	—
Total	\$ 577,211	\$ 167,412	\$ 215,157	\$ 194,642	\$ —

In the normal course of business, we are party to financial instruments with off-balance sheet risk. These consist primarily of unfunded commitments to extend credit, in the form of loans, to our portfolio companies. Unfunded commitments to provide funds to portfolio companies are not reflected on our balance sheet. Our unfunded commitments may be significant from time to time. As of September 30, 2022, we had such unfunded commitments of \$214.5 million. This includes no undrawn revolver commitments. These commitments are subject to the same underwriting and ongoing portfolio maintenance requirements as are the financial instruments that we hold on our balance sheet. In addition, these commitments are often subject to financial or non-financial milestones and other conditions to borrow that must be achieved before the commitment can be drawn. Since these commitments may expire without being drawn upon, the total commitment amount does not necessarily represent future cash requirements. We regularly monitor our unfunded commitments and anticipated refinancings, maturities and capital raising, to ensure that we have sufficient liquidity to fund such unfunded commitments. As of September 30, 2022, we reasonably believed that our assets would provide adequate financial resources to satisfy all of our unfunded commitments.

In addition to the Credit Facilities, we have certain commitments pursuant to our Investment Management Agreement entered into with our Advisor. We have agreed to pay a fee for investment advisory and management services consisting of two components (1) a base management fee equal to a percentage of the value of our gross assets less cash or cash equivalents, and (2) a two-part incentive fee. We have also entered into a contract with our Advisor to serve as our administrator. Payments under the Administration Agreement are equal to an amount based upon our allocable portion of our Advisor's overhead in performing its obligations under the agreement, including rent, fees and other expenses inclusive of our allocable portion of the compensation of our Chief Financial Officer and Chief Compliance Officer and their respective staffs. See Note 3 to our consolidated financial statements for additional information regarding our Investment Management Agreement and our Administration Agreement.

Distributions

In order to qualify and be subject to tax as a RIC, we must meet certain source-of-income, asset diversification and annual distribution requirements. Generally, in order to qualify as a RIC, we must derive at least 90% of our gross income for each tax year from dividends, interest, payments with respect to certain securities, loans, gains from the sale or other disposition of stock, securities or foreign currencies, income derived from certain publicly traded partnerships, or other income derived with respect to our business of investing in stock or other securities. We must also meet certain asset diversification requirements at the end of each quarter of each tax year. Failure to meet these diversification requirements on the last day of a quarter may result in us having to dispose of certain investments quickly in order to prevent the loss of RIC status. Any such dispositions could be made at disadvantageous prices or times, and may cause us to incur substantial losses.

In addition, in order to be subject to tax as a RIC and to avoid the imposition of corporate-level tax on the income and gains we distribute to our stockholders in respect of any tax year, we are required under the Code to distribute as dividends to our stockholders out of assets legally available for distribution each tax year an amount generally at least equal to 90% of the sum of our net ordinary income and net short-term capital gains in excess of net long-term capital losses, if any. Additionally, in order to avoid the imposition of a U.S. federal excise tax, we are required to distribute, in respect of each calendar year, dividends to our stockholders of an amount at least equal to the sum of 98% of our calendar year net ordinary income (taking into account certain deferrals and elections); 98.2% of our capital gain net income (adjusted for certain ordinary losses) for the one year period ending on October 31 of such calendar year; and any net ordinary income and capital gain net income for preceding calendar years that were not distributed during such calendar years and on which we previously did not incur any U.S. federal income tax. If we fail to qualify as a RIC for any reason and become subject to corporate tax, the resulting corporate taxes could substantially reduce our net assets, the amount of income available for distribution and the amount of our distributions. Such a failure would have a material adverse effect on us and our stockholders. In addition, we could be required to recognize unrealized gains, incur substantial taxes and interest and make substantial distributions in order to re-qualify as a RIC. We cannot assure stockholders that they will receive any distributions.

To the extent our taxable earnings in a tax year fall below the total amount of our distributions made to stockholders in respect of such tax year, a portion of those distributions may be deemed a return of capital to our stockholders for U.S. federal income tax purposes. Thus, the source of a distribution to our stockholders may be the original capital invested by the stockholder rather than our income or gains. Stockholders should review any written disclosure accompanying a distribution payment carefully and should not assume that the source of any distribution is our ordinary income or gains.

We have adopted an “opt out” dividend reinvestment plan, or DRIP, for our common stockholders. As a result, if we declare a distribution, then stockholders’ cash distributions will be automatically reinvested in additional shares of our common stock unless a stockholder specifically “opts out” of our DRIP. If a stockholder opts out, that stockholder will receive cash distributions. Although distributions paid in the form of additional shares of our common stock will generally be subject to U.S. federal, state and local taxes, stockholders participating in our DRIP will not receive any corresponding cash distributions with which to pay any such applicable taxes. If our common stock is trading above NAV, a stockholder receiving distributions in the form of additional shares of our common stock will be treated as receiving a distribution of an amount equal to the fair market value of such shares of our common stock. We may use newly issued shares to implement the DRIP, or we may purchase shares in the open market in connection with our obligations under the DRIP.

Related party transactions

We have entered into the Investment Management Agreement with the Advisor. The Advisor is registered as an investment adviser under the Investment Advisers Act of 1940, as amended. Our investment activities are managed by the Advisor and supervised by the Board, the majority of whom are independent directors. Under the Investment Management Agreement, we have agreed to pay the Advisor a base management fee as well as an incentive fee. During the three months ended September 30, 2022 and 2021, the Advisor earned \$5.6 million and \$4.0 million, respectively, pursuant to the Investment Management Agreement. During the nine months ended September 30, 2022 and 2021, the Advisor earned \$13.9 million and \$10.6 million, respectively, pursuant to the Investment Management Agreement.

Horizon Technology Finance Principals LLC f/k/a Horizon Technology Finance, LLC, or HTF Principals, owns more than seventy percent (70%) of the Advisor. Our Chief Executive Officer, Robert D. Pomeroy Jr. and our President, Gerald A. Michaud own one hundred percent (100%) of HTF Principals. By virtue of their ownership interest in HTF Principals, Mr. Pomeroy and Mr. Michaud control our Advisor.

We have also entered into the Administration Agreement with the Advisor. Under the Administration Agreement, we have agreed to reimburse the Advisor for our allocable portion of overhead and other expenses incurred by the Advisor in performing its obligations under the Administration Agreement, including rent and our allocable portion of the costs of compensation and related expenses of our Chief Financial Officer and Chief Compliance Officer and their respective staffs. In addition, pursuant to the terms of the Administration Agreement the Advisor provides us with the office facilities and administrative services necessary to conduct our day-to-day operations. During the three months ended September 30, 2022 and 2021, the Advisor earned \$0.4 million and \$0.3 million, respectively, pursuant to the Administration Agreement. During the nine months ended September 30, 2022 and 2021, the Advisor earned \$1.1 million and \$0.8 million, respectively, pursuant to the Administration Agreement.

HTF Principals has granted the Company a non-exclusive, royalty-free license to use the name “Horizon Technology Finance.”

We believe that we derive substantial benefits from our relationship with our Advisor. Our Advisor may manage other investment vehicles, or Advisor Funds, with the same investment strategy as us. The Advisor may provide us an opportunity to co-invest with the Advisor Funds. Under the 1940 Act, absent receipt of exemptive relief from the SEC, we and our affiliates are precluded from co-investing in negotiated investments. On November 27, 2017, we were granted exemptive relief from the SEC which permits us to co-invest with Advisor Funds, subject to certain conditions.

Critical accounting policies

The discussion of our financial condition and results of operation is based upon our financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles, or GAAP. The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Changes in the economic environment, financial markets and any other parameters used in determining such estimates could cause actual results to differ. In addition to the discussion below, we describe our significant accounting policies in the notes to our consolidated financial statements.

We have identified the following items as critical accounting policies.

Valuation of investments

Investments are recorded at fair value. Prior to July 30, 2022, the Board determined the fair value of our investments. Pursuant to the amended SEC Rule 2a-5 of the 1940 Act, on July 29, 2022, the Board designated the Advisor as our “valuation designee.” The Board is responsible for oversight of the valuation designee. The valuation designee has established a Valuation Committee to determine in good faith the fair value of our investments, based on input of our Advisor’s management and personnel and independent valuation firms which are engaged at the direction of the Valuation Committee to assist in the valuation of certain portfolio investments lacking a readily available market quotation at least once during a trailing twelve-month period. The Valuation Committee determines fair values pursuant to a valuation policy approved by the Board and pursuant to a consistently applied valuation process. This valuation process is conducted at the end of each fiscal quarter, with at least 25% (based on fair value) of our valuation of portfolio companies lacking readily available market quotations subject to review by an independent valuation firm. We apply fair value to substantially all of our investments in accordance with Topic 820, *Fair Value Measurement*, of the Financial Accounting Standards Board’s, or FASB’s, Accounting Standards Codification as amended, or ASC, which establishes a framework used to measure fair value and requires disclosures for fair value measurements. We have categorized our investments carried at fair value, based on the priority of the valuation technique, into a three-level fair value hierarchy. Fair value is a market-based measure considered from the perspective of the market participant who holds the financial instrument rather than an entity specific measure. Therefore, when market assumptions are not readily available, our assumptions are set to reflect those that we believe market participants would use in pricing the financial instrument at the measurement date.

The availability of observable inputs can vary depending on the financial instrument and is affected by a wide variety of factors, including, for example, the type of product, whether the product is new, whether the product is traded on an active exchange or in the secondary market and the current market conditions. To the extent that the valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. The three categories within the hierarchy are as follows:

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

Income recognition

Interest on debt investments is accrued and included in income based on contractual rates applied to principal amounts outstanding. Interest income is determined using a method that results in a level rate of return on principal amounts outstanding. Generally, when a debt investment becomes 90 days or more past due, or if we otherwise do not expect to receive interest and principal repayments, the debt investment is placed on non-accrual status and the recognition of interest income may be discontinued. Interest payments received on non-accrual debt investments may be recognized as income, on a cash basis, or applied to principal depending upon management's judgment at the time the debt investment is placed on non-accrual status. For the three and nine months ended September 30, 2022, we did not recognize any interest income from debt investments on non-accrual status. For the three months ended September 30, 2021, we did not recognize any interest income from debt investments on non-accrual status. For the nine months ended September 30, 2021, we recognized as interest income interest payments of \$1.3 million received from one portfolio company whose debt investment was on non-accrual status.

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

Certain debt investment agreements also require the borrower to make an ETP that is accrued into income over the life of the debt investment to the extent such amounts are expected to be collected. We will generally cease accruing the income if there is insufficient value to support the accrual or if we do not expect the borrower to be able to pay all principal and interest due.

In connection with substantially all lending arrangements, we receive warrants to purchase shares of stock from the borrower. We record the warrants as assets at estimated fair value on the grant date using the Black-Scholes valuation model. We consider the warrants as loan fees and record them as unearned income on the grant date. The unearned income is recognized as interest income over the contractual life of the related debt investment in accordance with our income recognition policy. Subsequent to origination, the warrants are also measured at fair value using the Black-Scholes valuation model. Any adjustment to fair value is recorded through earnings as net unrealized gain or loss on investments. Gains and losses from the disposition of the warrants or stock acquired from the exercise of warrants are recognized as realized gains and losses on investments.

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

Income taxes

We have elected to be treated as a RIC under Subchapter M of the Code and operate in a manner so as to qualify for the tax treatment applicable to RICs. In order to qualify as a RIC and to avoid the imposition of corporate-level U.S. federal income tax on the amounts we distribute to our stockholders, among other things, we are required to meet certain source of income and asset diversification requirements, and we must timely distribute dividends to our stockholders out of assets legally available for distribution each tax year of an amount generally at least equal to 90% of our investment company taxable income, as defined by the Code and determined without regard to any deduction for dividends paid. We, among other things, have made and intend to continue to make the requisite distributions to our stockholders, which will generally relieve us from incurring any material liability for U.S. federal income taxes.

Depending on the level of taxable income earned in a tax year, we may choose to carry forward taxable income in excess of current year distributions into the next tax year and incur a 4% excise tax on such income, as required. To the extent that we determine that our estimated current year annual taxable income will be in excess of estimated current year distributions, we will accrue excise tax, if any, on estimated excess taxable income as taxable income is earned.

We evaluate tax positions taken in the course of preparing our tax returns to determine whether the tax positions are “more-likely-than-not” to be sustained by the applicable tax authority in accordance with ASC Topic 740, *Income Taxes*, as modified by ASC Topic 946, *Financial Services — Investment Companies*. Tax benefits of positions not deemed to meet the more-likely-than-not threshold, or uncertain tax positions, are recorded as a tax expense in the current year. It is our policy to recognize accrued interest and penalties related to uncertain tax benefits in income tax expense. We had no material uncertain tax positions at September 30, 2022 and December 31, 2021.

Recent developments

On October 21, 2022, we funded a \$0.4 million equity investment to an existing portfolio company, Emalex Biosciences, Inc.

On October 21, 2022, we funded a \$7.0 million debt investment to a new portfolio company, Robin Healthcare, Inc.

On October 26, 2022, we priced a securitization of secured debt investments through Horizon Funding Trust 2022-1, an indirect, bankruptcy-remote subsidiary of ours. The Horizon Funding Trust 2022-1 securitization is a private securitization under Rule 144A and to persons outside the United States pursuant to Regulation S under the Securities Act in which we expect to sell a pool of loans with an aggregate principal balance of approximately \$160 million to a securitization trust and receive proceeds from the issuance and sale of \$100.0 million aggregate principal amount of rated notes with a coupon of 7.56%, or the 7.56% Notes. Following pricing, total proceeds, including cash and securities, are expected to be \$98.8 million before fees and expenses. The transaction is scheduled to close on November 9, 2022, subject to customary closing conditions.

This disclosure does not constitute an offer to sell or a solicitation of an offer to buy any of the 7.56% Notes, nor shall there be any offer, solicitation or sale in any state or jurisdiction in which such an offer, solicitation or sale would be unlawful.

On October 28, 2022, we funded a \$2.5 million debt investment to an existing portfolio company, Sonex Health, Inc.

Recently issued accounting pronouncements

In March 2020, the Financial Accounting Standards Board issued Accounting Standards Update No. 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting, or ASU 2020-04. ASU 2020-04 provides optional expedients and exceptions for applying GAAP to contract modifications and hedging relationships, subject to meeting certain criteria, that reference LIBOR or another rate that is expected to be discontinued. The amendments in ASU 2020-04 are effective for all entities as of March 12, 2020 through December 31, 2022. We are currently assessing the impact of ASU 2020-04 and the LIBOR transition on our consolidated financial statements.

In June 2022, the FASB issues Accounting Standards Update No. 2022-03, Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions, or ASU 2022-03. ASU 2022-03 clarifies the guidance when measuring the fair value of an equity security subject to contractual restrictions that prohibit the sale of the security. The amendments in ASU 2022-03 are effective for public companies for fiscal years beginning after December 15, 2023, and interim periods within those fiscal years. We are currently assessing the impact of ASU 2022-03 on our consolidated financial statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are subject to financial market risks, including changes in interest rates. During the periods covered by our financial statements, the interest rates on the debt investments within our portfolio were primarily at floating rates. We expect that our debt investments in the future will primarily have floating interest rates. As of September 30, 2022 and December 31, 2021, 100% of the outstanding principal amount of our debt investments bore interest at floating rates. New commitments to lend to our portfolio companies are typically based on the Prime Rate as published in the Wall Street Journal.

Based on our September 30, 2022 consolidated statement of assets and liabilities (without adjustment for potential changes in the credit market, credit quality, size and composition of assets on the consolidated statement of assets and liabilities or other business developments that could affect net income) and the base index rates at September 30, 2022, the following table shows the annual impact on the change in net assets resulting from operations of changes in interest rates, which assumes no changes in our investments and borrowings:

Change in basis points	Investment Income	Interest Expense	Change in Net Assets(1)
	(In thousands)		
Up 300 basis points	\$ 17,544	\$ 2,053	\$ 15,491
Up 200 basis points	\$ 11,725	\$ 1,369	\$ 10,356
Up 100 basis points	\$ 5,854	\$ 684	\$ 5,170
Down 300 basis points	\$ (16,100)	\$ (1,540)	\$ (14,560)
Down 200 basis points	\$ (11,954)	\$ (1,369)	\$ (10,585)
Down 100 basis points	\$ (6,223)	\$ (684)	\$ (5,539)

(1) Excludes the impact of incentive fees based on pre-incentive fee net investment income.

While our 2027 Notes, our 2026 Notes and our Asset-Backed Notes bear interest at a fixed rate, our Credit Facilities have a floating interest rate provision. The Key Facility is subject to a floor of 0.25% per annum, based on a prime rate index which resets monthly and the NYL Facility is based on the three year USD mid-market swap rate plus a margin of between 3.55% and 5.15% with an interest rate floor, depending on the rating of such notes at the time of issuance. Any other credit facilities into which we enter in the future may have floating interest rate provisions. We have used hedging instruments in the past to protect us against interest rate fluctuations, and we may use them in the future. Such instruments may include caps, swaps, futures, options and forward contracts. While hedging activities may insulate us against adverse changes in interest rates, they may also limit our ability to participate in the benefits of lower interest rates with respect to the investments in our portfolio with fixed interest rates. Engaging in commodity interest transactions such as swap transactions or futures contracts for the Company may cause the Investment Adviser to fall within the definition of “commodity pool operator” under the Commodity Exchange Act, or the CEA, and related Commodity Futures Trading Commission, or the CFTC, regulations. On January 31, 2020, the Investment Adviser claimed an exclusion from the definition of the term “commodity pool operator” under the CEA and the CFTC regulations in connection with its management of the Company and, therefore, is not subject to CFTC registration or regulation under the CEA as a commodity pool operator with respect to its management of the Company.

Because we currently fund, and expect to continue to fund, our investments with borrowings, our net income is dependent upon the difference between the rate at which we borrow funds and the rate at which we invest the funds borrowed. Accordingly, there can be no assurance that a significant change in market interest rates will not have a material adverse effect on our net income. In periods of rising interest rates, our cost of funds could increase, which would reduce our net investment income.

Inflation and Supply Chain Risk

Economic activity has continued to accelerate across sectors and regions. Nevertheless, due to global supply chain issues, geopolitical events, a rise in energy prices and strong consumer demand as economies continue to reopen, inflation is showing signs of acceleration in the U.S. and globally. Inflation is likely to continue in the near to medium-term, particularly in the U.S., with the possibility that monetary policy may tighten in response. Persistent inflationary pressures could affect our portfolio companies profit margins.

Item 4. Controls and Procedures

(a) Evaluation of disclosure controls and procedures

As of September 30, 2022, we, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act). Based on that evaluation, our management, including our Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective and provided reasonable assurance that information required to be disclosed in our periodic SEC filings is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. However, in evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of such possible controls and procedures.

(b) Changes in internal controls over financial reporting.

There have been no material changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during our most recently completed fiscal quarter, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II

Item 1: Legal Proceedings.

Neither we nor our Advisor is currently subject to any material legal proceedings, nor, to our knowledge, is any material legal proceeding threatened against us or against our Advisor.

Item 1A: Risk Factors.

In addition to other information set forth in this report, you should carefully consider the factors set forth in "Item 1A Risk Factors" in our annual report on Form 10-K for the year ended December 31, 2021, which could materially affect our business, financial condition and/or operating results. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially affect our business, financial condition and/or operating results. There have been no material changes during the nine months ended September 30, 2022 to the risk factors set forth in "Item 1A. Risk Factors" of our annual report on Form 10-K for the year ended December 31, 2021.

Item 2: Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3: Defaults Upon Senior Securities.

None.

Item 4: Mine Safety Disclosures.

Not applicable

Item 5: Other Information.

None.

Item 6: Exhibits.

EXHIBIT INDEX

Exhibit No.	Description
31.1*	Certifications by Chief Executive Officer pursuant to Exchange Act Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, as amended
31.2*	Certifications by Chief Financial Officer pursuant to Exchange Act Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, as amended
32.1*	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, as amended
32.2*	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, as amended
101.INS	Inline XBRL Instance Document (the Instance Document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this Quarterly Report on Form 10-Q to be signed on its behalf by the undersigned, thereunto duly authorized.

HORIZON TECHNOLOGY FINANCE CORPORATION

Date: November 1, 2022

By: /s/ Robert D. Pomeroy, Jr.
Name: Robert D. Pomeroy, Jr.
Title: Chief Executive Officer and Chairman of the Board

Date: November 1, 2022

By: /s/ Daniel R. Trolio
Name: Daniel R. Trolio
Title: Chief Financial Officer

**CERTIFICATION PURSUANT TO EXCHANGE ACT
RULES 13a-14 AND 15d-14, AS ADOPTED PURSUANT
TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

CHIEF EXECUTIVE OFFICER CERTIFICATION

I, Robert D. Pomeroy, Jr., as Chief Executive Officer and Chairman of the Board of Horizon Technology Finance Corporation, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Horizon Technology Finance Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 1, 2022

By: /s/ Robert D. Pomeroy, Jr.
**Chief Executive Officer and
Chairman of the Board**

**CERTIFICATION PURSUANT TO EXCHANGE ACT
RULES 13a-14 AND 15d-14, AS ADOPTED PURSUANT
TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

CHIEF FINANCIAL OFFICER CERTIFICATION

I, Daniel R. Trolio, as Chief Financial Officer of Horizon Technology Finance Corporation, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Horizon Technology Finance Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 1, 2022

By: /s/ Daniel R. Trolio

Daniel R. Trolio
Chief Financial Officer

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350)

In connection with the Quarterly Report on Form 10-Q of Horizon Technology Finance Corporation (the "Company") for the quarterly period ended September 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert D. Pomeroy, Jr., as Chief Executive Officer and Chairman of the Board, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of Sarbanes-Oxley Act of 2002, as amended, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Robert D. Pomeroy, Jr.

Name: **Robert D. Pomeroy, Jr.**

Title: **Chief Executive Officer and Chairman of the Board**

Date: November 1, 2022

CERTIFICATION OF CHIEF FINANCIAL OFFICER
Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350)

In connection with the Quarterly Report on Form 10-Q of Horizon Technology Finance Corporation (the "Company") for the quarterly period ended September 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Daniel R. Trolio, as Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of Sarbanes-Oxley Act of 2002, as amended, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Daniel R. Trolio

Name: **Daniel R. Trolio**
Title: **Chief Financial Officer**

Date: November 1, 2022