



**Horizon Technology Finance Corporation (HRZN)
Tax Status of Distributions for 2016 Tax Year**

The tax character of distributions paid by Horizon Technology Finance Corporation (the “Company”) which are taxable in 2016 is set forth below. For tax purposes, the Company is a regulated investment company and is designating the tax character of distributions you receive as a stockholder for calendar 2016 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 distributions for the 2016 tax year. This information supersedes any estimated information you may have received during the year. Taxable 2016 distributions were classified as follows:

<u>Record Date</u>	<u>Payment Date</u>	<u>Distribution Per Share</u>	<u>% Ordinary Dividends⁽¹⁾</u>	<u>% Long Term Capital Gain</u>	<u>Non-U.S. Shareholder - % of Distribution Exempt from U.S. Withholding Tax⁽²⁾</u>
January 21, 2016	February 17, 2016	\$0.115	100.0%	0.0%	98.0%
February 22, 2016	March 15, 2016	\$0.115	100.0%	0.0%	98.0%
March 18, 2016	April 15, 2016	\$0.115	100.0%	0.0%	98.0%
April 20, 2016	May 16, 2016	\$0.115	100.0%	0.0%	98.0%
May 19, 2016	June 15, 2016	\$0.115	100.0%	0.0%	98.0%
June 20, 2016	July 15, 2016	\$0.115	100.0%	0.0%	98.0%
July 20, 2016	August 15, 2016	\$0.115	100.0%	0.0%	98.0%
August 19, 2016	September 15, 2016	\$0.115	100.0%	0.0%	98.0%
September 20, 2016	October 17, 2016	\$0.115	100.0%	0.0%	98.0%
October 20, 2016	November 15, 2016	\$0.115	100.0%	0.0%	98.0%
November 18, 2016	December 15, 2016	\$0.115	100.0%	0.0%	98.0%
December 20, 2016	January 13, 2017	\$0.10	100.0%	0.0%	98.0%

⁽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.

⁽²⁾ These percentages designate the portion of the Company’s dividends received by Non-U.S. Residents and Foreign Corporation Shareholders that constitute Investor-Related Dividends, Short-Term Capital Gains Dividends, and Net Capital Gains Dividends to derive the total amount of the dividends which generally are exempt from United States withholding tax for these periods for Non-U.S. Residents and Foreign Corporation Shareholders.

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 distributions, please contact Computershare Shareholder Services at 877-296-3711. You may also contact Horizon Technology Finance Corporation’s Investor Relations directly at 860-676-8654.