



Tax Status of Dividends and Distributions for 2011

The tax character of dividends and distributions paid by Horizon Technology Finance Corporation (Nasdaq: HRZN) (the “Company”) during 2011 is set forth below. For tax purposes, the Company is a regulated investment company and is designating the tax character of dividends and distributions you receive as a stockholder for calendar 2011 in accordance with Subchapter M of the Internal Revenue Code of 1986, as amended (“IRC”).

The amounts shown in the table below represent the final accounting of the Company’s 2011 distributions. This information supersedes any estimated information you may have received during the year. Calendar year 2011 dividends and distribution were classified as follows:

<u>Record Date</u>	<u>Payment Date</u>	<u>Dividend Per Share</u>	<u>% Ordinary Dividends⁽¹⁾</u>	<u>Long Term Capital Gain</u>
May 19, 2011	May 26, 2011	\$0.33	51.5%	48.5%
August 23, 2011	August 30, 2011	\$0.40	62.5%	37.5%
November 23, 2011	November 30, 2011	\$0.45	62.2%	37.8%

⁽¹⁾ The Company hereby notes that no portion of its dividend represents amounts eligible for treatment as qualified dividend income in accordance with IRC Section 854(b), nor is any portion of the dividend eligible for the dividends received deduction available to certain U.S. domestic corporations.

Dividends and distributions that were reinvested through the Company’s Dividend Reinvestment Plan are treated, for tax purposes, as if they had been paid in cash. Therefore, stockholders who participate in the Dividend Reinvestment Plan should also refer to the above table.

This notice is not intended to constitute tax, legal, investment or other professional advice. Stockholders should be aware that tax treatment is subject to change by law in the future or retroactively. This is general information and should not be relied upon without consulting your tax advisor.

If you have any questions about the tax character of your dividends and distributions, please contact Computershare Shareowner Services LLC at 877-296-3711. You may also contact Horizon Technology Finance Corporation’s Investor Relations directly at 860-676-8654.