BLACKROCK INCOME TRUST, INC.
Form N-CSR
November 03, 2016

Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT

INVESTMENT COMPANIES

Investment Company Act file number 811-05542

Name of Fund: BlackRock Income Trust, Inc. (BKT)

Fund Address: 100 Bellevue Parkway, Wilmington, DE 19809

Name and address of agent for service: John M. Perlowski, Chief Executive Officer, BlackRock Income Trust, Inc., 55 East 52nd Street, New York, NY 10055

Registrant s telephone number, including area code: (800) 882-0052, Option 4

Date of fiscal year end: 08/31/2016

Date of reporting period: 08/31/2016

Table of Contents

Item 1 Report to Stockholders

Table of Contents

AUGUST 31, 2016

ANNUAL REPORT

BlackRock Core Bond Trust (BHK)

BlackRock Corporate High Yield Fund, Inc. (HYT)

BlackRock Income Trust, Inc. (BKT)

Not FDIC Insured May Lose Value No Bank Guarantee

Table of Contents

Table of Contents

	Page
The Markets in Review	3
Annual Report:	
Trust Summaries	4
The Benefits and Risks of Leveraging	10
Derivative Financial Instruments	10
Financial Statements:	
Schedules of Investments	11
Statements of Assets and Liabilities	65
Statements of Operations	67
Statements of Changes in Net Assets	68
Statements of Cash Flows	71
Financial Highlights	73
Notes to Financial Statements	76
Report of Independent Registered Public Accounting Firm	92
Important Tax Information	92
Disclosure of Investment Advisory Agreements	93
Automatic Dividend Reinvestment Plans	97
Officers and Trustees	98
Additional Information	101

Table of Contents

The Markets in Review

Dear Shareholder,

Uneven economic outlooks and the divergence of monetary policies across regions have been the overarching themes driving financial markets over the past couple of years. In the latter half of 2015, investors were focused largely on the timing of the Federal Reserve s (the Fed) decision to end its near-zero interest rate policy. The Fed ultimately hiked rates in December, while, in contrast, the European Central Bank and the Bank of Japan increased stimulus, even introducing negative interest rates. The U.S. dollar had strengthened considerably, causing profit challenges for U.S. companies that generate revenues overseas, and pressuring emerging market currencies and commodities prices. Also during this time period, oil prices collapsed due to excess global supply. China showed signs of slowing economic growth and declining confidence in the country s policymakers stoked worries about the potential impact on the global economy. Risk assets (such as equities and high yield bonds) struggled as volatility increased.

The elevated market volatility spilled over into 2016, but as the first quarter wore on, fears of a global recession began to fade, allowing markets to calm and risk assets to rebound. Central bank stimulus in Europe and Japan, combined with a more tempered outlook for rate hikes in the United States, helped bolster financial markets. A softening in U.S. dollar strength brought relief to U.S. exporters and emerging market economies, and oil prices rebounded as the world s largest producers agreed to reduce supply.

Volatility spiked in late June when the United Kingdom shocked investors with its vote to leave the European Union. Uncertainty around how the British exit might affect the global economy and political landscape drove investors to high-quality assets, pushing already low global yields to even lower levels. However, risk assets recovered swiftly in July as economic data suggested that the consequences had thus far been contained to the United Kingdom.

With a number of factors holding interest rates down central bank accommodation, an aging population in need of income, and institutions such as insurance companies and pension plans needing to meet liabilities assets offering decent yield have become increasingly scarce. As a result, income-seeking investors have stretched into riskier assets despite high valuations in many sectors.

Market volatility touched a year-to-date low in August, which may be a signal that investors have become complacent given persistent macro risks: Geopolitical turmoil continues to loom. A surprise move from the Fed i.e., raising rates sooner than expected has the potential to roil markets. And perhaps most likely to stir things up the U.S. presidential election.

At BlackRock, we believe investors need to think globally, extend their scope across a broad array of asset classes and be prepared to adjust accordingly as market conditions change over time. We encourage you to talk with your financial advisor and visit blackrock.com for further insight about investing in today s markets.

Sincerely,

Rob Kapito

President, BlackRock Advisors, LLC

Rob Kapito

President, BlackRock Advisors, LLC

Total Returns as of August 31, 2016

	6-month	12-month

U.S. large cap equities (S&P 500® Index)	13.60%	12.55%
U.S. small cap equities (Russell 2000® Index)	20.87	8.59
International equities (MSCI Europe, Australasia, Far East Index)	10.35	(0.12)
Emerging market equities (MSCI Emerging Markets Index)	22.69	11.83
3-month Treasury bills (BofA Merrill Lynch 3-Month U.S. Treasury Bill Index)	0.17	0.23
U.S. Treasury securities (BofA Merrill Lynch 10-Year U.S. Treasury Index)	2.22	7.35
U.S. investment grade bonds (Bloomberg Barclays U.S. Aggregate Bond Index)	3.68	5.97
Tax-exempt municipal bonds (S&P Municipal Bond Index)	3.35	7.03
U.S. high yield bonds (Bloomberg Barclays U.S. Corporate High Yield 2% Issuer Capped Index)	15.56	9.12

Past performance is no guarantee of future results. Index performance is shown for illustrative purposes only. You cannot invest directly in an index.

Table of Contents

Trust Summary as of August 31, 2016

BlackRock Core Bond Trust

Trust Overview

BlackRock Core Bond Trust s (BHK) (the Trust) investment objective is to provide current income and capital appreciation. The Trust seeks to achieve its investment objective by investing at least 75% of its managed assets in bonds that are investment grade quality at the time of investment. The Trust s investments will include a broad range of bonds, including corporate bonds, U.S. government and agency securities and mortgage-related securities. The Trust may invest up to 25% of its total managed assets in bonds that at the time of investment are rated Ba/BB or below by Moody s Investors Service, Inc. (Moody s), Fitch Ratings (Fitch) or another nationally recognized rating agency or bonds that are unrated but judged to be of comparable quality by the investment adviser. The Trust may invest directly in such securities or synthetically through the use of derivatives.

No assurance can be given that the Trust s investment objective will be achieved.

Trust Information

Symbol on New York Stock Exchange (NYSE)	BHK
Initial Offering Date	November 27, 2001
Current Distribution Rate on Closing Market Price as of August 31, 2016 ($14.33)[1]	5.44%
Current Monthly Distribution per Common Share[2]	$0.065
Current Annualized Distribution per Common Share[2]	$0.780
Economic Leverage as of August 31, 2016[3]	26%

1 Current distribution rate on closing market price is calculated by dividing the current annualized distribution per share by the closing market price. The current distribution rate may consist of income, net realized gains and/or a tax return of capital. Past performance does not guarantee future results.

2 The distribution rate is not constant and is subject to change.

3 Represents reverse repurchase agreements outstanding as a percentage of total managed assets, which is the total assets of the Trust (including any assets attributable to borrowings) minus the sum of liabilities (other than borrowings representing financial leverage). For a discussion of leveraging techniques utilized by the Trust, please see The Benefits and Risks of Leveraging on page 10.

Performance and Portfolio Management Commentary

Returns for the 12 months ended August 31, 2016 were as follows:

	Returns Based On	
	Market Price	**NAV**
BHK[1,2]	20.85%	13.67%
Lipper Corporate BBB-Rated Debt Funds (Leveraged)[3]	15.43%	7.69%

1 All returns reflect reinvestment of dividends and/or distributions.

2

The Trust s discount to NAV, which narrowed during the period, accounts for the difference between performance based on price and performance based on NAV.

[3] Average return.

Performance results may include adjustments made for financial reporting purposes in accordance with U.S. generally accepted accounting principles.

The following discussion relates to the Trust s absolute performance based on NAV:

What factors influenced performance?

The largest positive contributor to the Trust s performance was its allocation to investment grade corporate securities, followed by its allocation to U.S. Treasuries. Also contributing to performance was the Trust s positioning within high yield corporates, commercial mortgage-backed securities (CMBS) and global sovereign/supranational/agency issues.

The Trust employs derivatives to manage duration and yield curve positioning. During the period, the employment of interest rate derivatives did not materially impact performance.

Describe recent portfolio activity.

At the start of the period the Trust maintained a consistent allocation, favoring investment grade and high yield corporates, securitized products such as asset-backed securities (ABS) and CMBS, as well as agency mortgage-backed securities (MBS). Volatility increased at year end 2015 in the wake of the first Fed rate hike in nine years and the subsequent currency depreciation of the Chinese yuan in January. As a result, the Trust reduced risk by decreasing exposure to structured products, corporate credit and sovereign securities in favor of U.S. Treasuries. During the second half of the period, the Trust continued to reduce exposure to spread products and added exposure to U.S. Treasuries, as the investment adviser expected market volatility to remain elevated ahead of the U.K. referendum on leaving the European Union. Most of the reductions were within high yield corporates and CMBS. Following the U.K. referendum vote, the Trust began to add exposure to spread products as a way of increasing yield and to benefit from investors global search for income due to very low interest rate levels.

Describe portfolio positioning at period end.

The Trust maintained diversified exposure within non-government spread sectors, including investment grade credit, high yield credit, CMBS and ABS, as well as smaller allocations to non-agency mortgages and U.S. municipals. The Trust also held exposure to government-related sectors such as U.S. Treasury securities, agency debt and agency MBS. The Trust closed the period with a long duration profile.

The views expressed reflect the opinions of BlackRock as of the date of this report and are subject to change based on changes in market, economic or other conditions. These views are not intended to be a forecast of future events and are no guarantee of future results.

Table of Contents

BlackRock Core Bond Trust

Market Price and Net Asset Value Per Share Summary

	8/31/16	8/31/15	Change	High	Low
Market Price	$ 14.33	$ 12.63	13.46%	$ 14.34	$ 12.34
Net Asset Value	$ 15.25	$ 14.29	6.72%	$ 15.28	$ 13.74

Market Price and Net Asset Value History For the Past Five Years

Overview of the Trust s Total Investments

Portfolio Composition	8/31/16	8/31/15
Corporate Bonds	47%	49%
U.S. Treasury Obligations	14	6
Preferred Securities	10	10
Non-Agency Mortgage-Backed Securities	10	12
Asset-Backed Securities	8	11
U.S. Government Sponsored Agency Securities	6	8
Municipal Bonds	2	2
Foreign Agency Obligations	2	2
Floating Rate Loan Interests	1	
Short-Term Securities	1	1
Options Written	(1)	(1)
Other[1]		

1 Representing less than 1% of the Trust s total investments and may include Common Stocks and Options Purchased.

Credit Quality Allocation[2,3]	8/31/16	8/31/15
AAA/Aaa[4]	24%	18%
AA/Aa	4	7
A	14	18
BBB/Baa	22	33
BB/Ba	17	13
B	12	7
CCC/Caa	4	1
N/R	3	3

2 For financial reporting purposes, credit quality ratings shown above reflect the highest rating assigned by either S&P or Moody s if ratings differ. These rating agencies are independent, nationally recognized statistical rating organizations and are widely used. Investment grade ratings are credit ratings of BBB/Baa or higher. Below investment grade ratings are credit ratings of BB/Ba or lower. Investments designated N/R are not rated by either rating agency. Unrated investments do not necessarily indicate low credit quality. Credit quality ratings are subject to change.

[3] Excludes Short-Term Securities, Options Purchased and Options Written.

[4] The investment adviser evaluates the credit quality of not-rated investments based upon certain factors including, but not limited to, credit ratings for similar investments and financial analysis of sectors and individual investments. Using this approach, the investment adviser has deemed U.S. Government Sponsored Agency Securities and U.S. Treasury Obligations as AAA/Aaa.

Table of Contents

Trust Summary as of August 31, 2016

BlackRock Corporate High Yield Fund, Inc.

Trust Overview

BlackRock Corporate High Yield Fund, Inc. s (HYT) (the Trust) primary investment objective is to provide shareholders with current income. The Trust s secondary investment objective is to provide shareholders with capital appreciation. The Trust seeks to achieve its objectives by investing primarily in a diversified portfolio of fixed income securities which are rated below investment grade or, if unrated, are considered by the investment adviser to be of comparable quality. The Trust may invest directly in fixed income securities or synthetically through the use of derivatives.

No assurance can be given that the Trust s investment objectives will be achieved.

Trust Information	
Symbol on NYSE	HYT
Initial Offering Date	May 30, 2003
Current Distribution Rate on Closing Market Price as of August 31, 2016 ($10.88)[1]	7.72%
Current Monthly Distribution per Common Share[2]	$0.07
Current Annualized Distribution per Common Share[2]	$0.84
Economic Leverage as of August 31, 2016[3]	29%

1 Current distribution rate on closing market price is calculated by dividing the current annualized distribution per share by the closing market price. The current distribution rate may consist of income, net realized gains and/or a tax return of capital. Past performance does not guarantee future results.

2 The distribution rate is not constant and is subject to change.

3 Represents bank borrowings as a percentage of total managed assets, which is the total assets of the Trust (including any assets attributable to borrowings) minus the sum of liabilities (other than borrowings representing financial leverage). For a discussion of leveraging techniques utilized by the Trust, please see The Benefits and Risks of Leveraging on page 10.

Performance and Portfolio Management Commentary

Returns for the 12 months ended August 31, 2016 were as follows:

	Returns Based On	
	Market Price	NAV
HYT[1,2]	20.29%	7.76%
Lipper High Yield Funds (Leveraged)[3]	18.69%	7.88%

1 All returns reflect reinvestment of dividends and/or distributions.

2 The Trust s discount to NAV, which narrowed during the period, accounts for the difference between performance based on price and performance based on NAV.

[3] Average return.

Performance results may include adjustments made for financial reporting purposes in accordance with U.S. generally accepted accounting principles.

The following discussion relates to the Trust s absolute performance based on NAV:

What factors influenced performance?

Credit markets performed poorly during the first half of the period, driven in large part by declines in commodity prices. However, in the second half of the period, the high-yield market rebounded sharply, led by a recovery in commodity-related assets. Holdings within the energy and metals & mining industries were the most notable contributors to the Trust s performance during the period. Holdings within the technology and cable & satellite industries helped performance as well.

The Trust s exposure to equity and equity-like positions were the primary detractors to performance during the period.

Describe recent portfolio activity.

The Trust began the period somewhat conservatively positioned but steadily increased its risk profile as volatility decreased and risk markets became more stable. By the middle of the period, the Trust had transitioned to a market-neutral risk position and then proceeded to a slightly overweight risk position. The investment adviser added risk to the portfolio at a measured pace, while remaining underweight to the more distressed areas of the high yield market, which led performance over the period. The Trust added to exposure in the metals & mining sector and moved toward a more neutral-weight position in commodity-related issuers. The Trust decreased risk in the pharmaceutical and home construction industries during the period.

Describe portfolio positioning at period end.

The Trust held the majority of its portfolio in corporate bonds, with a modest allocation to floating rate loan interests (bank loans). Within high yield corporates, the Trust had most of its assets in single B-rated bonds, followed by BB-rated bonds. The Trust kept exposure to high conviction CCC-rated issues but favored select equity and equity-like assets over the higher-beta segment of the CCC-rated bond market.

Leading individual positions included Ally Financial (banking), First Data Corp. (technology), and Altice NV (cable & satellite). The Trust also maintained exposure to equity futures positions to help reduce portfolio risk. Bank loans provided diversification and helped increase the stability of the Trust s portfolio, while providing attractive levels of income.

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Table of Contents

BlackRock Corporate High Yield Fund, Inc.

Market Price and Net Asset Value Per Share Summary

	8/31/16	8/31/15	Change	High	Low
Market Price	$ 10.88	$ 9.97	9.13%	$ 10.93	$ 9.13
Net Asset Value	$ 11.79	$ 12.06	(2.24)%	$ 12.06	$ 10.13

Market Price and Net Asset Value History For the Past Five Years

Overview of the Trust s Total Investments

Portfolio Composition	8/31/16	8/31/15
Corporate Bonds	79%	79%
Floating Rate Loan Interests	9	9
Preferred Securities	4	5
Common Stocks	4	5
Asset-Backed Securities	2	2
Investment Companies	1	
Other[1]	1	

1 Representing less than 1% of the Trust s total investments and may include Non-Agency Mortgage-Backed Securities, Warrants, Other Interests, Short-Term Securities and Options Purchased.

Credit Quality Allocation[2]	8/31/16	8/31/15
A	3%	1%
BBB/Baa	10	6
BB/Ba	40	37
B	35	40
CCC/Caa	8	8
N/R	4	8

2 For financial reporting purposes, credit quality ratings shown above reflect the highest rating assigned by either S&P or Moody s if ratings differ. These rating agencies are independent, nationally recognized statistical rating organizations and are widely used. Investment grade ratings are credit ratings of BBB/Baa or higher. Below investment grade ratings are credit ratings of BB/Ba or lower. Investments designated N/R are not rated by either rating agency. Unrated investments do not necessarily indicate low credit quality. Credit quality ratings are subject to change.

Table of Contents

Trust Summary as of August 31, 2016

BlackRock Income Trust, Inc.

Trust Overview

BlackRock Income Trust, Inc. s (BKT) (the Trust) investment objective is to manage a portfolio of high-quality securities to achieve both preservation of capital and high monthly income. The Trust seeks to achieve its investment objective by investing at least 65% of its assets in mortgage-backed securities. The Trust invests at least 80% of its assets in securities that are (i) issued or guaranteed by the U.S. government or one of its agencies or instrumentalities or (ii) rated at the time of investment either AAA by S&P or Aaa by Moody s. The Trust may invest directly in such securities or synthetically through the use of derivatives.

No assurance can be given that the Trust s investment objective will be achieved.

Trust Information	
Symbol on NYSE	BKT
Initial Offering Date	July 22, 1988
Current Distribution Rate on Closing Market Price as of August 31, 2016 ($6.60)[1]	4.82%
Current Monthly Distribution per Common Share[2]	$0.0265
Current Annualized Distribution per Common Share[2]	$0.3180
Economic Leverage as of August 31, 2016[3]	26%

1 Current distribution rate on closing market price is calculated by dividing the current annualized distribution per share by the closing market price. The current distribution rate may consist of income, net realized gains and/or a tax return of capital. Past performance does not guarantee future results.

2 The distribution rate is not constant and is subject to change.

3 Represents reverse repurchase agreements outstanding as a percentage of total managed assets, which is the total assets of the Trust (including any assets attributable to borrowings) minus the sum of liabilities (other than borrowings representing financial leverage). For a discussion of leveraging techniques utilized by the Trust, please see the Benefits and Risks of Leveraging on page 10.

Performance and Portfolio Management Commentary

Returns for the 12 months ended August 31, 2016 were as follows:

	Returns Based On	
	Market Price	NAV
BKT[1,2]	10.44%	3.64%
Lipper US Mortgage Funds[3]	13.46%	5.27%

1 All returns reflect reinvestment of dividends and/or distributions.

2 The Trust s discount to NAV, which narrowed during the period, accounts for the difference between performance based on price and performance based on NAV.

[3] Average return.

Performance results may include adjustments made for financial reporting purposes in accordance with U.S. generally accepted accounting principles.

The following discussion relates to the Trust s absolute performance based on NAV:

What factors influenced performance?

The largest positive contributor to performance was the Trust s allocation in well-structured agency collateralized mortgage obligations (CMOs) that offered call protected and seasoned collateral with favorable risk/reward characteristics and attractive income.

Detractors from performance included the Trust s positioning with respect to overall portfolio duration (and corresponding sensitivity to changes in market interest rates), as well as allocation-based strategies across both 30-year and 15-year mortgage-backed securities (MBS).

The Trust uses interest rate derivatives including futures, options, swaps and swaptions, mainly for the purpose of managing duration, convexity (the rate at which duration changes in response to interest rate movements) and yield curve positioning. During the period, the Trust employed Treasury futures, and also utilized mortgage derivatives to gain market exposure. The use of these derivatives had a negative impact on Trust performance for the period.

Describe recent portfolio activity.

The Trust decreased exposure to agency pass-throughs, primarily in generic 30-year MBS, while marginally adding exposure to longer duration, stable CMO cash flows.

Describe portfolio positioning at period end.

The Trust continued to be overweight agency CMOs. In addition, the Trust continued to maintain allocations to 30-year MBS and some 15-year MBS with higher coupons. The Trust closed the period with a long duration profile.

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Table of Contents

BlackRock Income Trust, Inc.

Market Price and Net Asset Value Per Share Summary

	8/31/16	8/31/15	Change	High	Low
Market Price	$ 6.60	$ 6.30	4.76%	$ 6.66	$ 6.26
Net Asset Value	$ 6.96	$ 7.08	(1.69)%	$ 7.10	$ 6.92

Market Price and Net Asset Value History For the Past Five Years

Overview of the Trust s Total Investments

Portfolio Composition	8/31/16	8/31/15
U.S. Government Sponsored Agency Securities	97%	98%
U.S. Treasury Obligations	2	2
Non-Agency Mortgage-Backed Securities	1	1
Short-Term Securities	1	4
Asset-Backed Securities	1	[1]
Borrowed Bonds[1]		
TBA Sale Commitments	(2)	(5)

1 Representing less than 0.50% of the Trust s total investments.

Credit Quality Allocation[2,3]	8/31/16	8/31/15
AAA/Aaa[4]	99%	100%
BBB	1	

2 For financial reporting purposes, credit quality ratings shown above reflect the highest rating assigned by either S&P or Moody s if ratings differ. These rating agencies are independent, nationally recognized statistical rating organizations and are widely used. Investment grade ratings are credit ratings of BBB/Baa or higher. Below investment grade ratings are credit ratings of BB/Ba or lower. Investments designated N/R are not rated by either rating agency. Unrated investments do not necessarily indicate low credit quality. Credit quality ratings are subject to change.

3 Excludes Money Market Funds.

4 The investment adviser evaluates the credit quality of not-rated investments based upon certain factors including, but not limited to, credit ratings for similar investments and financial analysis of sectors and individual investments. Using this approach, the investment adviser has deemed U.S. Government Sponsored Agency Securities and U.S. Treasury Obligations as AAA/Aaa.

The Benefits and Risks of Leveraging

The Trusts may utilize leverage to seek to enhance the distribution rate on, and net asset value (NAV) of, their common shares (Common Shares). However, these objectives cannot be achieved in all interest rate environments.

In general, the concept of leveraging is based on the premise that the financing cost of leverage, which is based on short-term interest rates, is normally lower than the income earned by a Trust on its longer-term portfolio investments purchased with the proceeds from leverage. To the extent that the total assets of the Trusts (including the assets obtained from leverage) are invested in higher-yielding portfolio investments, the Trusts shareholders benefit from the incremental net income. The interest earned on securities purchased with the proceeds from leverage is paid to shareholders in the form of dividends, and the value of these portfolio holdings is reflected in the per share NAV.

To illustrate these concepts, assume a Trust s capitalization is $100 million and it utilizes leverage for an additional $30 million, creating a total value of $130 million available for investment in longer-term income securities. If prevailing short-term interest rates are 3% and longer-term interest rates are 6%, the yield curve has a strongly positive slope. In this case, a Trust s financing costs on the $30 million of proceeds obtained from leverage are based on the lower short-term interest rates. At the same time, the securities purchased by a Trust with the proceeds from leverage earn income based on longer-term interest rates. In this case, a Trust s financing cost of leverage is significantly lower than the income earned on a Trust s longer-term investments acquired from such leverage proceeds, and therefore the holders of Common Shares (Common Shareholders) are the beneficiaries of the incremental net income.

However, in order to benefit shareholders, the return on assets purchased with leverage proceeds must exceed the ongoing costs associated with the leverage. If interest and other costs of leverage exceed the Trusts return on assets purchased with leverage proceeds, income to shareholders is lower than if the Trusts had not used leverage. Furthermore, the value of the Trusts portfolio investments generally varies inversely with the direction of long-term interest rates, although other factors can influence the value of portfolio investments. In contrast, the value of the Trusts obligations under their respective leverage arrangements generally does not fluctuate in relation to interest rates. As a result, changes in interest rates can influence the Trusts NAVs positively or negatively. Changes in the future direction of interest rates are very difficult to predict accurately, and there is no assurance that the Trusts intended leveraging strategy will be successful.

The use of leverage also generally causes greater changes in each Trust s NAV, market price and dividend rates than comparable portfolios without leverage. In a declining market, leverage is likely to cause a greater decline in the NAV and market price of a Trust s shares than if the Trust were not leveraged. In addition, each Trust may be required to sell portfolio securities at inopportune times or at distressed values in order to comply with regulatory requirements applicable to the use of leverage or as required by the terms of leverage instruments, which may cause the Trusts to incur losses. The use of leverage may limit a Trust s ability to invest in certain types of securities or use certain types of hedging strategies. Each Trust incurs expenses in connection with the use of leverage, all of which are borne by shareholders and may reduce income to the shareholders. Moreover, to the extent the calculation of the Trusts investment advisory fees includes assets purchased with the proceeds of leverage, the investment advisory fees payable to the Trust s investment adviser will be higher than if the Trusts did not use leverage.

Each Trust may utilize leverage through a credit facility or reverse repurchase agreements as described in the Notes to Financial Statements.

Under the Investment Company Act of 1940, as amended (the 1940 Act), the Trusts are permitted to issue debt up to $33\frac{1}{3}\%$ of their total managed assets. A Trust may voluntarily elect to limit its leverage to less than the maximum amount permitted under the 1940 Act. In addition, a Trust may also be subject to certain asset coverage, leverage or portfolio composition requirements imposed by its credit facility, which may be more stringent than those imposed by the 1940 Act.

If a Trust segregates or designates on its books and records cash or liquid assets having values not less than the value of a Trust s obligations under the reverse repurchase agreement (including accrued interest) then such transaction is not considered a senior security and is not subject to the foregoing limitations and requirements under the 1940 Act.

Derivative Financial Instruments

The Trusts may invest in various derivative financial instruments. These instruments are used to obtain exposure to a security, commodity, index, market, and/or other asset without owning or taking physical custody of securities, commodities and/or other referenced assets or to manage market, equity, credit, interest rate, foreign currency exchange rate, commodity and/or other risks. Derivative financial instruments may give rise to a form of economic leverage and involve risks, including the imperfect correlation between the value of a derivative financial instrument and the underlying asset, possible default of the counterparty to the

transaction or illiquidity of the instrument. The Trusts successful use of a derivative financial instrument depends on the investment adviser s ability to predict pertinent market movements accurately, which cannot be assured. The use of these instruments may result in losses greater than if they had not been used, may limit the amount of appreciation a Trust can realize on an investment and/or may result in lower distributions paid to shareholders. The Trusts investments in these instruments, if any, are discussed in detail in the Notes to Financial Statements.

Table of Contents

Schedule of Investments August 31, 2016

BlackRock Core Bond Trust (BHK)

(Percentages shown are based on Net Assets)

Common Stocks (a)		**Shares**	**Value**
Oil, Gas & Consumable Fuels 0.0%			
Denbury Resources, Inc.		35,640	$ 107,729
Whiting Petroleum Corp.		10,932	79,694
			187,423
Total Common Stocks 0.0%			187,423

Asset-Backed Securities		**Par (000)**	
Asset-Backed Securities 10.2%			
ALM VI Ltd., Series 2012-6A, Class B2R, 3.48%, 7/15/26 (b)(c)	USD	1,000	993,775
Apidos CDO, Series 2012-9AR, Class DR, 4.58%, 7/15/23 (b)(c)		1,400	1,373,586
Apidos CDO XI, Series 2012-11A, Class D, 4.93%, 1/17/23 (b)(c)		1,200	1,191,345
Apidos CLO XIX, Series 2014-19A, Class D, 4.43%, 10/17/26 (b)(c)		1,000	979,272
Ares CLO Ltd., Series 2014-32A, Class C, 5.02%, 11/15/25 (b)(c)		1,250	1,249,923
Ares XXIII CLO Ltd., Series 2012-1AR (b)(c):			
Class CR, 3.89%, 4/19/23		4,000	4,072,370
Class DR, 4.84%, 4/19/23		3,000	3,005,383
Atrium CDO Corp., Series 9A, Class D, 4.33%, 2/28/24 (b)(c)		1,500	1,462,896
Babson CLO Ltd., Series 2012-1X, Class B, 3.18%, 4/15/22 (b)		1,000	999,808
Battalion CLO VII Ltd., Series 2014-7A, Class C, 4.58%, 10/17/26 (b)(c)		1,000	915,000
Bowman Park CLO Ltd., Series 2014-1A, Class D2, 4.77%, 11/23/25 (b)(c)		3,000	2,881,402
CenterPoint Energy Transition Bond Co. LLC, Series 2012-1, Class A3, 3.03%, 10/15/25		2,210	2,348,369
CIFC Funding Ltd. (b)(c):			
Series 2012-1AR, Class B1R, 4.46%, 8/14/24		1,500	1,494,066
Series 2013-IA, Class B, 3.49%, 4/16/25		1,000	998,024
Series 2014-4A, Class D, 4.08%, 10/17/26		2,000	1,859,453
Series 2015-1A, Class C, 3.70%, 1/22/27		1,000	999,801
Countrywide Asset-Backed Certificates, Series 2006-13, Class 3AV2, 0.64%, 1/25/37 (b)		329	317,177
DCP Rights LLC, Series 2014-1A, Class A, 5.46%, 10/25/44 (c)		3,925	3,855,298
Dryden 34 Senior Loan Fund, Series 2014-34A, Class C, 3.48%, 10/15/26 (b)(c)		1,000	988,657
Ford Credit Floorplan Master Owner Trust, Series 2012-2:			
Class B, 2.32%, 1/15/19		490	491,592
Class C, 2.86%, 1/15/19		210	211,134
Class D, 3.50%, 1/15/19		400	402,439
Galaxy XV CLO Ltd., Series 2013-15A, Class C, 3.28%, 4/15/25 (b)(c)		1,000	995,436

Asset-Backed Securities		**Par (000)**	**Value**
Asset-Backed Securities (continued)			
GoldenTree Loan Opportunities IX Ltd., Series 2014-9A, Class D, 4.25%, 10/29/26 (b)(c)	USD	1,000	$ 965,571
Highbridge Loan Management Ltd., Series 5A-2015, Class C1, 3.95%, 1/29/26 (b)(c)		4,000	3,999,702
Limerock CLO III LLC, Series 2014-3A, Class C, 4.30%, 10/20/26 (b)(c)		3,750	3,508,218
Madison Park Funding IX Ltd., Series 2012-9AR, Class DR, 4.67%, 8/15/22 (b)(c)		1,200	1,188,168
Madison Park Funding XV Ltd., Series 2014-15A, Class B1, 3.98%, 1/27/26 (b)(c)		1,800	1,825,039
Nelnet Student Loan Trust, Series 2006-1, Class A5, 0.93%, 8/23/27 (b)		922	904,702
Neuberger Berman CLO XVIII Ltd., Series 2014-18A, Class C, 4.57%, 11/14/25 (b)(c)		2,250	2,175,131
Oaktree EIF II Ltd., Series 2015-B1A, Class C, 3.92%, 2/15/26 (b)(c)		1,000	1,000,293
Octagon Investment Partners XX Ltd., Series 2014-1A (b)(c):			
Class C, 3.62%, 8/12/26		750	749,964
Class D, 4.47%, 8/12/26		1,000	947,972

Octagon Investment Partners XXI Ltd., Series 2014-1A, Class C, 4.47%, 11/14/26 (b)(c)	2,000	1,887,793
Octagon Investment Partners XXII Ltd., Series 2014-1A, Class C1, 3.95%, 11/25/25 (b)(c)	2,000	2,000,360
OneMain Financial Issuance Trust, Series 2015-2A, Class C, 4.32%, 7/18/25 (c)	5,000	4,974,713
OZLM Funding III Ltd., Series 2013-3A (b)(c):		
Class B, 3.80%, 1/22/25	1,500	1,500,400
Class C, 4.60%, 1/22/25	500	486,836
OZLM VII Ltd., Series 2014-7A, Class C, 4.28%, 7/17/26 (b)(c)	470	442,055
OZLM VIII Ltd., Series 2014-8A, Class C, 4.18%, 10/17/26 (b)(c)	1,750	1,636,735
Regatta V Funding Ltd., Series 2014-1A, Class C, 4.16%, 10/25/26 (b)(c)	2,000	1,864,342
SLM Private Credit Student Loan Trust, Series 2004-B, Class A2, 0.85%, 6/15/21 (b)	56	55,362
SLM Private Education Loan Trust, Series 2012-A, Class A1, 1.91%, 8/15/25 (b)(c)	81	81,356
SLM Student Loan Trust (c):		
Series 2012-A, Class A2, 3.83%, 1/17/45	690	714,035
Series 2014-A, Class B, 3.50%, 11/15/44	500	492,253
Small Business Administration Participation Certificates, Series 1996-20K, Class 1, 6.95%, 11/01/16	8	8,503
SMB Private Education Loan Trust, Series 2015-C, Class C, 4.50%, 9/17/46 (c)	5,900	5,824,718
Sound Point CLO Ltd., Series 2014-3A, Class D, 4.31%, 1/23/27 (b)(c)	1,250	1,184,716

Portfolio Abbreviations

ADS	American Depositary Shares	**EUR**	Euro	**OTC**	Over-the-Counter
AUD	Australian Dollar	**EURIBOR**	Euro Interbank Offered Rate	**PIK**	Payment-in-Kind
CAD	Canadian Dollar	**GBP**	British Pound	**RB**	Revenue Bonds
CHF	Swiss Franc	**GO**	General Obligation Bonds	**SEK**	Swedish Krona
CDO	Collateralized Debt Obligation	**JPY**	Japanese Yen	**SGD**	Singapore Dollar
CLO	Collateralized Loan Obligation	**LIBOR**	London Interbank Offered Rate	**SIFMA**	Securities Industry and Financial Markets Association
CR	Custodian Receipt	**LOC**	Letter of Credit	**TBA**	To Be Announced
DIP	Debtor-In-Possession	**MXN**	Mexican Peso	**USD**	U.S. Dollar
ETF	Exchange-Traded Fund	**NOK**	Norwegian Krone		

See Notes to Financial Statements.

Table of Contents

Schedule of Investments (continued)

BlackRock Core Bond Trust (BHK)

Asset-Backed Securities		Par (000)	Value
Asset-Backed Securities (continued)			
Steele Creek CLO Ltd., Series 2014-1A, Class C, 4.01%, 8/21/26 (b)(c)	USD	2,500	$ 2,499,950
Stewart Park CLO Ltd., Series 2015-1A, Class D, 4.13%, 4/15/26 (b)(c)		1,000	897,270
Structured Asset Securities Corp., Series 2002-AL1, Class A2, 3.45%, 2/25/32		786	781,955
Symphony CLO Ltd., Series 2012-10AR, Class DR, 4.17%, 7/23/23 (b)(c)		1,000	983,973
Venture XIX CLO Ltd., Series 2014-19A, Class C, 3.98%, 1/15/27 (b)(c)		555	555,000
Voya CLO Ltd., Series 2012-2AR, Class CR, 3.63%, 10/15/22 (b)(c)		1,500	1,500,780
World Financial Network Credit Card Master Trust, Series 2012-C, Class C, 4.55%, 8/15/22		2,360	2,419,022
			84,143,093
Interest Only Asset-Backed Securities 0.1%			
Sterling Bank Trust, Series 2004-2, Class Note, 2.08%, 3/30/30 (c)		3,349	237,541
Sterling Coofs Trust, Series 2004-1, Class A, 2.36%, 4/15/29 (c)		7,924	544,761
			782,302
Total Asset-Backed Securities 10.3%			84,925,395

Corporate Bonds		Par	Value
Aerospace & Defense 0.7%			
Accudyne Industries Borrower/Accudyne Industries LLC, 7.75%, 12/15/20 (c)		520	401,700
Bombardier, Inc. (c):			
5.50%, 9/15/18		238	244,545
6.00%, 10/15/22		23	21,735
6.13%, 1/15/23		165	155,100
7.50%, 3/15/25		361	342,950
KLX, Inc., 5.88%, 12/01/22 (c)		205	215,147
Moog, Inc., 5.25%, 12/01/22 (c)		180	185,400
TransDigm, Inc.:			
5.50%, 10/15/20		211	216,539
7.50%, 7/15/21		175	185,609
6.00%, 7/15/22		1,118	1,162,720
6.50%, 7/15/24		198	205,425
6.38%, 6/15/26 (c)		236	240,720
United Technologies Corp., 6.13%, 7/15/38		1,450	2,006,110
			5,583,700
Air Freight & Logistics 0.1%			
XPO Logistics, Inc.:			
7.88%, 9/01/19 (c)		245	254,800
5.75%, 6/15/21	EUR	100	116,307
6.50%, 6/15/22 (c)	USD	535	555,731
6.13%, 9/01/23 (c)		156	160,290
			1,087,128
Airlines 2.1%			
Air Canada Pass-Through Trust, Series 2015-1, Class B, 3.88%, 9/15/24 (c)		1,940	1,869,788
American Airlines Pass-Through Trust:			
Series 2013-2, Class A, 4.95%, 7/15/24 (d)		3,765	4,117,560
Series 2015-2, Class A, 4.00%, 3/22/29		1,500	1,597,500
Series 2015-2, Class AA, 3.60%, 3/22/29		1,500	1,601,250
Continental Airlines Pass-Through Trust:			
Series 2010-1, Class B, 6.00%, 7/12/20		498	520,223
Series 2012-3, Class C, 6.13%, 4/29/18		520	546,000
Corporate Bonds		**Par**	**Value**

		(000)	
Airlines (continued)			
United Airlines Pass-Through Trust:			
Series 2013-1, Class A, 4.30%, 2/15/27	USD	3,609	$ 3,960,466
Series 2014-2, Class B, 4.63%, 3/03/24		2,615	2,641,254
			16,854,041
Auto Components 0.3%			
Adient Global Holdings, Ltd., 4.88%, 8/15/26 (c)		202	204,777
CNH Industrial Finance Europe SA, 2.88%, 5/17/23	EUR	175	201,818
Faurecia, 3.63%, 6/15/23		100	116,565
Fiat Chrysler Finance Europe:			
4.75%, 3/22/21		100	124,463
4.75%, 7/15/22		100	123,609
FTE Verwaltungs GmbH, 9.00%, 7/15/20		100	117,455
Goodyear Tire & Rubber Co., 5.00%, 5/31/26	USD	46	48,156
Icahn Enterprises LP/Icahn Enterprises Finance Corp., 4.88%, 3/15/19		652	648,740
Schaeffler Holding Finance BV (e):			
(5.75% Cash or 6.50% PIK), 5.75%, 11/15/21	EUR	60	72,532
(6.75% Cash), 6.75%, 11/15/22 (c)	USD	550	607,484
			2,265,599
Automobiles 0.9%			
Ford Motor Co., 4.75%, 1/15/43 (d)		4,255	4,603,038
General Motors Co., 6.25%, 10/02/43		2,506	3,003,666
			7,606,704
Banks 2.1%			
Allied Irish Banks PLC, 4.13%, 11/26/25 (b)	EUR	100	105,968
Bankia SA, 4.00%, 5/22/24 (b)		200	222,362
Barclays Bank PLC, 3.65%, 3/16/25	USD	4,320	4,294,452
CIT Group, Inc.:			
5.50%, 2/15/19 (c)		206	218,103
5.38%, 5/15/20		410	438,187
Commerzbank AG:			
7.75%, 3/16/21	EUR	100	134,765
4.00%, 3/23/26		28	32,055
Cooperatieve Rabobank UA:			
3.88%, 2/08/22	USD	2,780	3,038,643
3.95%, 11/09/22		1,500	1,574,884
HSBC Holdings PLC, 6.10%, 1/14/42		610	828,722
Santander Holdings USA, Inc., 4.50%, 7/17/25		2,000	2,095,152
Santander UK Group Holdings PLC, 2.88%, 8/05/21		1,250	1,246,691
Wells Fargo & Co., 3.50%, 3/08/22		2,780	2,969,457
			17,199,441
Beverages 0.2%			
Anheuser-Busch InBev Finance, Inc., 4.90%, 2/01/46		1,320	1,601,061
Verallia Packaging SASU, 5.13%, 8/01/22	EUR	100	119,409
			1,720,470
Biotechnology 0.0%			
Senvion Holding GmbH, 6.63%, 11/15/20		100	117,189
Building Materials 0.0%			
Dry Mix Solutions Investissements SAS, 3.99%, 6/15/21 (b)		100	111,779
Titan Global Finance PLC, 3.50%, 6/17/21		100	114,885
			226,664
Building Products 0.4%			
American Builders & Contractors Supply Co., Inc., 5.75%, 12/15/23 (c)	USD	413	436,747
Builders FirstSource, Inc., 5.63%, 9/01/24 (c)		149	151,607
Building Materials Corp. of America, 6.00%, 10/15/25 (c)		380	416,575

See Notes to Financial Statements.

Table of Contents

Schedule of Investments (continued)

BlackRock Core Bond Trust (BHK)

Corporate Bonds		Par (000)	Value
Building Products (continued)			
CPG Merger Sub LLC, 8.00%, 10/01/21 (c)	USD	520	$ 530,400
Masonite International Corp., 5.63%, 3/15/23 (c)		200	212,000
Ply Gem Industries, Inc., 6.50%, 2/01/22		546	563,745
Standard Industries, Inc. (c):			
5.13%, 2/15/21		94	99,288
5.50%, 2/15/23		153	162,371
USG Corp.:			
9.50%, 1/15/18		380	416,100
5.88%, 11/01/21 (c)		50	52,438
5.50%, 3/01/25 (c)		180	195,300
			3,236,571
Capital Markets 2.3%			
BCD Acquisition, Inc., 9.63%, 9/15/23 (c)		55	57,475
CDP Financial, Inc., 5.60%, 11/25/39 (c)		5,890	8,086,693
E*Trade Financial Corp., 4.63%, 9/15/23		275	285,412
Goldman Sachs Group, Inc., 3.75%, 5/22/25 (d)		8,965	9,488,117
Morgan Stanley, 4.00%, 7/23/25		905	978,112
			18,895,809
Chemicals 0.6%			
Axalta Coating Systems LLC, 4.88%, 8/15/24 (c)		161	167,842
Chemours Co.:			
6.63%, 5/15/23 (f)		215	206,400
7.00%, 5/15/25		100	95,688
Dow Chemical Co., 4.13%, 11/15/21		700	765,948
Huntsman International LLC, 4.88%, 11/15/20		101	104,787
Ineos Finance PLC, 4.00%, 5/01/23	EUR	100	114,334
INEOS Group Holdings SA, 5.63%, 8/01/24 (c)	USD	200	199,500
Inovyn Finance PLC, 6.25%, 5/15/21	EUR	100	117,959
Methanex Corp., 3.25%, 12/15/19	USD	1,650	1,632,685
Momentive Performance Materials, Inc., 3.88%, 10/24/21		367	303,307
NOVA Chemicals Corp., 5.25%, 8/01/23 (c)		88	91,300
Platform Specialty Products Corp. (c):			
10.38%, 5/01/21		37	38,850
6.50%, 2/01/22		934	884,965
PQ Corp., 6.75%, 11/15/22 (c)		214	226,840
PSPC Escrow Corp., 6.00%, 2/01/23	EUR	100	105,401
WR Grace & Co-Conn (c):			
5.13%, 10/01/21	USD	97	103,305
5.63%, 10/01/24		80	86,400
			5,245,511
Commercial Services & Supplies 0.6%			
ADS Waste Holdings, Inc., 8.25%, 10/01/20		166	173,678
ADT Corp.:			
3.50%, 7/15/22		317	303,528
4.13%, 6/15/23		55	53,900
Aviation Capital Group Corp. (c):			
4.63%, 1/31/18		1,300	1,352,000
7.13%, 10/15/20		1,800	2,112,750
Avis Budget Car Rental LLC/Avis Budget Finance, Inc., 5.50%, 4/01/23		5	5,181
Brand Energy & Infrastructure Services, Inc., 8.50%, 12/01/21 (c)		344	343,140
Iron Mountain, Inc.:			
6.00%, 10/01/20 (c)		175	185,939
6.00%, 8/15/23		80	85,400

Mobile Mini, Inc., 5.88%, 7/01/24		267	277,680
Silk Bidco AS, 7.50%, 2/01/22	EUR	100	119,520
United Rentals North America, Inc.:			
7.63%, 4/15/22	USD	87	92,764
5.75%, 11/15/24		140	146,300
			5,251,780

Corporate Bonds		Par (000)	Value
Communications Equipment 0.4%			
Alcatel-Lucent USA, Inc., 6.45%, 3/15/29	USD	1,000	$ 1,087,500
CommScope Technologies Finance LLC, 6.00%, 6/15/25 (c)		340	360,825
CommScope, Inc. (c):			
4.38%, 6/15/20		250	258,750
5.50%, 6/15/24		115	120,750
Nokia OYJ, 6.63%, 5/15/39		135	147,150
Zayo Group LLC/Zayo Capital, Inc.:			
6.00%, 4/01/23		834	867,360
6.38%, 5/15/25		278	293,348
			3,135,683
Construction & Engineering 0.6%			
BlueLine Rental Finance Corp., 7.00%, 2/01/19 (c)		382	330,430
Engility Corp., 8.88%, 9/01/24 (c)		101	102,767
ITR Concession Co. LLC, 4.20%, 7/15/25 (c)		4,000	4,243,184
			4,676,381
Construction Materials 0.5%			
American Tire Distributors, Inc., 10.25%, 3/01/22 (c)		164	145,448
Beacon Roofing Supply, Inc., 6.38%, 10/01/23		313	336,475
HD Supply, Inc.:			
7.50%, 7/15/20		782	814,257
5.25%, 12/15/21 (c)		1,170	1,246,775
5.75%, 4/15/24 (c)		667	710,355
LKQ Italia Bondco SpA, 3.88%, 4/01/24	EUR	157	189,574
PulteGroup, Inc.:			
5.50%, 3/01/26	USD	158	169,060
6.00%, 2/15/35		52	53,040
Rexel SA, 3.50%, 6/15/23	EUR	100	116,286
			3,781,270
Consumer Finance 1.9%			
Ally Financial, Inc.:			
6.25%, 12/01/17	USD	320	335,600
4.63%, 3/30/25		430	446,125
8.00%, 11/01/31		2,043	2,558,858
Capital One Financial Corp., 4.75%, 7/15/21 (d)		1,935	2,161,923
Corivas Campus Living USG LLC, 5.30%, 7/01/50		5,700	6,213,000
Ford Motor Credit Co. LLC:			
8.13%, 1/15/20		1,530	1,812,692
4.25%, 9/20/22		1,600	1,730,667
Navient Corp.:			
5.00%, 10/26/20		180	180,900
6.63%, 7/26/21		104	107,250
6.13%, 3/25/24		59	56,640
5.88%, 10/25/24		56	52,780
5.63%, 8/01/33		101	82,820
OneMain Financial Holdings LLC (c):			
6.75%, 12/15/19		67	70,350
7.25%, 12/15/21		78	81,705
			15,891,310
Containers & Packaging 0.5%			
Ardagh Packaging Finance PLC/Ardagh Holdings USA, Inc.:			
6.75%, 1/31/21 (c)		200	207,250
4.25%, 1/15/22	EUR	100	115,728

6.75%, 5/15/24		100	120,748
Ardagh Packaging Finance PLC/Ardagh MP Holdings USA, Inc. (c):			
4.63%, 5/15/23	USD	271	275,743
7.25%, 5/15/24		635	675,481
Ball Corp., 5.00%, 3/15/22		322	347,760

See Notes to Financial Statements.

Table of Contents

Schedule of Investments (continued)

BlackRock Core Bond Trust (BHK)

Corporate Bonds		Par (000)	Value
Containers & Packaging (continued)			
Crown Americas LLC/Crown Americas Capital Corp. IV, 4.50%, 1/15/23	USD	175	$ 182,875
Crown European Holdings SA, 3.38%, 5/15/25	EUR	100	118,126
JH-Holding Finance SA, 8.25%, 12/01/22 (e)		100	119,735
Reynolds Group Issuer, Inc./Reynolds Group Issuer LLC/Reynolds Group Issuer Lu (c):			
4.13%, 7/15/21 (b)	USD	528	535,920
5.13%, 7/15/23		258	267,675
7.00%, 7/15/24		333	356,726
Sappi Papier Holding GmbH, 4.00%, 4/01/23	EUR	100	117,122
Sealed Air Corp. (c):			
4.88%, 12/01/22	USD	535	561,750
5.13%, 12/01/24		102	109,140
6.88%, 7/15/33		16	17,320
Signode Industrial Group Lux SA/Signode Industrial Group US, Inc., 6.38%, 5/01/22 (c)		16	16,320
			4,145,419
Diversified Consumer Services 0.2%			
ADT Corp., 4.88%, 7/15/32 (c)		75	64,125
APX Group, Inc.:			
6.38%, 12/01/19		56	57,469
8.75%, 12/01/20		75	72,094
7.88%, 12/01/22 (c)		86	90,515
Prime Security Services Borrower LLC/Prime Finance, Inc., 9.25%, 5/15/23 (c)		556	605,345
Service Corp. International:			
4.50%, 11/15/20		410	421,275
5.38%, 5/15/24		110	117,975
			1,428,798
Diversified Financial Services 4.6%			
Aircastle Ltd.:			
6.25%, 12/01/19		353	390,506
5.00%, 4/01/23		91	96,460
Bank of America Corp.:			
5.63%, 7/01/20		2,200	2,484,984
3.30%, 1/11/23		10,000	10,393,590
Deutsche Bank AG, 4.50%, 5/19/26	EUR	100	107,916
FBM Finance, Inc., 8.25%, 8/15/21 (c)	USD	80	83,800
FMR LLC, 4.95%, 2/01/33 (c)		2,300	2,578,610
Garfunkelux Holdco 3 SA, 8.50%, 11/01/22	GBP	100	135,254
General Electric Capital Corp., 6.15%, 8/07/37 (d)	USD	2,150	3,013,864
General Electric Co.:			
6.75%, 3/15/32 (d)		2,500	3,575,585
6.88%, 1/10/39		135	205,874
General Motors Financial Co., Inc., 4.25%, 5/15/23		807	845,345
IntercontinentalExchange Group, Inc., 4.00%, 10/15/23		470	517,517
International Lease Finance Corp., 8.25%, 12/15/20		150	179,437
Jefferies Finance LLC/JFIN Co-Issuer Corp., 7.38%, 4/01/20 (c)		595	568,225
Mercury Bondco PLC, (8.25% Cash, 9.00% PIK), 8.25%, 5/30/21 (e)	EUR	100	116,576
Moody s Corp., 4.50%, 9/01/22 (d)	USD	1,800	1,999,408
MSCI, Inc., 5.75%, 8/15/25 (c)		60	65,025
Northern Trust Corp., 3.95%, 10/30/25 (d)		8,000	8,928,688
Reynolds Group Issuer, Inc.:			
9.88%, 8/15/19		145	149,169
5.75%, 10/15/20		194	200,062
6.88%, 2/15/21		470	487,625
8.25%, 2/15/21		300	312,000

Corporate Bonds		Par (000)	Value
Diversified Financial Services (continued)			
UniCredit SpA:			
6.95%, 10/31/22	EUR	140	$ 178,371
5.75%, 10/28/25 (b)		107	125,190
WMG Acquisition Corp., 5.00%, 8/01/23 (c)	USD	48	49,320
			37,788,401
Diversified Telecommunication Services 3.5%			
AT&T, Inc.:			
6.38%, 3/01/41		520	661,357
5.15%, 3/15/42		1,400	1,560,534
4.75%, 5/15/46		2,710	2,896,445
CenturyLink, Inc., 6.45%, 6/15/21		280	300,825
Consolidated Communications, Inc., 6.50%, 10/01/22		68	65,960
Frontier Communications Corp.:			
7.13%, 3/15/19		115	123,913
7.13%, 1/15/23		50	47,125
7.63%, 4/15/24		205	192,700
6.88%, 1/15/25		885	794,287
11.00%, 9/15/25		280	302,400
Level 3 Financing, Inc.:			
5.38%, 8/15/22		165	172,450
5.63%, 2/01/23		184	192,740
5.13%, 5/01/23		420	436,275
5.38%, 1/15/24		165	173,044
5.38%, 5/01/25		275	288,750
5.25%, 3/15/26 (c)		223	231,084
OTE PLC, 3.50%, 7/09/20	EUR	100	114,735
SoftBank Group Corp., 5.25%, 7/30/27		100	126,464
Telecom Italia Capital SA:			
6.38%, 11/15/33	USD	70	72,363
6.00%, 9/30/34		265	266,352
7.20%, 7/18/36		105	112,481
Telecom Italia SpA:			
3.25%, 1/16/23	EUR	141	170,875
3.63%, 1/19/24		200	242,900
Verizon Communications, Inc.:			
3.50%, 11/01/21	USD	1,000	1,075,661
6.40%, 2/15/38		6,879	8,969,370
6.55%, 9/15/43		6,751	9,168,081
			28,759,171
Electric Utilities 6.0%			
AES Corp., 4.88%, 5/15/23		210	212,625
Berkshire Hathaway Energy Co., 6.50%, 9/15/37		5,515	7,663,991
Black Hills Corp., 3.15%, 1/15/27		405	409,833
Cleveland Electric Illuminating Co., 5.95%, 12/15/36		434	503,518
CMS Energy Corp., 5.05%, 3/15/22 (d)		1,832	2,081,857
Duke Energy Carolinas LLC:			
6.10%, 6/01/37		640	858,092
6.00%, 1/15/38 (d)		1,675	2,294,157
4.25%, 12/15/41 (d)		750	854,920
Duke Energy Florida LLC, 6.40%, 6/15/38 (d)		770	1,100,406
E.ON International Finance BV, 6.65%, 4/30/38 (c)		3,100	3,901,238
Electricite de France SA, 5.60%, 1/27/40 (c)		2,800	3,352,532
Florida Power Corp., 6.35%, 9/15/37		2,775	3,946,877
Jersey Central Power & Light Co., 7.35%, 2/01/19		490	548,398
Ohio Power Co., Series D, 6.60%, 3/01/33 (d)		3,000	3,886,560
PacifiCorp, 6.25%, 10/15/37 (d)		1,225	1,720,717
Public Service Co. of Colorado, Series 17, 6.25%, 9/01/37		2,550	3,624,863
Southern California Edison Co.:			
5.63%, 2/01/36 (d)		1,300	1,694,242
Series A, 5.95%, 2/01/38		2,175	3,001,511

See Notes to Financial Statements.

Table of Contents

Schedule of Investments (continued)

BlackRock Core Bond Trust (BHK)

Corporate Bonds		Par (000)	Value
Electric Utilities (continued)			
Southern Co., 3.25%, 7/01/26	USD	1,680	$ 1,748,569
Virginia Electric & Power Co., Series A, 6.00%, 5/15/37		3,920	5,302,474
			48,707,380
Electrical Equipment 0.0%			
Anixter, Inc., 5.63%, 5/01/19		35	37,056
Trionista TopCo GmbH, 6.88%, 4/30/21	EUR	110	129,448
			166,504
Electronic Equipment, Instruments & Components 0.1%			
CDW LLC/CDW Finance Corp.:			
6.00%, 8/15/22	USD	370	397,287
5.00%, 9/01/23		519	537,814
5.50%, 12/01/24		228	244,348
			1,179,449
Energy Equipment & Services 0.9%			
Ensco PLC:			
4.70%, 3/15/21		50	43,150
4.50%, 10/01/24		139	98,951
5.20%, 3/15/25		64	46,080
Enterprise Products Operating LLC, 6.13%, 10/15/39 (d)		1,400	1,680,337
EOG Resources, Inc., 2.63%, 3/15/23		3,800	3,793,935
Gates Global LLC/Gates Global Co., 6.00%, 7/15/22 (c)		249	236,550
Genesis Energy LP/Genesis Energy Finance Corp.:			
5.75%, 2/15/21		142	140,935
6.75%, 8/01/22		155	158,100
GrafTech International Ltd., 6.38%, 11/15/20		600	463,500
Noble Holding International Ltd.:			
4.63%, 3/01/21		25	20,940
6.95%, 4/01/25		35	28,525
Transocean, Inc.:			
6.00%, 3/15/18		120	120,150
7.38%, 4/15/18		20	20,200
8.13%, 12/15/21		309	289,688
5.05%, 10/15/22		135	107,663
Weatherford International, Ltd., 7.75%, 6/15/21		70	69,300
			7,318,004
Environmental, Maintenance, & Security Service 0.0%			
Befesa Zinc SAU Via Zinc Capital SA, 8.88%, 5/15/18	EUR	100	113,776
Food & Staples Retailing 0.5%			
Albertsons Cos. LLC/Safeway, Inc./New Albertson s, Inc./Albertson s LLC (c):			
6.63%, 6/15/24	USD	151	162,114
5.75%, 3/15/25		295	305,325
Casino Guichard Perrachon SA:			
5.98%, 5/26/21	EUR	100	130,635
3.31%, 1/25/23		100	121,797
Dollar Tree, Inc., 5.75%, 3/01/23	USD	1,560	1,678,950
Rite Aid Corp.:			
6.75%, 6/15/21		258	271,867
6.13%, 4/01/23 (c)		905	977,020
7.70%, 2/15/27		215	273,050
			3,920,758

Food Products 0.4%			
Acosta, Inc., 7.75%, 10/01/22 (c)		463	427,696
Aramark Services, Inc.:			
5.13%, 1/15/24		311	322,468
5.13%, 1/15/24 (c)		92	95,393
4.75%, 6/01/26 (c)		151	151,770
Darling Global Finance BV, 4.75%, 5/30/22	EUR	100	116,899
Corporate Bonds		**Par (000)**	**Value**
Food Products (continued)			
FAGE International SA/FAGE USA Dairy Industry, Inc., 5.63%, 8/15/26 (c)	USD	200	$ 206,750
JBS USA LLC/JBS USA Finance, Inc. (c):			
7.25%, 6/01/21		30	31,050
5.75%, 6/15/25		303	307,545
Pinnacle Foods Finance Corp., 5.88%, 1/15/24 (c)		42	45,255
Post Holdings, Inc. (c):			
6.75%, 12/01/21		68	73,015
7.75%, 3/15/24		468	520,065
8.00%, 7/15/25		277	316,472
5.00%, 8/15/26		257	256,357
Smithfield Foods, Inc., 5.88%, 8/01/21 (c)		338	353,210
TreeHouse Foods, Inc., 6.00%, 2/15/24 (c)		89	96,788
WhiteWave Foods Co., 5.38%, 10/01/22		119	134,173
			3,454,906
Forest Products 0.0%			
Tereos Finance Groupe I SA, 4.13%, 6/16/23	EUR	100	116,559
Health Care Equipment & Supplies 0.3%			
Crimson Merger Sub, Inc., 6.63%, 5/15/22 (c)	USD	405	362,475
DJO Finco, Inc./DJO Finance LLC/DJO Finance Corp., 8.13%, 6/15/21 (c)		785	690,800
Fresenius Medical Care US Finance II, Inc., 4.75%, 10/15/24 (c)		165	176,550
Fresenius US Finance II, Inc., 4.50%, 1/15/23 (c)		170	179,775
Mallinckrodt International Finance SA/Mallinckrodt CB LLC, 5.63%, 10/15/23 (c)		241	241,904
Teleflex, Inc.:			
3.88%, 8/01/17 (h)		100	297,812
5.25%, 6/15/24		170	178,075
4.88%, 6/01/26		64	66,720
Thermo Fisher Scientific, Inc., 3.00%, 4/15/23		390	399,769
			2,593,880
Health Care Providers & Services 1.6%			
Acadia Healthcare Co., Inc.:			
5.63%, 2/15/23		411	418,192
6.50%, 3/01/24		41	43,101
Aetna, Inc., 3.20%, 6/15/26		1,005	1,021,723
Alere, Inc., 6.38%, 7/01/23 (c)(f)		109	111,453
Amsurg Corp., 5.63%, 7/15/22		553	570,972
Centene Corp.:			
5.63%, 2/15/21		401	426,564
4.75%, 5/15/22		10	10,388
6.13%, 2/15/24		308	335,720
CHS/Community Health Systems, Inc.:			
5.13%, 8/15/18		101	102,263
8.00%, 11/15/19		48	45,420
DaVita HealthCare Partners, Inc.:			
5.13%, 7/15/24		576	594,720
5.00%, 5/01/25		56	56,756
Envision Healthcare Corp., 5.13%, 7/01/22 (c)		365	368,650
HCA, Inc.:			
3.75%, 3/15/19		264	272,250
6.50%, 2/15/20		652	720,460
4.75%, 5/01/23		562	587,992
5.38%, 2/01/25		977	1,006,310
5.25%, 4/15/25		66	70,703
5.88%, 2/15/26		284	300,330
5.25%, 6/15/26		361	385,819
4.50%, 2/15/27 (f)		408	411,570

HealthSouth Corp.:		
5.75%, 11/01/24	486	503,982
5.75%, 9/15/25	286	299,227
2.00%, 12/01/43 (h)	225	265,078

See Notes to Financial Statements.

Table of Contents

Schedule of Investments (continued)

BlackRock Core Bond Trust (BHK)

Corporate Bonds		Par (000)	Value
Health Care Providers & Services (continued)			
Hologic, Inc., 5.25%, 7/15/22 (c)	USD	580	$ 616,975
MEDNAX, Inc., 5.25%, 12/01/23 (c)		134	141,035
MPH Acquisition Holdings LLC, 7.13%, 6/01/24 (c)		204	219,300
RegionalCare Hospital Partners Holdings, Inc., 8.25%, 5/01/23 (c)		237	241,444
Surgery Center Holdings, Inc., 8.88%, 4/15/21 (c)		48	51,240
Tenet Healthcare Corp.:			
6.25%, 11/01/18		159	169,732
6.00%, 10/01/20		324	342,225
4.50%, 4/01/21		21	21,200
4.38%, 10/01/21		112	112,385
8.13%, 4/01/22		472	477,900
6.75%, 6/15/23		501	476,576
UnitedHealth Group, Inc., 3.75%, 7/15/25		1,375	1,524,178
			13,323,833
Hotels, Restaurants & Leisure 2.5%			
Boyd Gaming Corp., 6.88%, 5/15/23		172	185,760
Caesars Entertainment Resort Properties LLC/Caesars Entertainment Resort Property, 8.00%, 10/01/20		1,247	1,265,705
CPUK Finance, Ltd., 7.00%, 2/28/42	GBP	100	140,323
ESH Hospitality, Inc., 5.25%, 5/01/25 (c)	USD	525	524,837
International Game Technology PLC, 4.75%, 2/15/23	EUR	100	122,510
KFC Holding Co/Pizza Hut Holdings LLC/Taco Bell of America LLC (c):			
5.00%, 6/01/24	USD	29	30,413
5.25%, 6/01/26		148	157,250
McDonald s Corp., 3.70%, 1/30/26		510	550,499
MGM Resorts International:			
8.63%, 2/01/19		96	108,600
5.25%, 3/31/20		320	342,400
6.75%, 10/01/20		113	126,278
6.63%, 12/15/21		710	796,975
4.63%, 9/01/26		154	152,460
MGP Escrow Issuer LLC/MGP Escrow Co-Issuer, Inc., 5.63%, 5/01/24 (c)		1,105	1,198,925
New Red Finance, Inc., 6.00%, 4/01/22 (c)		640	669,600
PortAventura Entertainment Barcelona BV, 7.25%, 12/01/20	EUR	100	116,329
RHP Hotel Properties LP/RHP Finance Corp., 5.00%, 4/15/21	USD	230	237,475
Sabre GLBL, Inc. (c):			
5.38%, 4/15/23		82	84,768
5.25%, 11/15/23		185	190,087
Scientific Games International, Inc.:			
7.00%, 1/01/22 (c)		210	223,125
10.00%, 12/01/22		202	186,850
Six Flags Entertainment Corp., 5.25%, 1/15/21 (c)		434	449,190
Station Casinos LLC, 7.50%, 3/01/21		570	606,135
Unique Pub Finance Co. PLC:			
Series A3, 6.54%, 3/30/21	GBP	2,613	3,655,087
Series A4, 5.66%, 6/30/27		1,120	1,524,267
Series M, 7.40%, 3/28/24		3,000	3,861,088
Series N, 6.46%, 3/30/32		2,390	2,578,513
Vue International Bidco PLC, 7.88%, 7/15/20		100	137,224
Yum! Brands, Inc.:			
3.75%, 11/01/21	USD	46	46,575
3.88%, 11/01/23		20	19,800
			20,289,048
Corporate Bonds		**Par**	**Value**

		(000)	
Household Durables 0.3%			
Beazer Homes USA, Inc., 6.63%, 4/15/18	USD	80	$ 81,500
CalAtlantic Group, Inc.:			
8.38%, 1/15/21		55	65,588
5.25%, 6/01/26		15	15,225
Century Communities, Inc., 6.88%, 5/15/22		460	465,750
DR Horton, Inc., 4.00%, 2/15/20		220	230,450
Lennar Corp.:			
4.75%, 11/15/22		320	336,800
4.88%, 12/15/23		85	89,038
4.75%, 5/30/25		180	186,750
PulteGroup, Inc., 6.38%, 5/15/33		330	347,325
Riverbed Technology, Inc., 8.88%, 3/01/23 (c)		155	166,237
Standard Pacific Corp., 5.88%, 11/15/24		20	21,600
TRI Pointe Group, Inc.:			
4.38%, 6/15/19		10	10,275
4.88%, 7/01/21		125	128,750
5.88%, 6/15/24		250	261,250
			2,406,538
Household Products 0.1%			
Prestige Brands, Inc., 6.38%, 3/01/24 (c)		109	116,357
Spectrum Brands, Inc.:			
6.38%, 11/15/20		310	322,012
6.63%, 11/15/22		355	379,850
6.13%, 12/15/24		112	120,820
5.75%, 7/15/25		10	10,838
Tempur Sealy International, Inc., 5.50%, 6/15/26 (c)		91	95,050
			1,044,927
Independent Power and Renewable Electricity Producers 0.3%			
Calpine Corp.:			
6.00%, 1/15/22 (c)		99	103,826
5.88%, 1/15/24 (c)		194	205,155
5.50%, 2/01/24		5	4,988
5.75%, 1/15/25		50	49,813
Dynegy, Inc.:			
6.75%, 11/01/19		470	481,750
7.38%, 11/01/22		151	149,112
7.63%, 11/01/24		25	24,500
NRG Energy, Inc.:			
8.25%, 9/01/20		20	20,550
7.88%, 5/15/21		61	63,593
6.63%, 3/15/23		25	25,500
6.25%, 5/01/24		25	24,813
7.25%, 5/15/26 (c)		138	143,313
6.63%, 1/15/27 (c)		475	475,888
NRG Yield Operating LLC, 5.38%, 8/15/24		75	78,187
QEP Resources, Inc., 5.38%, 10/01/22		459	454,410
			2,305,398
Industrial Conglomerates 0.0%			
Smiths Group PLC, 3.63%, 10/12/22 (c)		360	369,317
Insurance 2.4%			
Allied World Assurance Co. Holdings Ltd., 4.35%, 10/29/25		1,495	1,548,941
American International Group, Inc., 3.75%, 7/10/25		3,380	3,568,137
Aon PLC, 3.88%, 12/15/25		1,445	1,555,896
Assicurazioni Generali SpA, 5.00%, 6/08/48 (b)	EUR	100	115,031
AXA SA, 5.25%, 4/16/40 (b)		500	625,590
Five Corners Funding Trust, 4.42%, 11/15/23 (c)(d)	USD	2,050	2,214,303
Hartford Financial Services Group, Inc., 5.13%, 4/15/22		1,860	2,108,805

See Notes to Financial Statements.

Table of Contents

Schedule of Investments (continued)

BlackRock Core Bond Trust (BHK)

Corporate Bonds		Par (000)	Value
Insurance (continued)			
HUB International Ltd. (c):			
9.25%, 2/15/21	USD	117	$ 123,435
7.88%, 10/01/21		418	427,405
Liberty Mutual Group, Inc., 6.50%, 5/01/42 (c)(d)		2,000	2,516,020
Lincoln National Corp., 3.35%, 3/09/25 (d)		1,045	1,063,459
Muenchener Rueckversicherungs AG, 6.00%, 5/26/41 (b)	EUR	400	531,993
Prudential Financial, Inc. (d):			
5.90%, 3/17/36	USD	500	617,875
5.70%, 12/14/36		1,625	1,978,831
TMF Group Holding BV, 9.88%, 12/01/19	EUR	100	119,253
Trader Corp., 9.88%, 8/15/18 (c)	USD	75	76,875
Wayne Merger Sub LLC, 8.25%, 8/01/23 (c)		286	295,617
			19,487,466
Internet Software & Services 0.1%			
Equinix, Inc.:			
4.88%, 4/01/20		173	179,920
5.88%, 1/15/26		350	381,280
Netflix, Inc.:			
5.50%, 2/15/22		8	8,600
5.75%, 3/01/24		251	271,080
			840,880
IT Services 0.4%			
Ceridian HCM Holding, Inc., 11.00%, 3/15/21 (c)		155	160,425
First Data Corp. (c):			
5.38%, 8/15/23		321	333,038
7.00%, 12/01/23		1,223	1,281,092
5.75%, 1/15/24		1,524	1,560,195
Western Digital Corp., 10.50%, 4/01/24 (c)		72	81,360
			3,416,110
Life Sciences Tools & Services 0.1%			
Agilent Technologies, Inc., 3.20%, 10/01/22		500	513,863
Machinery 0.1%			
Gardner Denver, Inc., 6.88%, 8/15/21 (c)		90	83,025
SPX FLOW, Inc. (c):			
5.63%, 8/15/24		195	200,362
5.88%, 8/15/26		105	108,413
Trinseo Materials Operating SCA/Trinseo Materials Finance, Inc., 6.38%, 5/01/22	EUR	100	118,294
			510,094
Marine 0.3%			
Nakilat, Inc., Series A, 6.07%, 12/31/33 (c)	USD	2,150	2,596,985
Media 6.4%			
21st Century Fox America, Inc., 7.63%, 11/30/28		385	536,892
Altice Financing SA:			
6.50%, 1/15/22 (c)		200	210,500
5.25%, 2/15/23	EUR	100	117,686
7.50%, 5/15/26 (c)	USD	200	210,500
Altice Luxembourg SA (c):			
7.75%, 5/15/22		200	212,875
7.63%, 2/15/25		289	296,947
Altice US Finance I Corp. (c):			
5.38%, 7/15/23		770	805,612

5.50%, 5/15/26		293	309,115
AMC Networks, Inc.:			
4.75%, 12/15/22		111	114,330
5.00%, 4/01/24		191	195,775
Cablevision Systems Corp.:			
8.63%, 9/15/17		76	80,769
7.75%, 4/15/18		311	331,992
8.00%, 4/15/20		85	90,525

Corporate Bonds		**Par (000)**	**Value**
Media (continued)			
CCO Holdings LLC/CCO Holdings Capital Corp.:			
5.25%, 9/30/22	USD	600	$ 630,000
5.13%, 5/01/23 (c)		359	377,736
5.88%, 4/01/24 (c)		383	412,682
5.75%, 2/15/26 (c)		197	210,790
5.50%, 5/01/26 (c)		278	294,332
5.88%, 5/01/27 (c)		770	823,900
Cellnex Telecom SA, 2.38%, 1/16/24	EUR	100	115,070
Cequel Communications Holdings I LLC/Cequel Capital Corp. (c):			
6.38%, 9/15/20	USD	100	103,375
5.13%, 12/15/21		409	412,701
7.75%, 7/15/25		960	1,048,800
Charter Communications Operating LLC/Charter Communications Operating Capital, 4.91%, 7/23/25 (c)		4,000	4,413,680
Clear Channel International BV, 8.75%, 12/15/20 (c)		284	301,040
Clear Channel Worldwide Holdings, Inc., 6.50%, 11/15/22		2,307	2,370,472
Comcast Cable Communications Holdings, Inc., 9.46%, 11/15/22		2,600	3,656,234
Comcast Corp.:			
3.38%, 8/15/25 (d)		4,500	4,854,541
6.45%, 3/15/37		790	1,109,088
Cox Communications, Inc. (c):			
6.95%, 6/01/38		1,000	1,141,073
8.38%, 3/01/39 (d)		3,475	4,459,287
CSC Holdings LLC:			
10.13%, 1/15/23 (c)		790	902,081
5.25%, 6/01/24		615	598,469
Discovery Communications LLC:			
3.25%, 4/01/23		1,850	1,852,662
3.45%, 3/15/25		210	206,607
DISH DBS Corp.:			
5.13%, 5/01/20		90	93,150
6.75%, 6/01/21		314	337,354
5.88%, 7/15/22		73	74,460
5.88%, 11/15/24		99	97,639
7.75%, 7/01/26 (c)		530	565,505
DISH Network Corp., 3.38%, 8/15/26 (c)(h)		175	182,547
eircom Finance DAC, 4.50%, 5/31/22	EUR	100	114,029
Gray Television, Inc., 5.88%, 7/15/26 (c)	USD	54	56,295
Hughes Satellite Systems Corp. (c):			
5.25%, 8/01/26		144	142,847
6.63%, 8/01/26		109	108,183
iHeartCommunications, Inc.:			
9.00%, 12/15/19		185	149,619
9.00%, 3/01/21		9	6,750
10.63%, 3/15/23		961	708,737
Intelsat Jackson Holdings SA:			
7.25%, 10/15/20		267	207,593
5.50%, 8/01/23		272	185,640
Interpublic Group of Cos., Inc., 3.75%, 2/15/23		2,000	2,104,122
Lamar Media Corp., 5.75%, 2/01/26		210	227,063
LGE HoldCo VI BV, 7.13%, 5/15/24	EUR	100	126,325
McGraw-Hill Global Education Holdings LLC/McGraw-Hill Global Education Finance, 7.88%, 5/15/24 (c)	USD	61	65,270
MDC Partners, Inc., 6.50%, 5/01/24 (c)		336	319,200
Midcontinent Communications & Midcontinent Finance Corp., 6.25%, 8/01/21 (c)		340	356,150
NAI Entertainment Holdings/NAI Entertainment Holdings Finance Corp., 5.00%, 8/01/18 (c)		117	118,755
National CineMedia LLC, 5.75%, 8/15/26 (c)		59	60,549

Nexstar Escrow Corp., 5.63%, 8/01/24 (c)	173	176,460

See Notes to Financial Statements.

Table of Contents

Schedule of Investments (continued)

BlackRock Core Bond Trust (BHK)

Corporate Bonds		Par (000)	Value
Media (continued)			
Nielsen Finance LLC/Nielsen Finance Co., 5.00%, 4/15/22 (c)	USD	515	$ 529,096
Numericable Group SA, 5.38%, 5/15/22	EUR	106	124,079
Outfront Media Capital LLC/Outfront Media Capital Corp.:			
5.25%, 2/15/22	USD	55	57,613
5.63%, 2/15/24		160	170,200
SFR Group SA (c):			
6.00%, 5/15/22		345	352,590
7.38%, 5/01/26		1,701	1,756,282
Sirius XM Radio, Inc. (c):			
4.25%, 5/15/20		463	472,260
5.38%, 4/15/25		90	94,275
TCI Communications, Inc., 7.88%, 2/15/26 (d)		610	869,806
TEGNA, Inc. (c):			
4.88%, 9/15/21		50	51,875
5.50%, 9/15/24		165	174,075
Time Warner, Inc.:			
3.60%, 7/15/25 (d)		750	804,786
6.10%, 7/15/40		830	1,067,825
Tribune Media Co., 5.88%, 7/15/22		514	525,565
United Group BV, 7.88%, 11/15/20	EUR	100	117,167
Unitymedia Hessen GmbH & Co. KG/Unitymedia NRW GmbH:			
5.50%, 1/15/23 (c)	USD	445	468,362
4.00%, 1/15/25	EUR	100	118,528
3.50%, 1/15/27		100	115,728
Univision Communications, Inc. (c):			
5.13%, 5/15/23	USD	1,131	1,176,240
5.13%, 2/15/25		390	407,550
UPCB Finance IV Ltd., 4.00%, 1/15/27	EUR	100	114,306
Virgin Media Finance PLC, 5.75%, 1/15/25 (c)	USD	515	524,012
Virgin Media Secured Finance PLC:			
5.50%, 8/15/26 (c)		200	209,000
4.88%, 1/15/27	GBP	100	137,552
6.25%, 3/28/29		100	145,169
WaveDivision Escrow LLC/WaveDivision Escrow Corp., 8.13%, 9/01/20 (c)	USD	520	542,750
Wind Acquisition Finance SA:			
7.00%, 4/23/21	EUR	120	139,208
7.38%, 4/23/21 (c)	USD	200	206,000
Ziggo Bond Finance BV, 5.88%, 1/15/25 (c)		260	261,300
Ziggo Secured Finance BV, 3.75%, 1/15/25	EUR	100	114,049
			52,239,628
Metals & Mining 1.3%			
Alcoa, Inc.:			
5.40%, 4/15/21	USD	340	360,720
5.13%, 10/01/24		445	469,475
Anglo American Capital PLC:			
4.45%, 9/27/20 (c)		100	101,000
4.13%, 4/15/21 (c)		200	198,000
4.13%, 9/27/22 (c)		200	195,500
3.25%, 4/03/23	EUR	100	110,214
ArcelorMittal:			
6.13%, 6/01/18	USD	251	265,432
10.85%, 6/01/19		97	115,673
7.25%, 2/25/22		14	15,750
8.00%, 10/15/39		64	68,800
7.75%, 3/01/41		191	198,640
Constellium NV (c):			

8.00%, 1/15/23		650	663,000
5.75%, 5/15/24		250	231,250
Freeport-McMoRan, Inc.:			
2.30%, 11/14/17		189	185,693
2.38%, 3/15/18		1,169	1,150,004

Corporate Bonds		**Par (000)**	**Value**
Metals & Mining (continued)			
Freeport-McMoRan, Inc. (continued):			
3.10%, 3/15/20	USD	105	$ 96,600
4.00%, 11/14/21		126	115,290
3.55%, 3/01/22		370	322,825
3.88%, 3/15/23		725	621,687
5.40%, 11/14/34		278	216,840
5.45%, 3/15/43		364	278,460
Glencore Finance Europe SA, 3.38%, 9/30/20	EUR	100	120,747
Joseph T Ryerson & Son, Inc., 11.00%, 5/15/22 (c)	USD	115	126,500
Kaiser Aluminum Corp., 5.88%, 5/15/24 (c)		74	78,440
Novelis Corp., 6.25%, 8/15/24 (c)		743	774,577
Novelis, Inc., 8.75%, 12/15/20		683	715,442
Steel Dynamics, Inc.:			
5.13%, 10/01/21		550	572,000
5.25%, 4/15/23		345	358,800
5.50%, 10/01/24		48	50,640
Teck Resources Ltd.:			
3.00%, 3/01/19		140	135,800
8.00%, 6/01/21 (c)		86	92,826
3.75%, 2/01/23		235	201,513
8.50%, 6/01/24 (c)		295	331,875
6.00%, 8/15/40		236	191,160
6.25%, 7/15/41		200	165,375
5.20%, 3/01/42		95	69,588
United States Steel Corp., 8.38%, 7/01/21 (c)		215	233,812
Wise Metals Group LLC/Wise Alloys Finance Corp., 8.75%, 12/15/18 (c)		266	273,980
			10,473,928
Multi-Utilities 0.2%			
Brooklyn Union Gas Co., 3.41%, 3/10/26 (c)		1,880	1,998,239
Multiline Retail 0.0%			
Neiman Marcus Group Ltd., 8.00%, 10/15/21 (c)		430	367,951
Offshore Drilling & Other Services 0.1%			
Lam Research Corp., 3.90%, 6/15/26		460	480,684
Oil, Gas & Consumable Fuels 4.1%			
Antero Resources Corp., 5.63%, 6/01/23		26	26,065
California Resources Corp., 8.00%, 12/15/22 (c)		352	237,600
Carrizo Oil & Gas, Inc., 6.25%, 4/15/23		525	518,437
Cenovus Energy, Inc.:			
5.70%, 10/15/19		30	32,241
5.20%, 9/15/43		15	13,189
Cheniere Corpus Christi Holdings LLC, 7.00%, 6/30/24 (c)		278	297,460
Chesapeake Energy Corp.:			
6.50%, 8/15/17		30	30,225
3.93%, 4/15/19 (b)		603	545,715
6.63%, 8/15/20		95	84,550
6.88%, 11/15/20		110	96,525
ConocoPhillips Canada Funding Co., 5.95%, 10/15/36		685	828,112
CONSOL Energy, Inc.:			
5.88%, 4/15/22		1,339	1,211,795
8.00%, 4/01/23		48	46,800
Continental Resources, Inc.:			
5.00%, 9/15/22		89	86,108
4.50%, 4/15/23		133	125,352
3.80%, 6/01/24		417	376,342
4.90%, 6/01/44		65	54,275
Crestwood Midstream Partners LP/Crestwood Midstream Finance Corp.:			
6.00%, 12/15/20		25	24,625
6.13%, 3/01/22		115	111,837
6.25%, 4/01/23		20	19,500

See Notes to Financial Statements.

Table of Contents

Schedule of Investments (continued)

BlackRock Core Bond Trust (BHK)

Corporate Bonds		**Par (000)**	**Value**
Oil, Gas & Consumable Fuels (continued)			
CrownRock LP/CrownRock Finance, Inc., 7.13%, 4/15/21 (c)	USD	610	$ 634,400
DCP Midstream LLC (c):			
6.45%, 11/03/36		95	91,913
6.75%, 9/15/37		149	144,530
Denbury Resources, Inc., 9.00%, 5/15/21 (c)		501	514,777
Diamondback Energy, Inc., 7.63%, 10/01/21		328	347,885
Encana Corp.:			
3.90%, 11/15/21		99	97,882
6.50%, 8/15/34		129	130,231
6.63%, 8/15/37		108	109,474
6.50%, 2/01/38		319	319,265
5.15%, 11/15/41		131	114,955
Energy Transfer Equity LP:			
5.88%, 1/15/24		579	593,475
5.50%, 6/01/27		251	251,627
Extraction Oil & Gas Holdings LLC/Extraction Finance Corp., 7.88%, 7/15/21 (c)		178	179,780
Freeport-McMoran Oil & Gas LLC / FCX Oil & Gas, Inc., 6.88%, 2/15/23		180	175,050
Genesis Energy LP/Genesis Energy Finance Corp., 5.63%, 6/15/24		55	52,938
Gulfport Energy Corp.:			
7.75%, 11/01/20		146	151,840
6.63%, 5/01/23		15	15,413
Halcon Resources Corp., 8.63%, 2/01/20 (a)(c)(i)		100	95,000
Hilcorp Energy I LP/Hilcorp Finance Co., 7.63%, 4/15/21 (c)		30	30,825
KeySpan Gas East Corp., 5.82%, 4/01/41 (c)(d)		1,010	1,312,796
Marathon Petroleum Corp., 6.50%, 3/01/41 (d)		2,049	2,301,943
Matador Resources Co., 6.88%, 4/15/23		270	278,775
MEG Energy Corp. (c):			
6.50%, 3/15/21		560	459,200
7.00%, 3/31/24		735	591,675
Memorial Resource Development Corp., 5.88%, 7/01/22		324	327,240
MidAmerican Energy Co., 5.80%, 10/15/36 (d)		1,500	2,013,390
MidAmerican Energy Holdings Co., 5.95%, 5/15/37		1,750	2,307,056
Murphy Oil Corp., 6.88%, 8/15/24		112	117,124
NGPL PipeCo LLC (c):			
7.12%, 12/15/17		1,719	1,794,206
7.77%, 12/15/37		87	93,416
Noble Energy, Inc., 5.63%, 5/01/21		309	322,338
Oasis Petroleum, Inc.:			
7.25%, 2/01/19		25	24,625
6.50%, 11/01/21		272	250,920
6.88%, 3/15/22 (d)		307	285,510
6.88%, 1/15/23		120	110,700
ONEOK, Inc.:			
4.25%, 2/01/22		45	43,538
7.50%, 9/01/23		135	149,512
Parsley Energy LLC/Parsley Finance Corp. (c):			
7.50%, 2/15/22		345	363,975
6.25%, 6/01/24		74	76,405
PBF Holding Co. LLC/PBF Finance Corp., 8.25%, 2/15/20		94	96,938
PDC Energy, Inc., 7.75%, 10/15/22		165	173,250
QEP Resources, Inc.:			
6.88%, 3/01/21		105	109,777
5.25%, 5/01/23		73	71,540
Range Resources Corp.:			
5.75%, 6/01/21		213	216,195
5.00%, 8/15/22		53	52,470
5.00%, 3/15/23		185	182,687

Corporate Bonds		Par (000)	Value
Oil, Gas & Consumable Fuels (continued)			
Rockies Express Pipeline LLC, 5.63%, 4/15/20 (c)	USD	565	$ 591,131
RSP Permian, Inc., 6.63%, 10/01/22		179	186,160
Sabine Pass Liquefaction LLC:			
5.63%, 2/01/21		848	890,400
6.25%, 3/15/22		896	958,720
5.63%, 4/15/23		1,037	1,091,442
5.88%, 6/30/26 (c)		236	252,520
Sanchez Energy Corp.:			
7.75%, 6/15/21		322	280,140
6.13%, 1/15/23		603	476,370
SBA Communications Corp., 4.88%, 9/01/24 (c)		388	393,335
Seven Generations Energy Ltd. (c):			
8.25%, 5/15/20		705	749,944
6.75%, 5/01/23		15	15,338
SM Energy Co.:			
6.13%, 11/15/22		9	8,753
5.00%, 1/15/24		10	9,138
Southwestern Energy Co.:			
7.50%, 2/01/18		25	26,281
5.80%, 1/23/20		140	140,000
4.10%, 3/15/22		129	117,390
6.70%, 1/23/25		40	41,100
Sunoco Logistics Partners Operations LP, 3.90%, 7/15/26		310	312,576
Tallgrass Energy Partners LP/Tallgrass Energy Finance Corp., 5.50%, 9/15/24 (c)(f)		115	117,875
Targa Resources Partners LP/Targa Resources Partners Finance Corp.:			
6.88%, 2/01/21		49	50,715
6.38%, 8/01/22		60	61,950
5.25%, 5/01/23		10	10,150
6.75%, 3/15/24 (c)		50	53,125
Tesoro Logistics LP/Tesoro Logistics Finance Corp.:			
6.13%, 10/15/21		26	27,235
6.38%, 5/01/24		74	78,995
Transcanada Trust, 5.88%, 8/15/76 (b)		135	143,859
Weatherford International LLC, 6.80%, 6/15/37		15	11,175
Weatherford International Ltd.:			
4.50%, 4/15/22		65	53,950
6.50%, 8/01/36		50	37,000
7.00%, 3/15/38		55	41,388
5.95%, 4/15/42		52	36,530
Western Gas Partners LP, 5.38%, 6/01/21		1,425	1,548,696
Whiting Petroleum Corp.:			
5.75%, 3/15/21		3	2,689
1.25%, 6/05/20 (h)		458	393,734
5.75%, 3/15/21 (h)		270	252,450
6.25%, 4/01/23 (h)		118	109,372
Williams Cos., Inc.:			
3.70%, 1/15/23		38	36,860
4.55%, 6/24/24		81	82,823
5.75%, 6/24/44		189	194,197
WPX Energy, Inc.:			
5.25%, 1/15/17		30	30,150
7.50%, 8/01/20		50	51,344
6.00%, 1/15/22		278	270,355
8.25%, 8/01/23		125	130,000
5.25%, 9/15/24		145	133,762
			33,446,331
Paper & Forest Products 0.2%			
International Paper Co., 6.00%, 11/15/41		870	1,046,724
Pfleiderer GmbH, 7.88%, 8/01/19	EUR	100	116,163
Unifrax I LLC/Unifrax Holding Co., 7.50%, 2/15/19 (c)	USD	180	162,000
			1,324,887

See Notes to Financial Statements.

Table of Contents

Schedule of Investments (continued)

BlackRock Core Bond Trust (BHK)

Corporate Bonds		Par (000)	Value
Pharmaceuticals 1.7%			
AbbVie, Inc., 3.60%, 5/14/25	USD	870	$ 920,704
Actavis Funding SCS, 4.55%, 3/15/35		2,140	2,304,744
Actavis, Inc., 3.25%, 10/01/22		4,000	4,154,224
DPx Holdings BV, 7.50%, 2/01/22 (c)		75	79,701
Endo Finance LLC, 5.75%, 1/15/22 (c)		95	88,528
Endo Finance LLC/Endo Finco, Inc. (c):			
5.38%, 1/15/23		235	212,675
6.00%, 7/15/23		315	285,862
Forest Laboratories, Inc., 5.00%, 12/15/21 (c)		758	851,322
Grifols Worldwide Operations Ltd., 5.25%, 4/01/22		200	209,000
Jaguar Holding Co. II/Pharmaceutical Product Development LLC, 6.38%, 8/01/23 (c)		795	832,762
NBTY, Inc., 7.63%, 5/15/21 (c)		397	405,932
Synlab Bondco PLC, 6.25%, 7/01/22	EUR	100	121,026
Teva Pharmaceutical Finance Netherlands III BV, 2.80%, 7/21/23	USD	1,040	1,045,607
Valeant Pharmaceuticals International, Inc. (c):			
6.75%, 8/15/18		1,133	1,136,286
5.38%, 3/15/20		44	41,470
6.38%, 10/15/20		710	678,050
5.63%, 12/01/21		404	364,610
5.88%, 5/15/23		40	35,200
6.13%, 4/15/25		220	193,325
			13,961,028
Real Estate 0.2%			
AvalonBay Communities, Inc., 3.45%, 6/01/25 (d)		1,535	1,616,266
Prologis LP, 3.75%, 11/01/25		315	340,518
			1,956,784
Real Estate Investment Trusts (REITs) 1.4%			
ERP Operating LP:			
3.38%, 6/01/25		1,245	1,306,850
4.50%, 6/01/45		1,155	1,305,266
FelCor Lodging LP, 5.63%, 3/01/23		34	34,935
HCP, Inc. (d):			
3.88%, 8/15/24		3,000	3,071,841
4.00%, 6/01/25		2,000	2,059,608
Hilton Escrow Issuer LLC/Hilton Escrow Issuer Corp., 4.25%, 9/01/24 (c)		207	211,011
MGM Growth Properties Operating Partnership LP/MGP Finance Co-Issuer, Inc., 4.50%, 9/01/26 (c)		175	174,891
Simon Property Group LP, 4.75%, 3/15/42		1,670	2,029,113
Ventas Realty LP, 4.13%, 1/15/26		870	942,496
Ventas Realty LP/Ventas Capital Corp., 4.75%, 6/01/21		550	612,320
			11,748,331
Real Estate Management & Development 0.7%			
Northwest Florida Timber Finance LLC, 4.75%, 3/04/29 (c)(d)		4,600	4,026,559
Punch Taverns Finance B, Ltd., Series A7, 5.27%, 3/30/24	GBP	63	75,864
Realogy Group LLC/Realogy Co-Issuer Corp. (c):			
4.50%, 4/15/19	USD	120	124,500
5.25%, 12/01/21		600	628,500
4.88%, 6/01/23		951	962,888
			5,818,311
Road & Rail 1.2%			
Avis Budget Car Rental LLC/Avis Budget Finance, Inc. (c):			

5.13%, 6/01/22		495	503,663
6.38%, 4/01/24		20	21,110
5.25%, 3/15/25		425	420,750

Corporate Bonds		**Par (000)**	**Value**
Road & Rail (continued)			
Burlington Northern Santa Fe LLC, 5.75%, 5/01/40 (d)	USD	1,890	$ 2,535,178
Herc Rentals, Inc. (c):			
7.50%, 6/01/22		118	122,720
7.75%, 6/01/24		8	8,360
Hertz Corp., 5.88%, 10/15/20		460	476,675
Lima Metro Line 2 Finance Ltd., 5.88%, 7/05/34 (c)		5,000	5,556,250
United Rentals North America, Inc., 5.50%, 7/15/25		125	128,906
			9,773,612
Semiconductors & Semiconductor Equipment 0.7%			
Advanced Micro Devices, Inc., 7.50%, 8/15/22		80	77,600
Analog Devices, Inc., 3.90%, 12/15/25		470	501,786
Applied Materials, Inc., 3.90%, 10/01/25		1,155	1,282,404
Micron Technology, Inc. (c):			
5.25%, 8/01/23		206	199,305
5.63%, 1/15/26		79	75,445
Microsemi Corp., 9.13%, 4/15/23 (c)		26	29,770
NXP BV/NXP Funding LLC (c):			
4.13%, 6/15/20		420	434,700
4.13%, 6/01/21		278	290,788
3.88%, 9/01/22		200	203,250
5.75%, 3/15/23		260	276,767
ON Semiconductor Corp., Series B, 2.63%, 12/15/26 (h)		250	272,969
QUALCOMM, Inc., 3.45%, 5/20/25		1,950	2,105,852
Sensata Technologies BV, 5.00%, 10/01/25 (c)		350	362,250
			6,112,886
Software 0.6%			
ACI Worldwide, Inc., 6.38%, 8/15/20 (c)		320	330,400
BMC Software Finance, Inc., 8.13%, 7/15/21 (c)		107	94,160
Ensemble S Merger Sub, Inc., 9.00%, 9/30/23 (c)		210	217,087
Infinity Acquisition LLC/Infinity Acquisition Finance Corp., 7.25%, 8/01/22 (c)		31	27,125
Infor US, Inc., 6.50%, 5/15/22		741	751,189
Informatica LLC, 7.13%, 7/15/23 (c)		183	172,935
Nuance Communications, Inc. (c):			
5.38%, 8/15/20		90	92,138
6.00%, 7/01/24		170	176,800
Oracle Corp., 5.38%, 7/15/40 (d)		1,575	1,974,428
PTC, Inc., 6.00%, 5/15/24		71	76,769
Solera LLC/Solera Finance, Inc., 10.50%, 3/01/24 (c)		557	616,877
SS&C Technologies Holdings, Inc., 5.88%, 7/15/23		145	152,612
Veritas US, Inc./Veritas Bermuda, Ltd., 7.50%, 2/01/23	EUR	100	107,641
			4,790,161
Specialty Retail 0.6%			
Asbury Automotive Group, Inc., 6.00%, 12/15/24	USD	440	457,600
Group 1 Automotive, Inc., 5.00%, 6/01/22		430	432,150
Home Depot, Inc., 5.88%, 12/16/36		1,660	2,288,388
JC Penney Corp., Inc.:			
6.38%, 10/15/36		33	27,720
7.40%, 4/01/37		27	24,300
L Brands, Inc., 6.88%, 11/01/35		347	379,097
Penske Automotive Group, Inc.:			
5.38%, 12/01/24		371	377,493
5.50%, 5/15/26		127	127,079
Sally Holdings LLC/Sally Capital, Inc., 5.50%, 11/01/23		320	340,800

See Notes to Financial Statements.

Table of Contents

Schedule of Investments (continued)

BlackRock Core Bond Trust (BHK)

Corporate Bonds		Par (000)	Value
Specialty Retail (continued)			
THOM Europe SAS, 7.38%, 7/15/19	EUR	100	$ 117,680
			4,572,307
Technology Hardware, Storage & Peripherals 0.3%			
Diamond 1 Finance Corp./Diamond 2 Finance Corp. (c):			
4.42%, 6/15/21	USD	90	94,107
5.88%, 6/15/21		139	146,971
7.13%, 6/15/24		169	183,087
6.02%, 6/15/26		110	117,692
8.35%, 7/15/46		95	110,709
Hewlett Packard Enterprise Co., 4.90%, 10/15/25 (c)		1,500	1,603,434
Western Digital Corp., 7.38%, 4/01/23 (c)		384	416,640
			2,672,640
Textiles, Apparel & Luxury Goods 0.0%			
BiSoho SAS, 5.88%, 5/01/23	EUR	100	118,863
Hanesbrands, Inc. (c):			
4.63%, 5/15/24	USD	36	37,665
4.88%, 5/15/26 (f)		85	88,825
Springs Industries, Inc., 6.25%, 6/01/21		36	37,485
Wolverine World Wide, Inc., 5.00%, 9/01/26 (c)		44	44,055
			326,893
Thrifts & Mortgage Finance 0.0%			
Radian Group, Inc., 5.25%, 6/15/20		185	195,730
Tobacco 1.5%			
Altria Group, Inc.:			
9.95%, 11/10/38		516	939,104
10.20%, 2/06/39		894	1,665,759
5.38%, 1/31/44		4,030	5,224,976
BAT International Finance PLC, 3.95%, 6/15/25 (c)		2,000	2,228,648
Reynolds American, Inc.:			
4.45%, 6/12/25		635	712,739
7.00%, 8/04/41		1,000	1,301,242
			12,072,468
Transportation Infrastructure 0.3%			
CEVA Group PLC, 7.00%, 3/01/21 (c)		310	252,650
I 595 Express LLC, 3.31%, 12/31/31		1,593	1,620,603
Onorato Armatori SpA, 7.75%, 2/15/23	EUR	100	114,635
Transurban Finance Co., 4.13%, 2/02/26 (c)	USD	580	619,121
			2,607,009
Utilities 0.0%			
ContourGlobal Power Holdings SA, 5.13%, 6/15/21	EUR	100	118,795
Wireless Telecommunication Services 2.0%			
America Movil SAB de CV, 2.38%, 9/08/16 (d)	USD	1,595	1,595,072
Communications Sales & Leasing, Inc./CSL Capital LLC:			
6.00%, 4/15/23 (c)		46	47,840
8.25%, 10/15/23		652	679,710
Crown Castle Towers LLC, 6.11%, 1/15/40 (c)		3,155	3,502,306
Digicel Ltd., 6.00%, 4/15/21 (c)		1,550	1,416,312
GEO Group, Inc.:			
5.13%, 4/01/23		265	236,512

6.00%, 4/15/26		42	37,643
Rogers Communications, Inc., 7.50%, 8/15/38		2,325	3,310,133
SBA Communications Corp., 5.63%, 10/01/19		138	142,140
Sprint Capital Corp.:			
6.90%, 5/01/19		140	141,400
6.88%, 11/15/28		759	683,100
8.75%, 3/15/32		110	109,175

Corporate Bonds		**Par (000)**	**Value**
Wireless Telecommunication Services (continued)			
Sprint Communications, Inc.:			
9.00%, 11/15/18 (c)	USD	1,360	$ 1,497,700
7.00%, 8/15/20		380	374,300
Sprint Corp.:			
7.25%, 9/15/21		240	237,300
7.88%, 9/15/23		356	346,028
7.13%, 6/15/24		541	504,482
7.63%, 2/15/25		95	90,191
T-Mobile USA, Inc.:			
6.63%, 4/28/21		490	513,275
6.73%, 4/28/22		130	136,663
6.00%, 3/01/23		250	265,010
6.84%, 4/28/23		40	42,900
6.50%, 1/15/24		240	258,000
6.38%, 3/01/25		220	236,500
6.50%, 1/15/26		309	338,162
			16,741,854
Total Corporate Bonds 62.4%			513,373,172
Floating Rate Loan Interests (b)			
Aerospace & Defense 0.0%			
Engility Corp.:			
Term Loan B1, 4.88%, 8/12/20		57	57,321
Term Loan B2, 5.75%, 8/12/23		110	110,431
			167,752
Air Freight & Logistics 0.0%			
CEVA Group PLC, Synthetic LOC, 6.50%, 3/19/21		20	15,683
CEVA Intercompany BV, Dutch Term Loan, 6.50%, 3/19/21		20	16,167
CEVA Logistics Canada ULC, Canadian Term Loan, 6.50%, 3/19/21		3	2,763
CEVA Logistics US Holdings, Inc., Term Loan, 6.50%, 3/19/21		28	22,313
XPO Logistics, Inc., Term Loan B2, 4.25%, 10/30/21		52	52,228
			109,154
Auto Components 0.1%			
Gates Global, Inc., Term Loan B, 4.25%, 7/06/21		371	364,889
Chemicals 0.0%			
Chemours Co., Term Loan B, 3.75%, 5/12/22		17	16,749
MacDermid, Inc., Term Loan B3, 5.50%, 6/07/20		103	103,168
			119,917
Commercial Services & Supplies 0.0%			
Brand Energy & Infrastructure Services, Inc., Term Loan B, 4.75%, 11/26/20		119	117,566
Containers & Packaging 0.0%			
BWAY Holding Co., Inc., Term Loan B, 5.50%, 8/14/20		112	112,351
Diversified Consumer Services 0.0%			
Laureate Education, Inc., Term Loan B, 8.16%, 3/17/21		96	95,468
Diversified Telecommunication Services 0.0%			
Telenet International Finance Sarl, Term Loan AD, 4.25%, 6/30/24		128	128,366
Electrical Equipment 0.1%			
Texas Competitive Electric Holdings Co. LLC:			
2016 DIP Term Loan B, 5.00%, 10/31/17		355	355,554
2016 DIP Term Loan C, 5.00%, 10/31/17		78	78,241

	433,795

See Notes to Financial Statements.

Table of Contents

Schedule of Investments (continued)

BlackRock Core Bond Trust (BHK)

Floating Rate Loan Interests (b)		**Par (000)**	**Value**
Energy Equipment & Services 0.0%			
Weatherford International Ltd., Term Loan, 1.95%, 7/13/20	USD	265	$ 248,752
Food Products 0.0%			
Reynolds Group Holdings, Inc., 2016 Term Loan, 4.25%, 2/05/23		88	88,099
Health Care Equipment & Supplies 0.1%			
Alere, Inc., 2015 Term Loan B, 4.25%, 6/18/22		194	191,753
Immucor, Inc., Refinancing Term Loan B2, 5.00%, 8/17/18		159	154,301
			346,054
Health Care Providers & Services 0.0%			
Vizient, Inc., 1st Lien Term Loan, 6.25%, 2/13/23		77	78,024
Hotels, Restaurants & Leisure 0.2%			
Amaya Holdings BV, 1st Lien Term Loan, 5.00%, 8/01/21		189	186,503
Caesars Entertainment Resort Properties LLC, Term Loan B, 7.00%, 10/11/20		1,185	1,157,740
MPH Acquisition Holdings LLC, 2016 Term Loan B, 5.00%, 6/07/23		215	217,240
Scientific Games International, Inc., 2014 Term Loan B1, 6.00%, 10/18/20		152	151,806
			1,713,289
Insurance 0.0%			
Alliant Holdings I, Inc., Incremental Term Loan B2, 5.00%, 8/12/22		167	167,000
IT Services 0.0%			
First Data Corp., 2021 Extended Term Loan, 4.52%, 3/24/21		122	122,179
WEX, Inc., Term Loan B, 4.25%, 7/01/23		95	95,661
			217,840
Machinery 0.0%			
Silver II US Holdings LLC, Term Loan, 4.00%, 12/13/19		55	48,923
Media 0.1%			
iHeartCommunications, Inc., Term Loan D, 7.27%, 1/30/19		211	161,987
Intelsat Jackson Holdings SA, Term Loan B2, 3.75%, 6/30/19		648	614,552
			776,539
Metals & Mining 0.1%			
FMG Resources August 2006 Property Ltd., Term Loan B, 3.75%, 6/30/19		320	318,405
Oil, Gas & Consumable Fuels 0.1%			
California Resources Corp., Term Loan A, 3.70%, 10/01/19		182	172,809
Chesapeake Energy Corp., Term Loan, 8.50%, 8/15/21		767	791,169
MEG Energy Corp., Refinancing Term Loan, 3.75%, 3/31/20		58	52,885
			1,016,863
Pharmaceuticals 0.1%			
DPx Holdings BV, 2014 Incremental Term Loan, 4.25%, 3/11/21		190	189,658
Jaguar Holding Co. II, 2015 Term Loan B, 4.25%, 8/18/22		139	139,830
NBTY, Inc., Term Loan B, 5.00%, 5/05/23		105	105,033
Valeant Pharmaceuticals International, Inc.:			
Series A3 Tranche A, 4.28%, 10/20/18		60	60,395
Series D2 Term Loan B, 5.00%, 2/13/19		15	14,975
Series E Term Loan B, 5.25%, 8/05/20		62	61,986

Floating Rate Loan Interests (b)		**Par (000)**	**Value**
Pharmaceuticals (continued)			
Valeant Pharmaceuticals International, Inc. (continued):			
Series F1 Term Loan B, 5.50%, 4/01/22	USD	24	$ 23,990

			595,867
Professional Services 0.0%			
Advantage Sales & Marketing, Inc.:			
2014 1st Lien Term Loan, 4.25%, 7/23/21		180	178,062
2014 2nd Lien Term Loan, 7.50%, 7/25/22		94	88,939
			267,001
Semiconductors & Semiconductor Equipment 0.1%			
Avago Technologies Cayman Ltd., Term Loan B3, 3.51%, 2/01/23		308	310,307
Microsemi Corp., 2015 Term Loan B, 3.75%, 1/15/23		28	28,457
			338,764
Software 0.2%			
BMC Software Finance, Inc., Term Loan, 5.00%, 9/10/20		403	384,663
Infor US, Inc., Term Loan B5, 3.75%, 6/03/20		264	260,981
Informatica Corp., Term Loan, 4.50%, 8/05/22		172	166,092
Solera LLC, Term Loan B, 5.75%, 3/03/23		357	359,019
Tibco Software Inc., Term Loan B, 6.50%, 12/04/20		138	134,951
			1,305,706
Specialty Retail 0.0%			
Leslie s Poolmart, Inc., 2016 Term Loan, 5.25%, 7/27/23		101	101,631
Textiles, Apparel & Luxury Goods 0.0%			
Ascend Performance Materials Operations LLC, Term Loan B, 6.75%, 8/12/22		179	176,543
J. Crew Group, Inc., Term Loan B, 4.00%, 3/05/21		80	62,719
			239,262
Total Floating Rate Loan Interests 1.2%			9,517,277

Foreign Agency Obligations			
Argentine Republic Government International Bond (c):			
7.50%, 4/22/26		3,875	4,320,625
7.63%, 4/22/46		3,121	3,526,730
Cyprus Government International Bond, 4.63%, 2/03/20 (c)	EUR	1,210	1,445,928
Iceland Government International Bond, 5.88%, 5/11/22	USD	3,555	4,151,643
Italian Government International Bond, 5.38%, 6/15/33		2,925	3,602,167
Portugal Government International Bond, 5.13%, 10/15/24 (c)		5,870	5,891,918
Slovenia Government International Bond, 5.85%, 5/10/23 (c)		864	1,023,140
Total Foreign Agency Obligations 2.9%			23,962,151

Municipal Bonds		
City of New York New York Municipal Water Finance Authority, Refunding RB, 2nd General Resolution:		
Series EE, 5.50%, 6/15/43	930	1,101,585
Series GG, Build America Bonds, 5.72%, 6/15/42	1,390	1,997,736

See Notes to Financial Statements.

Table of Contents

Schedule of Investments (continued)

BlackRock Core Bond Trust (BHK)

Municipal Bonds		Par (000)	Value
City of New York New York Municipal Water Finance Authority, Refunding RB, 2nd General Resolution (continued):			
Water & Sewer System, Series EE, 5.38%, 6/15/43	USD	770	$ 907,337
East Bay Municipal Utility District, RB, Build America Bonds, 5.87%, 6/01/40		1,900	2,687,873
Indianapolis Local Public Improvement Bond Bank, RB, Build America Bonds, 6.12%, 1/15/40		2,535	3,605,911
Metropolitan Transportation Authority, RB, Build America Bonds, Series C, 7.34%, 11/15/39		1,295	2,098,923
Municipal Electric Authority of Georgia Plant Vogtle Units 3 & 4, Refunding RB, Build America Bonds, Series A, 7.06%, 4/01/57		2,000	2,496,680
New York State Dormitory Authority, RB, Build America Bonds:			
5.63%, 3/15/39		1,100	1,480,743
5.60%, 3/15/40		1,900	2,612,063
Port Authority of New York & New Jersey, RB, 159th Series, 6.04%, 12/01/29		780	1,052,945
State of California, GO, Build America Bonds, Various Purposes:			
7.55%, 4/01/39		280	454,171
7.63%, 3/01/40		1,720	2,779,417
State of Illinois, GO, Pension, 5.10%, 6/01/33		2,000	1,949,700
University of California, RB, Build America Bonds, 5.95%, 5/15/45		885	1,208,990
Total Municipal Bonds 3.2%			26,434,074

Non-Agency Mortgage-Backed Securities			
Collateralized Mortgage Obligations 0.7%			
Banc of America Funding Corp., Series 2007-2, Class 1A2, 6.00%, 3/25/37		861	760,981
Countrywide Alternative Loan Trust:			
Series 2005-64CB, Class 1A15, 5.50%, 12/25/35		1,521	1,414,775
Series 2006-OA21, Class A1, 0.70%, 3/20/47 (b)		1,011	701,308
Credit Suisse Mortgage Capital Certificates, Series 2011-2R, Class 2A1, 3.01%, 7/27/36 (b)(c)		885	880,465
GMAC Mortgage Corp. Loan Trust, Series 2005-AR3, Class 5A1, 3.59%, 6/19/35 (b)		619	612,792
GSR Mortgage Loan Trust:			
Series 2006-4F, Class 1A1, 5.00%, 5/25/36		121	112,912
Series 2007-4F, Class 3A1, 6.00%, 7/25/37		279	251,597
JPMorgan Mortgage Trust, Series 2006-S3, Class 1A12, 6.50%, 8/25/36		101	81,522
Merrill Lynch Mortgage Investors, Inc., Series 2006-A3, Class 3A1, 2.99%, 5/25/36 (b)		778	637,453
WaMu Mortgage Pass-Through Certificates, Series 2007-OA4, Class 1A, 1.26%, 5/25/47 (b)		255	212,462
			5,666,267
Commercial Mortgage-Backed Securities 11.9%			
Banc of America Merrill Lynch Commercial Mortgage Securities Trust, Series 2015-200P, Class C, 3.72%, 4/14/33 (b)(c)		4,170	4,322,294

Non-Agency Mortgage-Backed Securities		Par (000)	Value
Commercial Mortgage-Backed Securities (continued)			
Banc of America Merrill Lynch Commercial Mortgage Trust, Series 2007-2, Class A4, 5.79%, 4/10/49 (b)	USD	1,158	$ 1,166,679
Citigroup Commercial Mortgage Trust, Series 2013-GC15, Class B, 5.27%, 9/10/46 (b)		7,183	8,350,513
Citigroup/Deutsche Bank Commercial Mortgage Trust, Series 2006-CD3, Class AM, 5.65%, 10/15/48		2,193	2,210,818
Commercial Mortgage Trust:			
Series 2008-LS1, Class A4B, 6.30%, 12/10/49 (b)		997	1,028,562
Series 2013-CR11, Class B, 5.33%, 10/10/46 (b)		7,000	8,125,505
Series 2013-LC6, Class B, 3.74%, 1/10/46		1,390	1,485,052
Series 2015-3BP, Class A, 3.18%, 2/10/35 (c)		7,570	8,040,304
Series 2015-CR22, Class C, 4.26%, 3/10/48 (b)		5,000	5,186,846
Series 2015-LC19, Class C, 4.40%, 2/10/48 (b)		3,500	3,705,213
Core Industrial Trust, Series 2015-TEXW, Class D, 3.98%, 2/10/34 (b)(c)		4,585	4,677,870

Credit Suisse Commercial Mortgage Trust:		
Series 2006-C5, Class AM, 5.34%, 12/15/39	3,500	3,512,794
Series 2010-RR2, Class 2A, 6.14%, 9/15/39 (b)(c)	1,031	1,043,948
Credit Suisse First Boston Mortgage Securities Corp., Series 2005-C3, Class AJ, 4.77%, 7/15/37	8	8,102
CSAIL Commercial Mortgage Trust, Series 2015-C1 (b):		
Class B, 4.04%, 4/15/50	1,110	1,215,005
Class C, 4.44%, 4/15/50	1,000	1,057,927
Class D, 3.94%, 4/15/50 (c)	480	403,103
DBRR Trust, Series 2011-C32, Class A3A, 5.89%, 6/17/49 (b)(c)	730	739,627
GAHR Commercial Mortgage Trust, Series 2015-NRF, Class DFX, 3.49%, 12/15/34 (b)(c)	6,170	6,209,258
GS Mortgage Securities Corp. II, Series 2013-GC10, Class B, 3.68%, 2/10/46 (c)	2,505	2,669,470
Hilton USA Trust, Series 2013- HLT, 4.41%, 11/05/30	5,900	5,919,017
JPMorgan Chase Commercial Mortgage Securities Corp., Series 2004-LN2, Class A2, 5.12%, 7/15/41	34	34,453
LB-UBS Commercial Mortgage Trust (b):		
Series 2007-C6, Class A4, 5.86%, 7/15/40	7,835	7,963,309
Series 2007-C7, Class A3, 5.87%, 9/15/45	2,107	2,186,113
Morgan Stanley Capital I Trust (b):		
Series 2007-HQ11, Class A4, 5.45%, 2/12/44	6,574	6,604,577
Series 2014-CPT, Class G, 3.56%, 7/13/29 (c)	3,200	3,081,242
Wachovia Bank Commercial Mortgage Trust, Series 2007-C33, Class A4, 6.16%, 2/15/51 (b)	3,815	3,876,965
WF-RBS Commercial Mortgage Trust, Series 2012-C8:		
Class B, 4.31%, 8/15/45	1,395	1,527,358
Class C, 5.04%, 8/15/45 (b)	1,795	1,940,646
		98,292,570

See Notes to Financial Statements.

Table of Contents

Schedule of Investments (continued)

BlackRock Core Bond Trust (BHK)

Non-Agency Mortgage-Backed Securities		Par (000)	Value
Interest Only Collateralized Mortgage Obligations 0.0%			
GSMPS Mortgage Loan Trust, Series 1998-5, 0.00%, 6/19/27 (b)(c)	USD	1,059	$ 11
Interest Only Commercial Mortgage-Backed Securities 0.2%			
Commercial Mortgage Loan Trust, Series 2015-LC21, Class XA, 1.02%, 7/10/48 (b)		19,482	938,065
WF-RBS Commercial Mortgage Trust, Series 2012-C8, Class XA, 2.30%, 8/15/45 (b)(c)		11,222	808,949
			1,747,014
Total Non-Agency Mortgage-Backed Securities 12.8%			105,705,862

Preferred Securities		
Capital Trusts		
Banks 2.3%		
Banco Bilbao Vizcaya Argentaria SA, 7.00% (b)(g)	200	210,820
Banco Santander SA, 6.25% (b)(g)	100	101,227
BNP Paribas SA, 7.20% (b)(c)(g)	2,000	2,250,000
Capital One Financial Corp., Series E, 5.55% (b)(g)	3,500	3,581,025
Citigroup, Inc. (b)(g):		
Series D, 5.95%	2,100	2,169,562
Series Q, 5.95%	100	101,813
Series R, 6.13%	605	631,257
Credit Agricole SA (b)(c)(g):		
6.63%	1,400	1,358,868
7.88%	1,000	1,023,750
Intesa Sanpaolo SpA, 7.00% (b)(g)	200	218,628
Nordea Bank AB, 6.13% (b)(c)(g)	2,960	2,945,200
Wells Fargo & Co. (b)(g):		
Series S, 5.90%	3,390	3,606,112
Series U, 5.88%	750	828,338
		19,026,600
Capital Markets 0.7%		
Goldman Sachs Group, Inc. (b)(g):		
5.30%	100	102,250
Series L, 5.70%	792	809,028
Morgan Stanley, Series H, 5.45% (b)(g)	2,627	2,633,568
State Street Capital Trust IV, 1.65%, 6/15/37 (b)	140	120,050
State Street Corp., Series F, 5.25% (b)(g)	2,000	2,085,200
		5,750,096
Diversified Financial Services 5.3%		
Bank of America Corp. (b)(g):		
Series V, 5.13%	385	379,417
Series X, 6.25%	4,620	4,851,000
Bank of New York Mellon Corp. (b)(g):		
Series D, 4.50% (e)	8,400	8,274,000
Series E, 4.95%	2,000	2,042,500
Barclays PLC, 7.88% (b)(g)	200	200,450
Citigroup, Inc., Series M, 6.30% (b)(g)	4,000	4,140,000
JPMorgan Chase & Co. (b)(g):		
Series 1, 7.90%	7,000	7,262,500
Series Q, 5.15%	3,000	3,006,750
Series U, 6.13%	500	535,313
Series V, 5.00%	6,710	6,693,225

Macquarie Bank Ltd., 10.25%, 6/20/57 (b)		1,800	1,894,860
Royal Bank of Scotland Group PLC, 8.63% (b)(g)		200	203,750
Societe Generale SA (b)(c)(g):			
6.00%		3,000	2,775,240
7.88%		1,000	994,000
			43,253,005

Preferred Securities		Par (000)	Value
Capital Trusts (continued)			
Diversified Telecommunication Services 0.0%			
Telefonica Europe BV, 4.20% (b)(g)	USD	200	$ 231,186
Electric Utilities 0.6%			
ComEd Financing III, 6.35%, 3/15/33		300	319,168
Electricite de France SA, 5.25% (b)(c)(g)		4,200	4,181,100
Enel SpA (b):			
5.00%, 1/15/75	EUR	100	120,584
7.75%, 9/10/75	GBP	100	148,162
Gas Natural Fenosa Finance BV, 4.13% (b)(g)	USD	100	116,319
			4,885,333
Industrial Conglomerates 0.3%			
General Electric Co., Series D, 5.00% (b)(g)		2,131	2,285,498
Insurance 1.7%			
Allstate Corp (b):			
5.75%, 8/15/53		2,000	2,160,000
6.50%, 5/15/57		4,100	4,735,500
MetLife, Inc., 6.40%, 12/15/36		2,554	2,868,142
Voya Financial, Inc., 5.65%, 5/15/53 (b)		4,500	4,500,000
			14,263,642
Oil, Gas & Consumable Fuels 0.0%			
DCP Midstream LLC, 5.85%, 5/21/43 (c)		30	22,950
Total Capital Trusts 10.9%			89,718,310

Preferred Stocks	Shares	
Banks 1.2%		
US Bancorp, Series G, 6.00% (b)(g)	300,000	7,818,000
Wells Fargo & Co., 5.85% (b)(g)	75,000	2,098,500
		9,916,500
Capital Markets 0.4%		
Goldman Sachs Group, Inc., Series J, 5.50% (b)(g)	92,000	2,488,600
SCE Trust III, 5.75% (b)(g)	25,314	789,544
		3,278,144
Thrifts & Mortgage Finance 0.0%		
Fannie Mae, Series S, 8.25% (b)(g)	10,000	38,500
Total Preferred Stocks 1.6%		13,233,144

Trust Preferred 0.1%		
Diversified Financial Services 0.1%		
Citigroup Capital XIII, 7.88%, 10/30/40	29,583	762,190
Total Preferred Securities 12.6%		103,713,644

U.S. Government Sponsored Agency Securities	Par (000)

Agency Obligations 1.5%			
Fannie Mae, 5.63%, 7/15/37 (d)	USD	1,600	2,399,982
Federal Home Loan Bank (d):			
5.25%, 12/09/22		1,375	1,676,297
5.37%, 9/09/24		2,175	2,754,716
Resolution Funding Corp., 0.00%, 4/15/30 - 10/15/18 (k)		7,105	5,379,492
			12,210,487

See Notes to Financial Statements.

Table of Contents

Schedule of Investments (continued)

BlackRock Core Bond Trust (BHK)

U.S. Government Sponsored Agency Securities		Par (000)	Value
Collateralized Mortgage Obligations 0.0%			
Fannie Mae Mortgage-Backed Securities:			
Series 2005-5, Class PK, 5.00%, 12/25/34	USD	210	$ 220,018
Series 1991-87, Class S, 25.29%, 8/25/21 (b)		5	6,753
Series G-49, Class S, 980.26%, 12/25/21 (b)		(j)	51
Series G-07, Class S, 1,085.42%, 3/25/21 (b)		(j)	299
Series 1991-46, Class S, 2,398.91%, 5/25/21 (b)		(j)	1
Freddie Mac Mortgage-Backed Securities, Series 0173, Class RS, 10.25%, 11/15/21 (b)		(j)	2
			227,124
Commercial Mortgage-Backed Securities 0.3%			
Freddie Mac, Series K013, Class A2, 3.97%, 1/25/21		1,870	2,048,149
Interest Only Collateralized Mortgage Obligations 0.9%			
Fannie Mae Mortgage-Backed Securities:			
Series 1997-50, Class SI, 1.20%, 4/25/23 (b)		48	1,334
Series 2012-96, Class DI, 4.00%, 2/25/27		6,986	514,926
Series 2012-M9, Class X1, 4.20%, 12/25/17 (b)		15,724	496,391
Series 2012-47, Class NI, 4.50%, 4/25/42		6,612	1,196,609
Series 089, Class 2, 8.00%, 10/25/18		(j)	4
Series 007, Class 2, 8.50%, 4/25/17		(j)	2
Series G92-05, Class H, 9.00%, 1/25/22		1	40
Series 094, Class 2, 9.50%, 8/25/21		(j)	45
Series 1990-136, Class S, 19.55%, 11/25/20 (b)		2	2
Series 1991-139, Class PT, 648.35%, 10/25/21		(j)	1
Series G-10, Class S, 1,050.07%, 5/25/21 (b)		(j)	1
Series G-12, Class S, 1,114.50%, 5/25/21 (b)		(j)	1
Freddie Mac Mortgage-Backed Securities:			
Series K707, Class X1, 1.67%, 12/25/18 (b)		4,776	140,497
Series 2611, Class QI, 5.50%, 9/15/32		706	40,661
Series 1254, Class Z, 8.50%, 4/15/22		22	4,225
Series 1043, Class H, 42.72%, 2/15/21 (b)		2	2
Ginnie Mae Mortgage-Backed Securities (b):			
Series 2009-78, Class SD, 5.69%, 9/20/32		6,638	1,251,149
Series 2009-116, Class KS, 5.96%, 12/16/39		2,634	399,937
Series 2011-52, Class NS, 6.16%, 4/16/41		18,166	3,642,459
			7,688,286

U.S. Government Sponsored Agency Securities		Par (000)	Value
Mortgage-Backed Securities 5.0%			
Fannie Mae Mortgage-Backed Securities:			
3.00%, 8/01/43	USD	11,425	$ 11,929,848
4.00%, 12/01/41 - 12/01/43 (d)		6,738	7,263,710
4.50%, 7/01/41 - 4/01/42		14,861	16,258,436
5.00%, 8/01/34		2,498	2,799,331
5.50%, 6/01/38		1,292	1,464,266
6.00%, 12/01/38 (d)		1,090	1,250,196
Freddie Mac Mortgage-Backed Securities, 6.00%, 4/1/17 - 12/1/18		49	49,736
Ginnie Mae Mortgage-Backed Securities:			
5.50%, 8/15/33		59	66,298
8.00%, 7/15/24		(j)	237
			41,082,058
Principal Only Collateralized Mortgage Obligations 0.0%			
Fannie Mae Mortgage-Backed Securities, 0.00%, 2/25/23 - 6/25/23 (k)		16	15,393

Total U.S. Government Sponsored Agency Securities 7.7%		63,271,497
U.S. Treasury Obligations		
U.S. Treasury Bonds (d):		
3.00%, 11/15/44	70,500	82,066,371
2.50%, 2/15/46	55,000	58,113,110
U.S. Treasury Notes, 1.63%, 2/15/26 (d)	15,000	15,060,930
Total U.S. Treasury Obligations 18.9%		155,240,411
Total Long-Term Investments (Cost $1,011,466,051) 132.0%		1,086,330,906
Short-Term Securities 1.6%	**Shares**	
BlackRock Liquidity Funds, TempFund, Institutional Class, 0.33% (l)(m)	12,926,909	12,926,909
Total Short-Term Securities (Cost $12,926,909) 1.6%		12,926,909
Options Purchased (Cost $3,589,893) 0.4%		3,225,087
Total Investments Before Options Written (Cost $1,027,982,853) 134.0%		1,102,482,902
Options Written (Premiums Received $8,969,163) (0.7)%		(5,414,078)
Total Investments, Net of Options Written (Cost $1,019,013,690) 133.3%		1,097,068,824
Liabilities in Excess of Other Assets (33.3)%		(274,519,911)
Net Assets 100.0%		$ 822,548,913

Notes to Schedule of Investments

(a) Non-income producing security.

(b) Variable rate security. Rate as of period end.

(c) Security exempt from registration pursuant to Rule 144A under the Securities Act of 1933, as amended. These securities may be resold in transactions exempt from registration to qualified institutional investors.

(d) All or a portion of security has been pledged as collateral in connection with outstanding reverse repurchase agreements.

(e) Payment-in-kind security which may pay interest/dividends in additional par/shares and/or in cash. Rates shown are the current rate and possible payment rates.

See Notes to Financial Statements.

Table of Contents

Schedule of Investments (continued)

BlackRock Core Bond Trust (BHK)

(f) When-issued security.

(g) Perpetual security with no stated maturity date.

(h) Convertible security.

(i) Issuer filed for bankruptcy and/or is in default

(j) Amount is less than $500.

(k) Zero-coupon bond.

(l) During the year ended August 31, 2016, investments in issuers considered to be affiliates of the Trust for purposes of Section 2(a)(3) of the Investment Company Act of 1940, as amended, were as follows:

Affiliate	Shares Held at August 31, 2015	Net Activity	Shares Held at August 31, 2016	Value at August 31, 2016	Income
BlackRock Liquidity Funds, TempFund, Institutional Class	9,920,365	3,006,544	12,926,909	$ 12,926,909	$ 43,746

(m) Current yield as of period end.

For Trust compliance purposes, the Trust s industry classifications refer to any one or more of the industry sub-classifications used by one or more widely recognized market indexes or ratings group indexes, and/or as defined by the investment adviser. These definitions may not apply for purposes of this report, which may combine such industry sub-classifications for reporting ease.

Reverse Repurchase Agreements

Counterparty	Interest Rate	Trade Date	Maturity Date[1]	Face Value	Face Value Including Accrued Interest	Type of Underlying Collateral	Remaining Contractual Maturity of the Agreements
Merrill Lynch, Pierce, Fenner & Smith, Inc.	0.22%	6/02/15	Open	$ 1,323,000	$ 1,326,687	U.S. Government Sponsored Agency Securities	Open/Demand[1]
Merrill Lynch, Pierce, Fenner & Smith, Inc.	0.22%	6/02/15	Open	830,000	832,313	U.S. Government Sponsored Agency Securities	Open/Demand[1]
Barclays Capital, Inc.	0.55%	12/17/15	Open	546,875	549,031	Corporate Bonds	Open/Demand[1]
Barclays Capital, Inc.	0.55%	12/17/15	Open	518,150	520,192	Corporate Bonds	Open/Demand[1]
Barclays Capital, Inc.	0.55%	12/17/15	Open	994,500	998,420	Corporate Bonds	Open/Demand[1]
Barclays Capital, Inc.	0.55%	12/17/15	Open	355,781	357,184	Corporate Bonds	Open/Demand[1]
Barclays Capital, Inc.	0.55%	12/17/15	Open	1,014,125	1,018,122	Corporate Bonds	Open/Demand[1]

Barclays Capital, Inc.	0.55%	12/17/15	Open	971,438	975,267	Corporate Bonds	Open/Demand[1]
Barclays Capital, Inc.	0.55%	12/17/15	Open	4,831,250	4,850,293	Corporate Bonds	Open/Demand[1]
Barclays Capital, Inc.	0.55%	12/17/15	Open	718,875	721,709	Corporate Bonds	Open/Demand[1]
Barclays Capital, Inc.	0.55%	12/17/15	Open	2,973,750	2,985,471	Corporate Bonds	Open/Demand[1]
Credit Suisse Securities (USA) LLC	0.65%	12/17/15	Open	950,950	955,380	Corporate Bonds	Open/Demand[1]
Credit Suisse Securities (USA) LLC	0.65%	12/17/15	Open	1,454,375	1,461,150	Corporate Bonds	Open/Demand[1]
Credit Suisse Securities (USA) LLC	0.65%	12/17/15	Open	1,104,687	1,109,833	Corporate Bonds	Open/Demand[1]
RBC Capital Markets, LLC	0.64%	12/17/15	Open	1,713,750	1,721,610	Corporate Bonds	Open/Demand[1]
RBC Capital Markets, LLC	0.64%	12/17/15	Open	3,131,250	3,145,612	Corporate Bonds	Open/Demand[1]
RBC Capital Markets, LLC	0.64%	12/17/15	Open	1,228,500	1,234,135	Corporate Bonds	Open/Demand[1]
RBC Capital Markets, LLC	0.64%	12/17/15	Open	2,028,510	2,037,814	Corporate Bonds	Open/Demand[1]
RBC Capital Markets, LLC	0.64%	12/17/15	Open	1,693,125	1,700,891	Corporate Bonds	Open/Demand[1]
RBC Capital Markets, LLC	0.64%	12/17/15	Open	4,342,500	4,362,418	Corporate Bonds	Open/Demand[1]
RBC Capital Markets, LLC	0.64%	12/17/15	Open	1,822,500	1,830,859	Corporate Bonds	Open/Demand[1]
RBC Capital Markets, LLC	0.64%	12/17/15	Open	2,036,475	2,045,816	Corporate Bonds	Open/Demand[1]
RBC Capital Markets, LLC	0.64%	12/17/15	Open	1,909,860	1,918,620	Corporate Bonds	Open/Demand[1]
RBC Capital Markets, LLC	0.64%	12/17/15	Open	1,835,000	1,843,416	Corporate Bonds	Open/Demand[1]
RBC Capital Markets, LLC	0.64%	12/17/15	Open	1,435,225	1,441,808	Corporate Bonds	Open/Demand[1]
RBC Capital Markets, LLC	0.64%	12/17/15	Open	2,019,250	2,028,512	Corporate Bonds	Open/Demand[1]
RBC Capital Markets, LLC	0.64%	12/17/15	Open	2,175,000	2,184,976	Corporate Bonds	Open/Demand[1]
RBC Capital Markets, LLC	0.64%	12/17/15	Open	2,002,725	2,011,911	Corporate Bonds	Open/Demand[1]
RBC Capital Markets, LLC	0.64%	12/17/15	Open	1,448,563	1,455,207	Corporate Bonds	Open/Demand[1]
RBC Capital Markets, LLC	0.64%	12/17/15	Open	4,725,000	4,746,672	Corporate Bonds	Open/Demand[1]
HSBC Securities (USA), Inc.	0.65%	12/18/15	Open	4,884,000	4,906,487	Corporate Bonds	Open/Demand[1]
HSBC Securities (USA), Inc.	0.65%	12/18/15	Open	3,995,000	4,013,394	Corporate Bonds	Open/Demand[1]
HSBC Securities (USA), Inc.	0.65%	12/18/15	Open	2,857,000	2,870,154	Corporate Bonds	Open/Demand[1]
HSBC Securities (USA), Inc.	0.65%	12/18/15	Open	3,930,000	3,948,094	Corporate Bonds	Open/Demand[1]
HSBC Securities (USA), Inc.	0.65%	12/18/15	Open	3,529,000	3,545,248	Corporate Bonds	Open/Demand[1]
HSBC Securities (USA), Inc.	0.65%	12/18/15	Open	7,342,000	7,375,804	Capital Trusts	Open/Demand[1]
HSBC Securities (USA), Inc.	0.65%	12/18/15	Open	3,698,000	3,715,026	Corporate Bonds	Open/Demand[1]
RBC Capital Markets, LLC	0.64%	2/11/16	Open	687,375	689,843	Corporate Bonds	Open/Demand[1]
Deutsche Bank AG	0.36%	4/22/16	Open	24,156,250	24,179,782	U.S. Treasury Obligations	Open/Demand[1]

See Notes to Financial Statements.

Table of Contents

Schedule of Investments (continued)

BlackRock Core Bond Trust (BHK)

Reverse Repurchase Agreements (concluded)

Counterparty	Interest Rate	Trade Date	Maturity Date[1]	Face Value	Face Value Including Accrued Interest	Type of Underlying Collateral	Remaining Contractual Maturity of the Agreements
BNP Paribas Securites Corp.	0.46%	5/03/16	Open	$ 1,397,975	$ 1,400,119	U.S. Government Sponsored Agency Securities	Open/Demand[1]
BNP Paribas Securites Corp.	0.46%	5/03/16	Open	850,025	851,328	U.S. Government Sponsored Agency Securities	Open/Demand[1]
BNP Paribas Securites Corp.	0.46%	5/03/16	Open	1,398,375	1,400,519	U.S. Government Sponsored Agency Securities	Open/Demand[1]
BNP Paribas Securites Corp.	0.46%	5/03/16	Open	871,500	872,836	U.S. Government Sponsored Agency Securities	Open/Demand[1]
BNP Paribas Securites Corp.	0.52%	5/06/16	Open	14,850,000	14,871,491	U.S. Treasury Obligations	Open/Demand[1]
BNP Paribas Securites Corp.	0.75%	5/18/16	Open	837,000	838,831	Corporate Bonds	Open/Demand[1]
Credit Suisse Securities (USA) LLC	0.75%	6/27/16	Open	1,503,288	1,505,292	Corporate Bonds	Open/Demand[1]
Nomura Securities International, Inc.	0.35%	6/28/16	Open	31,762,500	31,779,484	U.S. Treasury Obligations	Open/Demand[1]
BNP Paribas Securites Corp.	0.53%	6/29/16	Open	82,044,375	82,126,397	U.S. Treasury Obligations	Open/Demand[1]
RBC Capital Markets, LLC	0.64%	6/30/16	Open	2,859,500	2,862,703	Corporate Bonds	Open/Demand[1]
Deutsche Bank AG	(3.00)%	7/29/16	Open	278,602	277,882	Corporate Bonds	Open/Demand[1]
HSBC Securities (USA), Inc.	0.60%	8/10/16	9/14/16	24,013,000	24,021,405	U.S. Government Sponsored Agency Securities	Up to 30 Days
Merrill Lynch, Pierce, Fenner & Smith, Inc.	0.59%	8/10/16	9/14/16	15,810,000	15,815,441	U.S. Government Sponsored Agency Securities	Up to 30 Days
Total				$ 287,689,754	$ 288,238,889		

1 Certain agreements have no stated maturity and can be terminated by either party at any time.

Derivative Financial Instruments Outstanding as of Period End

Futures Contracts

Contracts Long (Short)	Issue	Expiration	Notional Value		Unrealized Appreciation (Depreciation)
(117)	90 Day Euro Future	September 2016	USD	28,991,137	$ 2,575
322	2-Year U.S. Treasury Note	December 2016	USD	70,296,625	(362)
1,134	5-Year U.S. Treasury Note	December 2016	USD	137,497,500	(145,903)
(457)	10-Year U.S. Treasury Note	December 2016	USD	59,831,297	129,307
21	10-Year U.S. Ultra Long Treasury Note	December 2016	USD	3,031,875	(8,325)
(39)	Long U.S. Treasury Bond	December 2016	USD	6,644,625	(9,750)
139	Ultra Long U.S. Treasury Bond	December 2016	USD	26,058,156	23,375
303	90 Day Euro Future	December 2017	USD	74,901,600	(69,313)
(303)	90 Day Euro Future	December 2018	USD	74,806,913	40,279
Total					$ (38,117)

Forward Foreign Currency Exchange Contracts

Currency Purchased		Currency Sold		Counterparty	Settlement Date	Unrealized Appreciation (Depreciation)
EUR	165,000	USD	186,378	BNP Paribas S.A.	9/06/16	$ (2,303)
EUR	300,000	USD	338,108	Standard Chartered Bank	9/06/16	(3,427)
USD	739,364	EUR	664,000	Royal Bank of Scotland PLC	9/06/16	(1,397)
USD	9,264,320	EUR	8,320,000	Royal Bank of Scotland PLC	9/06/16	(17,509)
USD	154,314	GBP	117,000	Bank of America N.A.	9/06/16	666
USD	11,590,621	GBP	8,796,000	HSBC Bank PLC	9/06/16	39,456
USD	865,739	GBP	657,000	HSBC Bank PLC	9/06/16	2,947
AUD	1,600,000	CAD	1,570,350	Citibank N.A.	9/14/16	4,581
AUD	2,650,000	CAD	2,626,283	HSBC Bank PLC	9/14/16	(11,774)
AUD	2,680,000	CAD	2,632,698	JPMorgan Chase Bank N.A.	9/14/16	5,873
CAD	2,706,941	AUD	2,745,000	BNP Paribas S.A.	9/14/16	1,908
CAD	2,139,891	AUD	2,135,000	Citibank N.A.	9/14/16	27,788
CAD	2,072,546	AUD	2,115,000	Deutsche Bank AG	9/14/16	(8,543)
CAD	2,641,936	AUD	2,680,000	Deutsche Bank AG	9/14/16	1,172
AUD	2,120,000	USD	1,625,555	HSBC Bank PLC	9/22/16	(33,051)

See Notes to Financial Statements.

Table of Contents

Schedule of Investments (continued)

BlackRock Core Bond Trust (BHK)

Forward Foreign Currency Exchange Contracts (concluded)

Currency Purchased		Currency Sold		Counterparty	Settlement Date	Unrealized Appreciation (Depreciation)
EUR	730,000	SEK	6,901,043	Citibank N.A.	9/22/16	$ 8,055
SEK	13,855,422	EUR	1,460,000	Citibank N.A.	9/22/16	(9,874)
USD	1,633,195	AUD	2,120,000	Citibank N.A.	9/22/16	40,691
JPY	100,812,258	EUR	890,000	UBS AG	9/26/16	(18,384)
USD	740,716	EUR	664,000	Royal Bank of Scotland PLC	10/05/16	(1,008)
USD	8,762,535	EUR	7,855,000	Royal Bank of Scotland PLC	10/05/16	(11,919)
USD	11,535,083	GBP	8,796,000	Royal Bank of Scotland PLC	10/05/16	(24,772)
USD	1,011,090	GBP	771,000	Royal Bank of Scotland PLC	10/05/16	(2,171)
NOK	33,703,812	USD	4,000,000	Citibank N.A.	10/07/16	45,031
USD	4,000,000	NOK	33,715,840	Goldman Sachs International	10/07/16	(46,475)
CHF	799,328	USD	830,000	Goldman Sachs International	10/25/16	(14,748)
CHF	794,742	USD	820,000	JPMorgan Chase Bank N.A.	10/25/16	(9,426)
SEK	17,213,055	USD	2,050,000	Citibank N.A.	10/25/16	(34,040)
USD	2,050,000	SEK	17,128,958	Goldman Sachs International	10/25/16	43,889
MXN	14,685,693	USD	780,000	Citibank N.A.	2/03/17	(10,617)
USD	1,250,000	MXN	22,971,800	HSBC Bank PLC	2/03/17	46,508
USD	4,800,000	MXN	92,410,464	JPMorgan Chase Bank N.A.	2/03/17	(41,382)
Total						$ (34,255)

Exchange-Traded Options Purchased

Description	Put/ Call	Expiration Date	Strike Price	Contracts	Value
30-Year U.S. Treasury Bond Future	Put	9/23/16	USD 166.00	27	$ 12,234
90-Day Euro Future	Put	10/14/16	USD 99.00	160	12,000
Total					$ 24,234

OTC Interest Rate Swaptions Purchased

Description	Counterparty	Put/ Call	Exercise Rate	Pay/ Receive Exercise Rate	Floating Rate Index	Expiration Date		Notional Amount (000)	Value
10-Year Interest Rate Swap	JPMorgan Chase Bank N.A.	Call	2.25%	Receive	3-Month LIBOR	2/17/17	USD	3,000	$ 224,938
2-Year Interest Rate Swap	Citibank N.A.	Call	1.55%	Receive	3-Month LIBOR	1/25/18	USD	40,000	403,397
10-Year Interest Rate Swap	Barclays Bank PLC	Call	1.60%	Receive	3-Month LIBOR	8/16/18	USD	3,500	143,363
10-Year Interest Rate Swap	Wells Fargo Bank N.A.	Call	1.60%	Receive	3-Month LIBOR	8/16/18	USD	3,500	144,195
30-Year Interest Rate Swap	Deutsche Bank AG	Call	3.12%	Receive	3-Month LIBOR	9/17/20	USD	800	280,939
30-Year Interest Rate Swap	JPMorgan Chase Bank N.A.	Call	3.12%	Receive	3-Month LIBOR	9/17/20	USD	800	280,939
30-Year Interest Rate Swap	JPMorgan Chase Bank N.A.	Call	2.42%	Receive	3-Month LIBOR	2/08/21	USD	670	151,816
30-Year Interest Rate Swap	JPMorgan Chase Bank N.A.	Call	2.50%	Receive	3-Month LIBOR	4/27/21	USD	500	120,427
10-Year Interest Rate Swap	JPMorgan Chase Bank N.A.	Call	3.03%	Receive	3-Month LIBOR	12/10/25	USD	2,000	269,938
10-Year Interest Rate Swap	Barclays Bank PLC	Call	2.83%	Receive	3-Month LIBOR	1/13/26	USD	2,000	246,269
10-Year Interest Rate Swap	Goldman Sachs Bank USA	Put	1.75%	Pay	3-Month LIBOR	9/20/16	GBP	5,000	1
30-Year Interest Rate Swap	JPMorgan Chase Bank N.A.	Put	3.30%	Pay	3-Month LIBOR	9/21/16	USD	4,020	
30-Year Interest Rate Swap	Citibank N.A.	Put	2.85%	Pay	3-Month LIBOR	10/14/16	USD	6,000	14
30-Year Interest Rate Swap	UBS AG	Put	2.85%	Pay	3-Month LIBOR	10/14/16	USD	6,000	14

10-Year Interest Rate Swap	Goldman Sachs Bank USA	Put	1.85%	Pay	3-Month LIBOR	1/13/17	USD	6,000	29,970
30-Year Interest Rate Swap	Bank of America N.A.	Put	2.85%	Pay	3-Month LIBOR	1/13/17	USD	6,000	3,391
10-Year Interest Rate Swap	Barclays Bank PLC	Put	1.80%	Pay	3-Month LIBOR	1/23/17	USD	2,300	14,880
10-Year Interest Rate Swap	Wells Fargo Bank N.A.	Put	1.75%	Pay	3-Month LIBOR	2/17/17	USD	8,000	72,414
10-Year Interest Rate Swap	Barclays Bank PLC	Put	1.70%	Pay	3-Month LIBOR	2/23/17	USD	5,000	54,112
30-Year Interest Rate Swap	Barclays Bank PLC	Put	2.40%	Pay	3-Month LIBOR	4/13/17	USD	2,650	23,280
30-Year Interest Rate Swap	Goldman Sachs Bank USA	Put	2.55%	Pay	3-Month LIBOR	4/04/19	USD	3,600	156,405
30-Year Interest Rate Swap	Deutsche Bank AG	Put	3.12%	Pay	3-Month LIBOR	9/17/20	USD	800	28,178
30-Year Interest Rate Swap	JPMorgan Chase Bank N.A.	Put	3.12%	Pay	3-Month LIBOR	9/17/20	USD	800	28,178
10-Year Interest Rate Swap	Bank of America N.A.	Put	3.50%	Pay	3-Month LIBOR	2/01/21	USD	4,000	54,589
30-Year Interest Rate Swap	JPMorgan Chase Bank N.A.	Put	2.42%	Pay	3-Month LIBOR	2/08/21	USD	670	53,293
30-Year Interest Rate Swap	JPMorgan Chase Bank N.A.	Put	2.50%	Pay	3-Month LIBOR	4/27/21	USD	500	37,937
10-Year Interest Rate Swap	JPMorgan Chase Bank N.A.	Put	3.03%	Pay	3-Month LIBOR	12/10/25	USD	2,000	76,558
10-Year Interest Rate Swap	Barclays Bank PLC	Put	2.83%	Pay	3-Month LIBOR	1/13/26	USD	2,000	86,548
Total									$ 2,985,983

See Notes to Financial Statements.

Table of Contents

Schedule of Investments (continued)

BlackRock Core Bond Trust (BHK)

OTC Options Purchased

on Put/Call Counterparty Expiration Date Strike Price Notional Amount (000) abs 0pt; margin-left: 0pt; margin-bottom: 0pt">Incentive fee = (100.00% × 0.4375%) + (20.00% × (2.30% - 2.1875%))

= 0.4375% + (20.00% × 0.1125%)

= 0.4375% + 0.0225%

= 0.46%

Pre-Incentive Fee Net Investment Income exceeds the hurdle rate and fully satisfies the catch-up provision; therefor income related portion of the incentive fee is 0.46%.

(1) Represents 7.00% annualized hurdle rate.
(2) Represents 2.00% annualized base management fee.
(3) Excludes organizational and offering expenses.
(4) The catch-up provision is intended to provide our Advisor with an incentive fee of 20.00% on all Pre-Incentive Fee Net Investment Income as if a hurdle rate apply when our Pre-Incentive Fee Net Investment Income exceeds 2.1875% in any fiscal quarter.

Example 2: Income related portion of incentive fee after total retu requirement calculation for each fiscal quarter

Alternative 1

Assumptions:

Investment income (including interest, distributions, fees, etc.) = 2.80%

Hurdle rate[(1)] = 1.75%

Management fee[(2)] = 0.50%

Other expenses (legal, accounting, custodian, transfer agent, etc.)[(3)] = 0.20%

Pre-Incentive Fee Net Investment Income (investment income - (management fee + other expenses)) = 2.10%

Incentive fee = 100.00% × Pre-Incentive Fee Net Investment Income (subject to catch-up[(4)])

= 100.00% × (2.10% - 1.75%)

= 0.35%

Cumulative incentive compensation accrued and/or paid since July 1, 2014 = $9,000,000

20.0% of cumulative net increase in net assets resulting from operations since July 1, 2014 = $8,000,000

Although our Pre-Incentive Fee Net Investment Income exceeds the hurdle rate of 1.75%, no incentive fee is payable b
20.0% of the cumulative net increase in net assets resulting from operations since July 1, 2014 did not exceed the cumu
income and capital gains incentive fees accrued and/or paid since July 1, 2014.

Alternative 2

Assumptions:

Investment income (including interest, distributions, fees, etc.) = 2.80%

Hurdle rate[(1)] = 1.75%

Management fee[(2)] = 0.50%

Other expenses (legal, accounting, custodian, transfer agent, etc.)[(3)] = 0.20%

Pre-Incentive Fee Net Investment Income

(investment income - (management fee + other expenses)) = 2.10%

108

TABLE OF CONTENTS

Incentive fee = 100.00% × Pre-Incentive Fee Net Investment Income (subject to catch-up[4])

= 100.00% × (2.10% - 1.75%)

= 0.35%

Pre-Incentive Fee Net Investment Income exceeds the hurdle rate, but does not fully satisfy the catch-up provision; t
the income related portion of the incentive fee is 0.35%.

Cumulative incentive compensation accrued and/or paid since July 1, 2014 = $9,000,000

20.0% of cumulative net increase in net assets resulting from operations since July 1, 2014 = $10,000,000

Because our Pre-Incentive Fee Net Investment Income exceeds the hurdle rate of 1.75% and because 20.0% of the cum
net increase in net assets resulting from operations since July 1, 2014 exceeds the cumulative income and capital gains
incentive fees accrued and/or paid since July 1, 2014, an incentive fee would be payable, as shown in Alternative 3 of
Example 1 above.

(1) Represents 7.00% annualized hurdle rate.

(2) Represents 2.00% annualized base management fee.

(3) Excludes organizational and offering expenses.

(4) The catch-up provision is intended to provide our Advisor with an incentive fee of 20.00% on all Pre-Incentive Fee Net Investment Income as if a hurdle rate
apply when our Pre-Incentive Fee Net Investment Income exceeds 2.1875% in any fiscal quarter.

Example 3: Capital gains portion of incentive fee

Alternative 1

Assumptions:

Year 1: $20 million investment made in Company A (Investment A), and $30 million investment made in Company
(Investment B)

Year 2: Investment A sold for $50 million and fair market value (FMV) of Investment B determined to be $32 milli

Year 3: FMV of Investment B determined to be $25 million

Year 4: Investment B sold for $31 million

The capital gains portion of the incentive fee, if any, would be:

Year 1: None (No sales transaction)

Year 2: Capital gains incentive fee of $6 million ($30 million realized capital gains on sale of Investment A multiplied
20%)

Year 3: None; $5 million ((20% multiplied by ($30 million cumulative capital gains less $5 million cumulative capital
depreciation)) less $6 million (previous capital gains fee paid in Year 2))

Year 4: Capital gains incentive fee of $200,000; $6.2 million (($31 million cumulative realized capital gains multiplied
20%) less $6 million (capital gains incentive fee taken in Year 2))

109

TABLE OF CONTENTS

Alternative 2

Assumptions:

Year 1: $20 million investment made in Company A (Investment A), $30 million investment made in Company B (Investment B) and $25 million investment made in Company C (Investment C)

Year 2: Investment A sold for $50 million, FMV of Investment B determined to be $25 million and FMV of Investmen determined to be $25 million

Year 3: FMV of Investment B determined to be $27 million and Investment C sold for $30 million

Year 4: FMV of Investment B determined to be $35 million

Year 5: Investment B sold for $20 million

The capital gains incentive fee, if any, would be:

Year 1: None (no sales transaction)

Year 2: $5 million capital gains incentive fee (20% multiplied by $25 million ($30 million realized capital gains on Investment A less unrealized capital depreciation on Investment B))

Year 3: $1.4 million capital gains incentive fee[1] ($6.4 million (20% multiplied by $32 million ($35 million cumulativ realized capital gains less $3 million unrealized capital depreciation)) less $5 million capital gains incentive fee receive Year 2

Year 4: None (no sales transaction)

Year 5: None ($5 million (20% multiplied by $25 million (cumulative realized capital gains of $35 million less realize capital losses of $10 million)) less $6.4 million cumulative capital gains incentive fee paid in Year 2 and Year 3[2]

The hypothetical amounts of returns shown are based on a percentage of our total net assets and assume no leverage. T no guarantee that positive returns will be realized and actual returns may vary from those shown in this example.

(1) As illustrated in Year 3 of Alternative 1 above, if the Investment Management Agreement were terminated on a date other than our fiscal year end of any year, v have paid aggregate capital gains incentive fees that are more than the amount of such fees that would be payable if the Investment Management Agreement we terminated on the fiscal year end of such year.

(2) As noted above, it is possible that the cumulative aggregate capital gains fee received by the Advisor ($6.4 million) is effectively greater than $5 million (20.00% cumulative aggregate realized capital gains less net realized capital losses or net unrealized depreciation ($25 million)).

Payment of our expenses

All investment professionals and staff of our Advisor, when and to the extent engaged in providing investment advisor management services, and the compensation and routine overhead expenses of its personnel allocable to such services, provided and paid for by our Advisor. We bear all other costs and expenses of our operations and transactions, includin those relating to:

our organization;

calculating our net asset value (including the cost and expenses of any independent valuation firms);
expenses, including travel expense, incurred by our Advisor or payable to third parties performing due diligence on prospective portfolio companies, monitoring ou investments and, if necessary, enforcing our rights;
interest payable on debt, if any, incurred to finance our investments;
the costs of all future offerings and repurchases of our common stock and other securities, if any;

110

TABLE OF CONTENTS

- the base management fee and any incentive fee;
- distributions on our shares;
- administration fees payable under the Administration Agreement;
- the allocated costs incurred by our Advisor as our Administrator in providing managerial assistance to those portfolio companies that request it;
- amounts payable to third parties relating to, or associated with, making investments;
- transfer agent and custodial fees;
- registration fees;
- listing fees;
- fees and expenses associated with marketing efforts;
- taxes;
- independent director fees and expenses;
- brokerage commissions;
- costs of preparing and filing reports or other documents with the SEC;
- the costs of any reports, proxy statements or other notices to our stockholders, including printing costs;
- the fidelity bond;
- directors and officers/errors and omissions liability insurance, and any other insurance premiums;
- indemnification payments;
- direct costs and expenses of administration, including audit and legal costs; and
- all other expenses incurred by us or the Administrator in connection with administering our business, such as the allocable portion of overhead under the Administr Agreement, including rent, the fees and expenses associated with performing compliance functions and our allocable portion of the costs of compensation and relat expenses of our Chief Financial Officer and Chief Compliance Officer and their respective staffs.

From time to time, our Advisor may pay amounts owed by us to third party providers of goods or services. We subsequ reimburse our Advisor for such amounts paid on our behalf. Generally, our expenses are expensed as incurred in accord with GAAP. To the extent we incur costs that should be capitalized and amortized into expense we also do so in accord with GAAP, which may include amortizing such amount on a straight line basis over the life of the asset or the life of t services or product being performed or provided.

Limitation of liability and indemnification

The Investment Management Agreement provides that our Advisor and its officers, managers, partners, agents, employ controlling persons and any other person or entity affiliated with our Advisor are not liable to us for any act or omissio in the supervision or management of our investment activities or for any loss sustained by us except for acts or omissio constituting willful misfeasance, bad faith, gross negligence or reckless disregard of its obligations under the Investme Management Agreement. The Investment Management Agreement also provides, subject to certain conditions, for indemnification by us of our Advisor and its officers, managers, partners, agents, employees, controlling persons and a other person or entity affiliated with our Advisor for liabilities incurred by them in connection with their services to us (including any liabilities associated with an action or suit by or in the right of us or our stockholders), but excluding lia for acts or omissions constituting willful misfeasance, bad faith or gross negligence or reckless disregard of their duties the Investment Management Agreement.

TABLE OF CONTENTS

Board approval of the Investment Management Agreement

Our Board held an in-person meeting on July 28, 2017 at which it considered and reapproved our Investment Managem Agreement for an additional one-year period. In its consideration of the Investment Management Agreement, our Boar focused on information it had received relating to (a) the nature, quality and extent of the advisory and other services to provided to us by our Advisor; (b) comparative data with respect to advisory fees or similar expenses paid by other BD with similar investment objectives; (c) our projected expenses and expense ratio compared to BDCs with similar invest objectives; (d) any existing and potential sources of indirect income to our Advisor or the Administrator from their relationships with us and the profitability of those relationships; (e) information about the services to be performed and personnel performing such services under the Investment Management Agreement; (f) the organizational capability and financial condition of our Advisor and its affiliates; (g) our Advisor s practices regarding the selection and compensati brokers that may execute our portfolio transactions and the brokers provision of brokerage and research services to ou Advisor; and (h) the possibility of obtaining similar services from other third party service providers or through an inte managed structure.

Based on the information reviewed and its discussions related thereto, our Board, including a majority of the directors are not interested persons of us, concluded that the investment management fee rates were reasonable in relation to the services to be provided.

Duration and termination

The Investment Management Agreement was reapproved by our Board, and by a majority of our independent directors July 28, 2017. Unless terminated earlier as described below, it will continue in effect from year to year thereafter if app annually by our Board including a majority of our directors who are not interested persons or by the affirmative vote of holders of a majority of our outstanding voting securities and a majority of our directors who are not interested persons Investment Management Agreement will automatically terminate in the event of its assignment. The Investment Manag Agreement may be terminated by either party without penalty by delivering notice of termination upon not more than 6 written notice to the other party. See Risk Factors Risks related to our business and structure Our Advisor can res days notice, and we may not be able to find a suitable replacement within that time, resulting in a disruption in our op that could adversely affect our business, results of operations or financial condition.

Administration Agreement

The Administration Agreement was considered and reapproved by our Board, and a majority of our independent direct July 28, 2017. Under the Administration Agreement, the Administrator furnishes us with office facilities and equipmen provides us clerical, bookkeeping and record keeping services at such facilities and provides us with other administrati services necessary to conduct our day-to-day operations. We reimburse the Administrator for our allocable portion of overhead and other expenses incurred by the Administrator in performing its obligations under the Administration Agreement, including rent, the fees and expenses associated with performing compliance functions and our allocable p of the costs of compensation and related expenses of our Chief Financial Officer and Chief Compliance Officer and the respective staffs. The Board reviews the allocation of expenses shared with the Advisor or other clients of the Advisor, on a periodic basis to confirm that the allocations are reasonable and appropriate in light of the provisions of the Invest Management Agreement and Administration Agreement and then-current circumstances.

License agreement

We have entered into a license agreement with HTF pursuant to which we were granted a non-exclusive, royalty-free ri and license to use the service mark Horizon Technology Finance. Under this agreement, we have a right to use the Technology Finance service mark for so long as the Investment Management Agreement with our Advisor is in effect than with respect to this limited license, we have no legal right to the Horizon Technology Finance service mark.

112

TABLE OF CONTENTS

CONTROL PERSONS AND PRINCIPAL STOCKHOLDER

No person is deemed to control us, as such term is defined in the 1940 Act.

The following table sets forth certain information with respect to the beneficial and record ownership of our common s
of June 13, 2018 by:

- each person known to us to own beneficially and of record more than 5% of the outstanding shares of our common stock;
- each of our directors and each of our executive officers; and
- all of our directors and executive officers as a group.

The percentage of common stock outstanding is based on 11,526,493 shares of common stock outstanding as of June 1
2018.

Name of Beneficial Owner	Shares Beneficially Owned	Percentage of Common Stock Outstanding	
Principal Stockholders			
Compass Horizon Partners, LP[(1)]	418,525	3.6	%
Directors and executive Officers			
Robert D. Pomeroy, Jr.[(2)]	76,245	*%	
Gerald A. Michaud[(2)]	70,519	*%	
James J. Bottiglieri[(2)]	9,071	*%	
Edmund V. Mahoney[(2)]	5,725	*%	
Elaine A. Sarsynski[(2)]	5,000	*%	
Joseph J. Savage[(2)]	18,500	*%	
Daniel R. Trolio[(2)]		*%	
John C. Bombara[(2)]	7,648	*%	
Daniel S. Devorsetz[(2)]	5,098	*%	
All officers and directors as a group (9 persons)	197,806	1.7	%

* Less than 1%

(1) Based on a schedule 13D filed with the SEC on May 17, 2018. Concorde Horizon Holdings LP is the limited partner of Compass Partners and Navco Manageme is the general partner. Concorde Horizon Holdings LP and Navco Management, Ltd. are controlled by The Kattegat Trust, a Bermudian charitable trust, the trust which is Kattegat Private Trustees (Bermuda) Limited, a Bermudian trust company with its principal offices at 2 Reid Street, Hamilton HM 11, Bermuda.

(2) The address for each executive officer and director is c/o Horizon Technology Finance Corporation, 312 Farmington Avenue, Farmington, Connecticut 06032. E executive officer and director is the beneficial owner of the shares listed.

113

TABLE OF CONTENTS

The following table sets forth the dollar range of our securities beneficially owned by our directors and employees prin responsible for the day-to-day management of our investment portfolio as of December 31, 2017 (except as otherwise r

Name	Dollar Range of Equity Securities in the Company[(1)(2)]
Independent Directors	
James J. Bottiglieri	$50,001 $100,000
Edmund V. Mahoney	$50,001 $100,000
Elaine A. Sarsynski	$10,001 $50,000
Joseph J. Savage	$50,001 $100,000
Interested Directors	
Robert D. Pomeroy, Jr.	$500,001 $1,000,000
Gerald A. Michaud	$500,001 $1,000,000
Portfolio Management Employees	
Daniel R. Trolio	None
Daniel S. Devorsetz	$50,001 $100,000
Gary P. Moro	None [(3)]

(1) Dollar ranges are as follows: None, $1 $10,000, $10,001 $50,000, $50,001 $100,000, $100,001 $500,000, $500,001 $1,000,000 or over $1,(

(2) The dollar range of equity securities beneficially owned in us is based on the closing price for our common stock of $11.22 on December 31, 2017, on the Nasda Beneficial ownership has been determined in accordance with Rule 16a-1(a)(2) of the Exchange Act.

(3) Information for Mr. Moro is presented as of June 13, 2018.

114

TABLE OF CONTENTS

DETERMINATION OF NET ASSET VALUE

The net asset value per share of our outstanding shares of common stock is determined quarterly by dividing the value assets minus liabilities by the total number of shares of common stock outstanding at the date as of which the determin made. We conduct the valuation of our assets, pursuant to which our net asset value is determined, at all times consiste GAAP and the 1940 Act.

In calculating the fair value of our total assets, investments for which market quotations are readily available are valued such market quotations, which are generally obtained from an independent pricing service or one or more broker-deale market makers. However, debt investments with remaining maturities within 60 days that are not credit impaired are va at cost plus accreted discount, or minus amortized premium, which approximates fair value.

We value our investments at fair value which is the market value of our investments. There is no readily available mark value for many of our portfolio investments, and we value those debt and equity securities that are not publicly traded o whose market value is not ascertainable at fair value as determined in good faith by our Board in accordance with our valuation policy. Our Board employs independent third party valuation firms to assist in determining fair value.

The types of factors that our Board may take into account in determining fair value include: comparisons of financial ra the portfolio companies that issued such private equity securities to peer companies that are public, the nature and reali value of any collateral, the portfolio company s ability to make payments and its earnings and discounted cash flow, th markets in which the portfolio company does business and other relevant factors. When an external event such as a pur transaction, public offering or subsequent equity sale occurs, we consider the pricing indicated by the external event to corroborate the private equity valuation. The Board also reviews periodically the quality and nature of inputs to the val process used by the Advisor and the valuation methodology employed by the Advisor.

With respect to investments for which market quotations are not readily available or for which no indicative prices fron pricing services or brokers or dealers have been received, our Board undertakes a multi-step valuation process each qua as described below:

the quarterly valuation process begins with each portfolio company or investment being initially valued by our Advisor s investment professionals responsible for the investment;

preliminary valuation conclusions are then documented and discussed with our Advisor s senior management;

a third-party valuation firm is engaged by, or on behalf of, our Board to conduct independent appraisals of all investments at least once annually;

our Board receives both the Advisor s value and the third-party valuation firm s value, when applicable; and

our Board then discusses the valuations and determines in good faith the fair value of each investment in the portfolio.

Due to the inherent uncertainty in determining the fair value of investments that do not have a readily observable fair v and the subjective judgments and estimates involved in those determinations, the fair value determinations by our Boar even though determined in good faith, may differ significantly from the values that would have been used had a readily available market value existed for such investments, and the differences could be material.

Determinations in connection with offerings

In connection with offerings of shares of our common stock, our Board or one of its committees is required to make the determination that we are not selling shares of our common stock at a price below the then current net asset value of ou common stock at the time at which the sale is made, unless we have stockholder approval to sell our common stock at a offering price per share less any underwriting

115

TABLE OF CONTENTS

commissions or discounts below the net asset value per share of our common stock at such time. Our Board or an appli committee of our Board considers the following factors, among others, in making such determination:

- the net asset value of our common stock most recently disclosed by us in the most recent periodic report that we filed with the SEC;
- our management s assessment of whether any material change in the net asset value of our common stock has occurred (including through the realization of gains of our portfolio securities) during the period beginning on the date of the most recently disclosed net asset value of our common stock and ending two days prior to of the sale of our common stock; and
- the magnitude of the difference between (i) the net asset value of our common stock most recently disclosed by us and our management s assessment of any mater in the net asset value of our common stock since that determination and (ii) the offering price of the shares of our common stock in the proposed offering.

This determination does not require that we calculate the net asset value of our common stock in connection with each offering of shares of our common stock, but instead it involves the determination by our Board or a committee thereof we are not selling shares of our common stock at a price below the then current net asset value of our common stock at time at which the sale is made or otherwise in violation of the 1940 Act.

Moreover, to the extent that there is even a remote possibility that we may (i) issue shares of our common stock at a pri below the then current net asset value of our common stock at the time at which the sale is made or (ii) trigger the undertaking (which we provide in certain registration statements we file with the SEC) to suspend the offering of share our common stock pursuant to this prospectus if the net asset value of our common stock fluctuates by certain amounts certain circumstances until the prospectus is amended, our Board will elect, in the case of clause (i) above, either to pos the offering until such time that there is no longer the possibility of the occurrence of such event or to undertake to dete the net asset value of our common stock within two days prior to any such sale to ensure that such sale will not be belo then current net asset value, and, in the case of clause (ii) above, to comply with such undertaking or to undertake to determine the net asset value of our common stock to ensure that such undertaking has not been triggered.

These processes and procedures are part of our compliance policies and procedures. Records will be made contemporaneously with all determinations of our Board described in this section, and we will maintain these records v other records that we are required to maintain under the 1940 Act.

116

TABLE OF CONTENTS

DIVIDEND REINVESTMENT PLAN

We have adopted a DRIP that provides for reinvestment of our cash distributions and other distributions on behalf of ou stockholders, unless a stockholder elects to receive cash as provided below. As a result, if our Board declares a cash distribution, then our stockholders who have not opted out of our DRIP have their cash distribution automatically re in additional shares of our common stock, rather than receiving the cash distribution.

No action is required on the part of a registered stockholder to have their cash distribution reinvested in shares of our common stock. A registered stockholder may elect to receive an entire distribution in cash by notifying Computershare Shareowner Services, the plan administrator and our transfer agent and registrar, in writing so that such notice is receiv the plan administrator no later than 10 days prior to the record date for distributions to stockholders. The plan administ sets up an account for shares acquired through the plan for each stockholder who has not elected to receive dividends o distributions in cash and holds such shares in non-certificated form. Upon request by a stockholder participating in the received in writing not less than 10 days prior to the record date, the plan administrator will, instead of crediting shares participant s account, issue a certificate registered in the participant s name for the number of whole shares of our co stock and a check for any fractional share.

Those stockholders whose shares are held by a broker or other financial intermediary may receive distributions in cash notifying their broker or other financial intermediary of their election.

We intend to use primarily newly issued shares to implement the plan, whether our shares are trading at a premium or a discount to net asset value. However, we reserve the right to purchase shares in the open market in connection with our implementation of the plan. The number of shares to be issued to a stockholder is determined by dividing the total doll amount of the distribution payable to such stockholder by the market price per share of our common stock at the close regular trading on Nasdaq on the valuation date, which date shall be as close as practicable to the payment date for such distribution. Market price per share on that date will be the closing price for such shares on Nasdaq or, if no sale is rep for such day, at the average of their reported bid and asked prices. The number of shares of our common stock to be outstanding after giving effect to payment of the distribution cannot be established until the value per share at which additional shares will be issued has been determined and elections of our stockholders have been tabulated. Stockholde do not elect to receive distributions in shares of common stock may experience accretion to the net asset value of their if our shares are trading at a premium at the time we issue new shares under the plan and dilution if our shares are tradi discount. The level of accretion or discount would depend on various factors, including the proportion of our stockhold who participate in the plan, the level of premium or discount at which our shares are trading and the amount of the distribution payable to a stockholder.

There are no brokerage charges or other charges to stockholders who participate in the plan. The plan administrator s f under the plan are paid by us. If a participant elects by written notice to the plan administrator to have the plan adminis sell part or all of the shares held by the plan administrator in the participant s account and remit the proceeds to the participant, the plan administrator is authorized to deduct a $15.00 transaction fee plus a $0.10 per share trading fee fro proceeds.

Stockholders who receive distributions in the form of stock are generally subject to the same federal, state and local tax consequences as are stockholders who elect to receive their distributions in cash. Any stock received in a dividend has holding period for tax purposes commencing on the day following the day on which the shares are credited to the U.S. stockholder s account. See Material U.S. Federal Income Tax Considerations.

Participants may terminate their accounts under the plan by notifying the plan agent via its website at *www.computershare.com/investor*, by filling out the transaction request form located at bottom of their statement and s
it to the plan agent at c/o Computershare Shareowner Services LLC, P.O. Box 505000, Louisville, Kentucky 40233 or
calling the plan administrator at 877-373-6374.

The plan may be terminated by us upon notice in writing mailed to each participant. All correspondence concerning the
should be directed to the plan administrator by mail at Plan Administrator c/o Computershare Shareowner Services LL
P.O. Box 505000, Louisville, Kentucky 40233.

117

TABLE OF CONTENTS

If you withdraw or the plan is terminated, the plan administrator will continue to hold your shares in book-entry form u
you request that such shares be sold or issued. Upon receipt of your instructions, a certificate for each whole share in yo
account under the plan will be issued and you will receive a cash payment for any fraction of a share in your account.

If you hold your common stock with a brokerage firm that does not participate in the plan, you are not able to participa
the plan and any dividend reinvestment may be effected on different terms than those described above. Consult your fir
advisor for more information.

TABLE OF CONTENTS

DESCRIPTION OF OUR SECURITIES

This prospectus contains a summary of our common stock, preferred stock, subscription rights, debt securities and war These summaries are not meant to be a complete description of each security. However, this prospectus and the accompanying prospectus supplement will contain the material terms and conditions for each security.

Set forth below is a chart describing our securities authorized and outstanding as of June 13, 2018:

Title of Class	Amount Authorized	Amount Held by Us or for Our Account	Amount Outstanding Exclusive of Amount Held by Us or for Our Account
Common Stock	100,000,000	167,465	11,526,493
Preferred Stock	1,000,000		
2022 Notes	1,495,000		1,495,000

In addition to shares of our common stock, which are described under the heading Description of Our Common Stock have approximately $37.4 million aggregate principal amount of 2022 Notes outstanding. On September 29, 2017, we 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 approximately an additional $4.9 million of the 202 The 2022 Notes have a stated maturity of September 15, 2022 and may be redeemed in whole or in part at our option a time or from time to time on or after September 15, 2019 at a redemption price of $25 per security plus accrued and un interest. The 2022 Notes bear interest at a rate of 6.25% per year, payable quarterly on March 15, June 15, September 1 December 15 of each year. The 2022 Notes are our direct unsecured obligations and (i) rank equally in right of paymen 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 2022 Notes; (iii) are effectively subordinated to all of our existing and futur secured indebtedness (including indebtedness that is initially unsecured to which we subsequently grants security), to t extent of the value of the assets securing such indebtedness, and (iv) are structurally subordinated to all existing and fu indebtedness and other obligations of any of our subsidiaries. As of June 15, 2018, we were in material compliance wit terms of the 2022 Notes. The 2022 Notes are listed on the New York Stock Exchange under the symbol HTFA . U.S National Association serves as trustee under the indenture governing the 2022 Notes. U.S. Bank National Association serves as collateral custodian under the Key Facility. See Risk Factors Risks related to our business and structure indenture governing our debt securities contains limited protection for holders of our debt securities for information r restrictions on our ability to incur additional debt and to pay dividends under the indenture governing the 2022 Notes. S Description of Debt Securities that we may Issue Events of default for information regarding the circumstances in trustee will take action, and Modification or waiver for information on how the terms of the 2022 Notes may be m

119

TABLE OF CONTENTS

DESCRIPTION OF COMMON STOCK THAT WE MAY ISSUE

General

The following description does not purport to be complete and is subject to the provisions of our certificate of incorpor and bylaws, each of which are filed as exhibits to this registration statement. The description is qualified in its entirety reference to our certificate of incorporation and bylaws and to applicable law.

Under the terms of our certificate of incorporation, our authorized common stock consists solely of 100,000,000 shares value $0.001 per share, of which 11,526,493 shares were outstanding as of June 13, 2018. Our common stock is traded Nasdaq under the symbol HRZN . There are no outstanding options or warrants to purchase our stock. No stock has authorized for issuance under any equity compensation plans. Under the DGCL, our stockholders generally are not per liable for our debts or obligations.

Under the terms of our certificate of incorporation, all shares of our common stock have equal rights as to earnings, ass distributions and voting. When they are issued, shares of our common stock will be duly authorized, validly issued, ful and non-assessable. Distributions may be paid to the holders of our common stock if, as and when declared by our Boa of assets legally available therefor, subject to any preferential dividend rights of outstanding preferred stock. Holders o common stock are entitled to one vote for each share held on all matters submitted to a vote of stockholders, including election of directors, and do not have cumulative voting rights. Accordingly, holders of a majority of the shares of com stock entitled to vote in any election of directors may elect all of the directors standing for election. Upon our liquidatio dissolution or winding up, the holders of common stock are entitled to receive ratably our net assets available after the payment of all debts and other liabilities and subject to the prior rights of any outstanding preferred stock. Holders of common stock have no preemptive, subscription, redemption or conversion rights. The rights, preferences and privileg holders of common stock are subject to the rights of the holders of any series of preferred stock which we may designa issue in the future. In addition, holders of our common stock may participate in our DRIP.

Anti-takeover effects of provisions of our certificate of incorporation, bylaws, the DGCL and other arrangements

Certain provisions of our certificate of incorporation and bylaws, applicable provisions of the DGCL and certain other agreements to which we are a party may make it more difficult for or prevent an unsolicited third party from acquiring control of us or changing our Board and management. These provisions may have the effect of deterring hostile takeov delaying changes in our control or in our management. These provisions are intended to enhance the likelihood of cont stability in the composition of our Board and in the policies furnished by them and to discourage certain types of transa that may involve an actual or threatened change in our control. The provisions also are intended to discourage certain t that may be used in proxy fights. These provisions, however, could have the effect of discouraging others from making offers for our shares and, as a consequence, they also may inhibit fluctuations in the market price of our shares that cou result from actual or rumored takeover attempts.

Election of directors. Our certificate of incorporation and bylaws provide that the affirmative vote of a plurality of all cast at a meeting of stockholders duly called at which a quorum is present shall be sufficient to elect a director. Under c certificate of incorporation, our Board may amend the bylaws to alter the vote required to elect directors.

Classified board of directors. The classification of our Board and the limitations on removal of directors and filling of vacancies could have the effect of making it more difficult for a third party to acquire us, or of discouraging a third par from acquiring us. Our Board is divided into three classes, with the term of one class expiring at each annual meeting o stockholders. At each annual meeting, one class of directors is elected to a three-year term. This provision could delay to two years the replacement of a majority of our Board.

Number of directors; vacancies; removal. Our certificate of incorporation provides that, by amendment to our bylaws, Board is authorized to change the number of directors without the consent of stockholders to any number between thre nine.

TABLE OF CONTENTS

Our certificate of incorporation provides that, subject to the rights of any holders of preferred stock, any vacancy on ou Board, however the vacancy occurs, including a vacancy due to an enlargement of our Board, may only be filled by vo majority of the directors then in office.

Subject to the rights of any holders of preferred stock, a director may be removed at any time at a meeting called for th purpose, but only for cause and only by the affirmative vote of the holders of at least 75% of the shares then entitled to for the election of the respective director.

The limitations on the ability of our stockholders to remove directors and fill vacancies could make it more difficult fo third party to acquire, or discourage a third party from seeking to acquire, control of us.

Action by stockholders. Under our certificate of incorporation and bylaws, stockholder action can only be taken at an a meeting or special meeting and not by written action in lieu of a meeting. This may have the effect of delaying conside of a stockholder proposal until the next annual meeting.

Advance notice requirements for stockholder proposals and director nominations. Our bylaws provide that with respe annual meeting of stockholders, nominations of persons for election to our Board and the proposal of business to be considered by stockholders may be made only (1) by or at the direction of our Board, (2) pursuant to our notice of mee (3) by a stockholder who is entitled to vote at the meeting and who has complied with the advance notice procedures o bylaws. Nominations of persons for election to our Board at a special meeting may be made only (1) by or at the direct our Board, or (2) provided that our Board has determined that directors will be elected at the meeting, by a stockholder is entitled to vote at the meeting and who has complied with the advance notice provisions of the bylaws. The purpose requiring stockholders to give us advance notice of nominations and other business is to afford our Board a meaningful opportunity to consider the qualifications of the proposed nominees and the advisability of any other proposed busines to the extent deemed necessary or desirable by our Board, to inform our stockholders and make recommendations abou qualifications or business, as well as to provide a more orderly procedure for conducting meetings of stockholders. Alt our bylaws do not give our Board any power to disapprove stockholder nominations for the election of directors or pro recommending certain action, they may have the effect of precluding a contest for the election of directors or the consideration of stockholder proposals if proper procedures are not followed and of discouraging or deterring a third pa from conducting a solicitation of proxies to elect its own slate of directors or to approve its own proposal without rega whether consideration of such nominees or proposals might be harmful or beneficial to us and our stockholders.

Amendments to certificate of incorporation and bylaws. The DGCL provides generally that the affirmative vote of a m of the shares entitled to vote on any matter is required to amend a corporation s certificate of incorporation or bylaws, corporation s certificate of incorporation or bylaws requires a greater percentage. Our certificate of incorporation prov the affirmative vote of 75% of the then outstanding shares entitled to vote generally in the election of directors voting together as a single class is required to amend provisions of our certificate of incorporation relating to the classificatio and vacancies of our Board, as well as the removal of directors. However, if 66 2/3% of the continuing directors have approved such amendment or repeal, the affirmative vote for such amendment or repeal shall be a majority of such sha The affirmative vote of 75% of the then outstanding shares voting together as a single class is required to amend provis of our certificate of incorporation relating to the calling of a special meeting of stockholders or the ability to amend or the bylaws. Our certificate of incorporation permits our Board to amend or repeal our bylaws, provided that any amend or repeal shall require the approval of at least 66 2/3% of the continuing directors. The stockholders do not have the rig adopt or repeal the bylaws.

Stockholder meetings. Our certificate of incorporation and bylaws provide that any action required or permitted to be t by stockholders at an annual meeting may only be taken if it is properly brought before such meeting. For business to b properly brought before an annual meeting by a stockholder, the stockholder must provide timely notice to our Secreta

Notice is timely if it is delivered by a nationally recognized courier service or mailed by first class United States mail a
received not earlier than 90 days nor more than 120 days in advance of the anniversary of the date our proxy statement
released to stockholders in connection with the previous year s annual meeting. Action taken at a special meeting of
stockholders is

121

TABLE OF CONTENTS

limited to the purposes stated in the properly provided notice of meeting. These provisions could have the effect of dela until the next stockholder meeting actions that are favored by the holders of a majority of our outstanding voting securi

Calling of special meetings by stockholders. Our certificate of incorporation and bylaws provide that special meetings stockholders may only be called by our Board, Chairman, Chief Executive Officer or President.

Section 203 of the DGCL. We are subject to the provisions of Section 203 of the DGCL. In general, these provisions p a Delaware corporation from engaging in any business combination with any interested stockholder for a period of thre years following the date that the stockholder became an interested stockholder, unless:

- prior to such time, the board of directors approved either the business combination or the transaction which resulted in the stockholder becoming an interested stock
- upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% voting stock of the corporation outstanding at the time the transaction commenced; or
- on or after the date the business combination is approved by the board of directors and authorized at a meeting of stockholders, by at least two-thirds of the outstanc voting stock that is not owned by the interested stockholder.

Section 203 defines business combination to include the following:

- any merger or consolidation involving the corporation and the interested stockholder;
- any sale, transfer, pledge or other disposition (in one transaction or a series of transactions) of 10% or more of either the aggregate market value of all the assets of corporation or the aggregate market value of all the outstanding stock of the corporation involving the interested stockholder;
- subject to certain exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder
- any transaction involving the corporation that has the effect of increasing the proportionate share of the stock of any class or series of the corporation owned by the interested stockholder; or
- the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporatio

In general, Section 203 defines an interested stockholder as any entity or person beneficially owning 15% or more of th outstanding voting stock of the corporation and any entity or person affiliated with or controlling or controlled by any o these entities or persons.

The statute could prohibit or delay mergers or other takeover or change in control attempts and, accordingly, may disco attempts to acquire us.

Conflict with 1940 Act. Our bylaws provide that, if and to the extent that any provision of the DGCL or our bylaws co with any provision of the 1940 Act, the applicable provision of the 1940 Act will control.

Approval of certain transactions. To convert us to an open-end investment company, to merge or consolidate us with a entity in a transaction as a result of which the governing documents of the surviving entity do not contain substantially same anti-takeover provisions as are provided in our certificate of incorporation, to liquidate and dissolve us, or to ame of the anti-takeover provisions discussed herein, our certificate of incorporation requires the affirmative vote of a majo our continuing directors followed by the favorable vote of the holders of at least 75% of each affected class or series of shares, voting separately as a class or series, unless such amendment has been approved by the holders of at least 80% then outstanding shares of our capital stock, voting together as a single class. If approved in the foregoing manner, our conversion to an open-end investment company could not occur until 90 days after the stockholders meeting at which s conversion was approved and would also require at least 30 days prior

TABLE OF CONTENTS

notice to all stockholders. As part of any such conversion to an open-end investment company, substantially all of our investment policies and strategies and portfolio would have to be modified to assure the degree of portfolio liquidity re for open-end investment companies. In the event of conversion, the common shares would cease to be listed on any nat securities exchange or market system. Stockholders of an open-end investment company may require the company to r their shares at any time, except in certain circumstances as authorized by or under the 1940 Act, at their net asset value such redemption charge, if any, as might be in effect at the time of a redemption. You should assume that it is not likely our Board would vote to convert us to an open-end fund.

The 1940 Act defines a majority of the outstanding voting securities as the lesser of a majority of the outstanding sh 67% of a quorum of a majority of the outstanding shares. For the purposes of calculating a majority of the outstanding securities under our certificate of incorporation, each class and series of our shares vote together as a single class, exc the extent required by the 1940 Act or our certificate of incorporation, with respect to any class or series of shares. If a separate class vote is required, the applicable proportion of shares of the class or series, voting as a separate class or ser also will be required.

Our Board has determined that provisions with respect to our Board and the stockholder voting requirements described above, which voting requirements are greater than the minimum requirements under the DGCL or the 1940 Act, are in best interest of stockholders generally.

It is a default under our Key Facility if (i) a person or group of persons (within the meaning of the Exchange Act) acqu beneficial ownership of 20% or more of our issued and outstanding stock or (ii) during any twelve month period indivi who at the beginning of such period constituted our Board cease for any reason, other than death or disability, to consti majority of the directors in office. If either event were to occur, Key could accelerate our repayment obligations under, terminate, our Key Facility. See Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and capital resources Current borrowings.

Limitations of liability and indemnification

The indemnification of our officers and directors is governed by Section 145 of the DGCL, and our certificate of incorporation and bylaws. Subsection (a) of Section 145 of the DGCL empowers a corporation to indemnify any person was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by rea the fact that the person is or was a director, officer, employee or agent of the corporation, or is or was serving at the req the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by the person in connection with such action, suit or proceeding if (1) such person acted in good fa in a manner such person reasonably believed to be in or not opposed to the best interests of the corporation and (3) with respect to any criminal action or proceeding, such person had no reasonable cause to believe the person s conduct was unlawful.

Subsection (b) of Section 145 of the DGCL empowers a corporation to indemnify any person who was or is a party or i threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporatio procure a judgment in its favor by reason of the fact that the person is or was a director, officer, employee or agent of th corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys fees) actually an reasonably incurred by such person in connection with the defense or settlement of such action or suit if such person ac good faith and in a manner the person reasonably believed to be in, or not opposed to, the best interests of the corporati and except that no indemnification may be made in respect of any claim, issue or matter as to which such person has be adjudged to be liable to the corporation unless and only to the extent that the Delaware Court of Chancery or the court which such action or suit was brought determines upon application that, despite the adjudication of liability but in view the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Delaware Court of Chancery or such other court deems proper.

123

TABLE OF CONTENTS

Section 145 of the DGCL further provides that to the extent that a present or former director or officer is successful, on merits or otherwise, in the defense of any action, suit or proceeding referred to in subsections (a) and (b) of Section 145 DGCL, or in defense of any claim, issue or matter therein, such person will be indemnified against expenses (including attorneys fees) actually and reasonably incurred by such person in connection with such action, suit or proceeding. In cases in which indemnification is permitted under subsections (a) and (b) of Section 145 of the DGCL (unless ordered court), it will be made by the corporation only as authorized in the specific case upon a determination that indemnificat the present or former director, officer, employee or agent is proper in the circumstances because the applicable standard conduct has been met by the party to be indemnified. Such determination must be made, with respect to a person who i director or officer at the time of such determination, (1) by a majority vote of the directors who are not parties to such a suit or proceeding, even though less than a quorum, (2) by a committee of such directors designated by majority vote o directors, even though less than a quorum, (3) if there are no such directors, or if such directors so direct, by independe legal counsel in a written opinion or (4) by the stockholders. The statute authorizes the corporation to pay expenses inc by an officer or director in advance of the final disposition of a proceeding upon receipt of an undertaking by or on beh the person to whom the advance will be made, to repay the advances if it is ultimately determined that he or she was no entitled to indemnification. Section 145 of the DGCL also provides that indemnification and advancement of expenses permitted under such Section are not to be exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any bylaw, agreement, vote of stockholders or disinterested directors, o otherwise. Section 145 of the DGCL also authorizes the corporation to purchase and maintain liability insurance on beh its directors, officers, employees and agents regardless of whether the corporation would have the statutory power to indemnify such persons against the liabilities insured.

Our certificate of incorporation provides that our directors will not be liable to us or our stockholders for monetary dam for breach of fiduciary duty as a director to the fullest extent permitted by the DGCL. Section 102(b)(7) of the DGCL provides that the personal liability of a director to a corporation or its stockholders for breach of fiduciary duty as a dire may be eliminated except for liability (1) for any breach of the director s duty of loyalty to the corporation or its stock (2) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (3) u Section 174 of the DGCL, relating to unlawful payment of distributions or unlawful stock purchases or redemption of s or (4) for any transaction from which the director derives an improper personal benefit.

Under our certificate of incorporation, we fully indemnify any person who was or is involved in any actual or threatene action, suit or proceeding by reason of the fact that such person is or was one of our directors or officers. So long as we regulated under the 1940 Act, the above indemnification and limitation of liability is limited by the 1940 Act or by any rule, regulation or order of the SEC thereunder. The 1940 Act provides, among other things, that a company may not indemnify any director or officer against liability to it or its security holders to which he or she might otherwise be sub reason of his or her willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the c of his or her office unless a determination is made by final decision of a court, by vote of a majority of a quorum of dire who are disinterested, non-party directors or by independent legal counsel that the liability for which indemnification is sought did not arise out of the foregoing conduct.

We have obtained liability insurance for our directors and officers. In addition, we have entered into indemnification agreements with each of our directors and officers in order to effect the foregoing except to the extent that such indemnification would exceed the limitations on indemnification under Section 17(h) of the 1940 Act.

TABLE OF CONTENTS

DESCRIPTION OF PREFERRED STOCK THAT WE MAY ISSUE

Under the terms of our certificate of incorporation, our authorized preferred stock consists of 1,000,000 shares, par valu
$0.001 per share, of which no shares were outstanding as of June 13, 2018, and our Board is authorized to issue shares
preferred stock in one or more series without stockholder approval. Particular terms of any preferred stock we offer wil
described in the prospectus supplement relating to such preferred stock shares.

Our Board has discretion to determine the rights, preferences, privileges and restrictions, including voting rights, divid
rights, conversion rights, redemption privileges and liquidation preferences of each series of preferred stock. Every issu
of preferred stock will be required to comply with the requirements of the 1940 Act. The 1940 Act limits our flexibility
certain rights and preferences of the preferred stock that our certificate of incorporation may provide and requires, amo
other things, that (1) immediately after issuance and before any distribution is made with respect to our common stock,
before any purchase of common stock is made, such preferred stock together with all other senior securities must not e
an amount equal to 50% of our total assets (or 66 2/3% if certain approval and disclosure requirements are met) after deducting the amount of such dividend, distribution or purchase price, as the case may be, (2) the holders of shares of preferred stock, if any are issued, must be entitled as a class to elect two directors at all times and to elect a majority of
directors if and for so long as distributions on the preferred stock are in arrears by two years or more and (3) such share
cumulative as to distributions and have a complete preference over our common stock to payment of their liquidation preference in the event of a dissolution. Certain matters under the 1940 Act require the separate vote of the holders of a
issued and outstanding preferred stock. For example, holders of preferred stock would vote separately from the holders
common stock on a proposal to cease operations as a BDC. The features of the preferred stock will be further limited b
requirements applicable to RICs under the Code. The purpose of authorizing our Board to issue preferred stock and det
its rights and preferences is to eliminate delays associated with a stockholder vote on specific issuances. The issuance o
preferred stock, while providing desirable flexibility in connection with providing leverage for our investment program
possible acquisitions and other corporate purposes, could make it more difficult for a third party to acquire, or could discourage a third party from acquiring, a majority of our outstanding voting stock.

For any series of preferred stock that we may issue, our Board will determine, and the prospectus supplement relating t
series will describe:

- the designation and number of shares of such series;
- the rate and time at which, and the preferences and conditions under which, any distributions will be paid on shares of such series, as well as whether such distribut participating or non-participating;
- any provisions relating to convertibility or exchangeability of the shares of such series;
- the rights and preferences, if any, of holders of shares of such series upon our liquidation, dissolution or winding up of our affairs;
- the voting powers, if any, of the holders of shares of such series;
- any provisions relating to the redemption of the shares of such series;
- any limitations on our ability to pay dividends or make distributions on, or acquire or redeem, other securities while shares of such series are outstanding;
- any conditions or restrictions on our ability to issue additional shares of such series or other securities;
- if applicable, a discussion of certain U.S. federal income tax considerations; and
- any other relative power, preferences and participating, optional or special rights of shares of such series, and the qualifications, limitations or restrictions thereo

The preferred stock may be either fixed rate preferred stock or variable rate preferred stock, which is sometimes referre
auction rate preferred stock. All shares of preferred stock that we may issue will be identical and of equal rank excep
the particular terms thereof that may be fixed by our Board, and all

TABLE OF CONTENTS

shares of each series of preferred stock will be identical and of equal rank except as to the dates from which cumulative distributions, if any, thereon will be cumulative. If we issue shares of preferred stock, holders of such preferred stock w entitled to receive cash distributions at an annual rate that will be fixed or will vary for the successive dividend periods each series. In general, the dividend periods for fixed rate preferred stock can range from quarterly to weekly and are su to extension.

126

TABLE OF CONTENTS

DESCRIPTION OF SUBSCRIPTION RIGHTS THAT WE M ISSUE

We may issue subscription rights to purchase common stock. Subscription rights may be issued independently or toget with any other offered security and may or may not be transferable by the person purchasing or receiving the subscripti rights. In connection with any subscription rights offering to our stockholders, we may enter into a standby underwritin other arrangement with one or more underwriters or other persons pursuant to which such underwriters or other person would purchase any offered securities remaining unsubscribed for after such subscription rights offering. We will not o transferable subscription rights to our stockholders at a price equivalent to less than the then current net asset value per of common stock, excluding underwriting commissions, unless we first file a post-effective amendment that is declared effective by the SEC with respect to such issuance and the common stock to be purchased in connection with the rights represents no more than one-third of our outstanding common stock at the time such rights are issued. In connection wi subscription rights offering to our stockholders, we would distribute certificates evidencing the subscription rights and prospectus supplement to our stockholders on the record date that we set for receiving subscription rights in such subsc rights offering. Our common stockholders will indirectly bear the expenses of such subscription rights offerings, regard whether our common stockholders exercise any subscription rights.

The applicable prospectus supplement would describe the following terms of subscription rights in respect of which thi prospectus is being delivered:

- the title of such subscription rights;
- the exercise price or a formula for the determination of the exercise price for such subscription rights;
- the number or a formula for the determination of the number of such subscription rights issued to each stockholder;
- the extent to which such subscription rights are transferable;
- if applicable, a discussion of the material U.S. federal income tax considerations applicable to the issuance or exercise of such subscription rights;
- the date on which the right to exercise such subscription rights would commence, and the date on which such rights shall expire (subject to any extension);
- the extent to which such subscription rights include an over-subscription privilege with respect to unsubscribed securities;
- if applicable, the material terms of any standby underwriting or other purchase arrangement that we may enter into in connection with the subscription rights offeri
- any other terms of such subscription rights, including terms, procedures and limitations relating to the exchange and exercise of such subscription rights.

Exercise of subscription rights

Each subscription right would entitle the holder of the subscription right to purchase for cash such amount of shares of common stock at such exercise price as shall in each case be set forth in, or be determinable as set forth in, the prospec supplement relating to the subscription rights offered thereby or another report filed with the SEC. Subscription rights exercised at any time up to the close of business on the expiration date for such subscription rights set forth in the appli prospectus supplement. After the close of business on the expiration date, all unexercised subscription rights would bec void.

Subscription rights may be exercised as set forth in the prospectus supplement relating to the subscription rights offere thereby. Upon receipt of payment and the subscription rights certificate properly completed and duly executed at the corporate trust office of the subscription rights agent or any other office indicated in the prospectus supplement, we wil forward, as soon as practicable, the shares of common stock purchasable upon such exercise. We may determine to off unsubscribed offered shares of common stock directly to stockholders, persons other than stockholders, to or through a underwriters or dealers or through a combination of such methods, including pursuant to standby underwriting or other arrangements, as set forth in the applicable prospectus supplement. We have not previously completed such an offering subscription rights.

TABLE OF CONTENTS

DESCRIPTION OF DEBT SECURITIES THAT WE MAY ISSUE

We may issue debt securities in one or more series in the future that, if publically offered, will be under an indenture to entered into between the Company and a trustee. The specific terms of each series of debt securities we publically offer be described in the particular prospectus supplement relating to that series. For a complete description of the terms of a particular series of debt securities, you should read both this prospectus and the prospectus supplement relating to that particular series.

As required by federal law for all bonds and notes of companies that are publicly offered, debt securities are governed b document called an indenture. An indenture is a contract between us and U.S. Bank National Association, a financia institution acting as trustee on your behalf, and is subject to and governed by the Trust Indenture Act of 1939, as amend The trustee has two main roles. First, the trustee can enforce your rights against us if we default. There are some limitat on the extent to which the trustee acts on your behalf, described in the second paragraph under Events of Default Re an Event of Default Occurs. Second, the trustee performs certain administrative duties for us.

Because this section is a summary, it does not describe every aspect of the debt securities and the indenture. We urge y read the indenture because it, and not this description, defines your rights as a holder of debt securities. For example, in section, we use capitalized words to signify terms that are specifically defined in the indenture. Some of the definitions repeated in this prospectus, but for the rest you will need to read the indenture. We have filed the form of the indenture the SEC. See Where You Can Find More Information for information on how to obtain a copy of the indenture.

The prospectus supplement, which will accompany this prospectus, will describe the particular series of debt securities offered by including:

- the designation or title of the series of debt securities;
- the total principal amount of the series of debt securities;
- the percentage of the principal amount at which the series of debt securities will be offered;
- the date or dates on which principal will be payable;
- the rate or rates (which may be either fixed or variable) and/or the method of determining such rate or rates of interest, if any;
- the date or dates from which any interest will accrue, or the method of determining such date or dates, and the date or dates on which any interest will be payable;
- the terms for redemption, extension or early repayment, if any;
- the currencies in which the series of debt securities are issued and payable;
- whether the amount of payments of principal, premium or interest, if any, on a series of debt securities will be determined with reference to an index, formula or ot method (which could be based on one or more currencies, commodities, equity indices or other indices) and how these amounts will be determined;
- the place or places of payment, transfer, conversion and/or exchange of the debt securities;
- the denominations in which the offered debt securities will be issued;
- the provision for any sinking fund;
- any restrictive covenants;
- whether the series of debt securities are issuable in certificated form;
- any provisions for defeasance or covenant defeasance;
- any special federal income tax implications, including, if applicable, U.S. federal income tax considerations relating to original issue discount;

128

TABLE OF CONTENTS

- whether and under what circumstances we will pay additional amounts in respect of any tax, assessment or governmental charge and, if so, whether we will have th to redeem the debt securities rather than pay the additional amounts (and the terms of this option);
- any provisions for convertibility or exchangeability of the debt securities into or for any other securities;
- whether the debt securities are subject to subordination and the terms of such subordination; and
- any other material terms.

Any debt securities we issue may be secured or unsecured obligations. Under the provisions of the 1940 Act, we are permitted, as a BDC, to issue debt only in amounts such that our asset coverage, as defined in the 1940 Act, equals at le 200% after each issuance of debt (or 150% if certain approval and disclosure requirements are met). Unless the prospec supplement states otherwise, principal (and premium, if any) and interest, if any, will be paid by us in immediately ava funds. In addition, while any indebtedness and other senior securities remain outstanding, we must make provisions to prohibit any distribution to our stockholders or the repurchase of such securities or shares unless we meet the applicabl coverage ratios at the time of the distribution or repurchase. We may also borrow amounts up to 5% of the value of our assets for temporary or emergency purposes without regard to asset coverage. For a discussion of the risks associated w leverage, see Risk Factors Risks relating to our business and structure Regulations governing our operation as a B our ability to, and the way in which, we raise additional capital, which may expose us to additional risks.

General

The indenture provides that any debt securities proposed to be sold under this prospectus and any attached prospectus supplement (offered debt securities) and any debt securities issuable upon the exercise of warrants or upon conversi exchange of other offered securities (underlying debt securities), may be issued under the indenture in one or more s

For purposes of this prospectus, any reference to the payment of principal of or premium or interest, if any, on debt sec will include additional amounts if required by the terms of the debt securities.

The indenture does not limit the amount of debt securities that may be issued thereunder from time to time. Debt securi issued under the indenture, when a single trustee is acting for all debt securities issued under the indenture, are called th indenture securities. The indenture also provides that there may be more than one trustee thereunder, each with resp or more different series of indenture securities. See Resignation of trustee below. At a time when two or more truste acting under the indenture, each with respect to only certain series, the term indenture securities means the one or m of debt securities with respect to which each respective trustee is acting. In the event that there is more than one trustee the indenture, the powers and trust obligations of each trustee described in this prospectus will extend only to the one o series of indenture securities for which it is trustee. If two or more trustees are acting under the indenture, then the inde securities for which each trustee is acting would be treated as if issued under separate indentures.

The indenture does not limit the amount of debt (secured and unsecured) that we and our subsidiaries may incur or our to pay distributions, sell assets, enter into transactions with affiliates or make investments. In addition, the indenture do contain any provisions that would necessarily protect holders of debt securities if we become involved in a highly lever transaction, reorganization, merger or other similar transaction that adversely affects us or them.

We refer you to the prospectus supplement for information with respect to any deletions from, modifications of or addi to the Events of Default or our covenants that are described below, including any addition of a covenant or other provis providing event risk or similar protection.

We have the ability to issue indenture securities with terms different from those of indenture securities previously issue without the consent of the holders thereof, to reopen a previous issue of a series of indenture securities and issue additi indenture securities of that series unless the reopening was restricted when that series was created.

129

TABLE OF CONTENTS

We expect that we will usually issue debt securities in book entry only form represented by global securities.

Conversion and exchange

If any debt securities are convertible into or exchangeable for other securities, the prospectus supplement will explain t terms and conditions of the conversion or exchange, including the conversion price or exchange ratio (or the calculatio method), the conversion or exchange period (or how the period will be determined), if conversion or exchange will be mandatory or at the option of the holder or us, provisions for adjusting the conversion price or the exchange ratio and provisions affecting conversion or exchange in the event of the redemption of the underlying debt securities. These ter may also include provisions under which the number or amount of other securities to be received by the holders of the securities upon conversion or exchange would be calculated according to the market price of the other securities as of a stated in the prospectus supplement.

Payment and paying agents

We will pay interest to the person listed in the applicable trustee s records as the owner of the debt security at the clos business on a particular day in advance of each due date for interest, even if that person no longer owns the debt securit the interest due date. That day, usually about two weeks in advance of the interest due date, is called the record date. we will pay all the interest for an interest period to the holders on the record date, holders buying and selling debt secu must work out between themselves the appropriate purchase price. The most common manner is to adjust the sales pric the debt securities to prorate interest fairly between buyer and seller based on their respective ownership periods withi particular interest period. This prorated interest amount is called accrued interest.

Payments on global securities

We will make payments on a global security in accordance with the applicable policies of the depositary as in effect fr time to time. Under those policies, we will make payments directly to the depositary, or its nominee, and not to any ind holders who own beneficial interests in the global security. An indirect holder s right to those payments will be gover the rules and practices of the depositary and its participants.

Payments on certificated securities

We will make payments on a certificated debt security as follows. We will pay interest that is due on an interest payme by check mailed on the interest payment date to the holder at his or her address shown on the trustee s records as of th of business on the regular record date. We will make all payments of principal and premium, if any, by check at the off the applicable trustee in New York, New York and/or at other offices that may be specified in the prospectus suppleme in a notice to holders against surrender of the debt security.

Alternatively, if the holder asks us to do so, we will pay any amount that becomes due on the debt security by wire tra immediately available funds to an account at a bank in the United States on the due date.

Payment when offices are closed

If any payment is due on a debt security on a day that is not a business day, we will make the payment on the next day a business day. Payments made on the next business day in this situation will be treated under the indenture as if they v made on the original due date, except as otherwise indicated in the attached prospectus supplement. Such payment will result in a default under any debt security or the indenture, and no interest will accrue on the payment amount from the original due date to the next day that is a business day.

Book-entry and other indirect holders should consult their banks or brokers for information on how they will re payments on their debt securities.

130

TABLE OF CONTENTS

Events of default

You will have rights if an Event of Default occurs in respect of the debt securities of your series and is not cured, as de later in this subsection.

The term Event of Default in respect of the debt securities of your series means any of the following (unless the pros supplement relating to such debt securities states otherwise):

- We do not pay the principal of, or any premium on, a debt security of the series on its due date, and do not cure this default within five days.
- We do not pay interest on a debt security of the series when due, and such default is not cured within 30 days.
- We do not deposit any sinking fund payment in respect of debt securities of the series on its due date, and do not cure this default within five days.
- We remain in breach of a covenant in respect of debt securities of the series for 60 days after we receive a written notice of default stating we are in breach. The no be sent by either the trustee or holders of at least 25% of the principal amount of debt securities of the series.
- We file for bankruptcy or certain other events of bankruptcy, insolvency or reorganization occur and remain undischarged or unstayed for a period of 60 days.
- On the last business day of each of twenty-four consecutive calendar months, we have an asset coverage of less than 100%.
- Any other Event of Default in respect of debt securities of the series described in the applicable prospectus supplement occurs.

An Event of Default for a particular series of debt securities does not necessarily constitute an Event of Default for any series of debt securities issued under the same or any other indenture. The trustee may withhold notice to the holders of securities of any default, except in the payment of principal, premium or interest, if it considers the withholding of noti be in the best interests of the holders.

Remedies if an event of default occurs

If an Event of Default has occurred and has not been cured, the trustee or the holders of at least 25% in principal amoun debt securities of the affected series may declare the entire principal amount of all the debt securities of that series to be and immediately payable. This is called a declaration of acceleration of maturity. In certain circumstances, a declaratio acceleration of maturity may be canceled by the holders of a majority in principal amount of the debt securities of the affected series.

The trustee is not required to take any action under the indenture at the request of any holders unless the holders offer t trustee reasonable protection from expenses and liability (called an indemnity) (Section 315 of the Trust Indenture A 1939). If reasonable indemnity is provided, the holders of a majority in principal amount of the outstanding debt securi the relevant series may direct the time, method and place of conducting any lawsuit or other formal legal action seeking remedy available to the trustee. The trustee may refuse to follow those directions in certain circumstances. No delay or omission in exercising any right or remedy will be treated as a waiver of that right, remedy or Event of Default.

Before you are allowed to bypass your trustee and bring your own lawsuit or other formal legal action or take other ste enforce your rights or protect your interests relating to the debt securities, the following must occur:

- You must give your trustee written notice that an Event of Default has occurred and remains uncured.
- The holders of at least 25% in principal amount of all outstanding debt securities of the relevant series must make a written request that the trustee take action beca default and must offer reasonable indemnity to the trustee against the cost and other liabilities of taking that action.

TABLE OF CONTENTS

The trustee must not have taken action for 60 calendar days after receipt of the above notice and offer of indemnity.
The holders of a majority in principal amount of the debt securities of the relevant series must not have given the trustee a direction inconsistent with the above not during that 60 calendar day period.

However, you are entitled at any time to bring a lawsuit for the payment of money due on your debt securities on or aft due date.

Holders of a majority in principal amount of the debt securities of the affected series may waive any past defaults other

the payment of principal, any premium or interest; or
in respect of a covenant that cannot be modified or amended without the consent of each holder.

Book-entry and other indirect holders should consult their banks or brokers for information on how to give noti direction to or make a request of the trustee and how to declare or cancel an acceleration of maturity.

Each year, we will furnish to the trustee a written statement of certain of our officers certifying that to their knowledge in compliance with the indenture, or else specifying any default.

Merger or consolidation

Under the terms of the indenture, we are generally permitted to consolidate or merge with another entity. We are also permitted to sell all or substantially all of our assets to another entity. However, unless the prospectus supplement relat certain debt securities states otherwise, we may not consolidate with or into any other corporation or convey or transfer substantially all of our property or assets to any person unless all the following conditions are met:

Where we merge out of existence or sell our assets, the resulting entity must agree to be legally responsible for all of our obligations under the debt securities and t indenture.
Immediately after giving effect to such transaction, no default or Event of Default shall have happened and be continuing.
We must deliver certain certificates and documents to the trustee.
We must satisfy any other requirements specified in the prospectus supplement relating to a particular series of debt securities.

Modification or waiver

There are three types of changes we can make to the indenture and the debt securities issued thereunder.

Changes requiring your approval

First, there are changes that we cannot make to your debt securities without your specific approval. The following is a l those types of changes:

change the stated maturity of the principal of or interest on the debt security;
reduce any amounts due on the debt security;
reduce the amount of principal payable upon acceleration of the maturity of the debt security following a default;
adversely affect any right of repayment at the holder s option;
change the place (except as otherwise described in the prospectus or prospectus supplement) or currency of payment on the debt security;
impair your right to sue for payment;
adversely affect any right to convert or exchange a debt security in accordance with its terms;

TABLE OF CONTENTS

modify the subordination provisions in the indenture in a manner that is adverse to holders of the debt securities;
reduce the percentage of holders of debt securities whose consent is needed to modify or amend the indenture;
reduce the percentage of holders of debt securities whose consent is needed to waive compliance with certain provisions of the indenture or to waive certain default
modify any other aspect of the provisions of the indenture dealing with supplemental indentures, modification and waiver of past defaults, changes to the quorum o requirements or the waiver of certain covenants; and
change any obligation we have to pay additional amounts.

Changes not requiring approval

The second type of change does not require any vote by the holders of the debt securities. This type is limited to clarifi and certain other changes that would not adversely affect holders of the outstanding debt securities in any material resp We also do not need any approval to make any change that affects only debt securities to be issued under the indenture the change takes effect.

Changes requiring majority approval

Any other change to the indenture and the debt securities issued thereunder would require the following approval:

If the change affects only one series of debt securities, it must be approved by the holders of a majority in principal amount of that series outstanding at such time.
If the change affects more than one series of debt securities issued under the same indenture, it must be approved by the holders of a majority in principal amount o the series affected by the change, with all affected series voting together as one class for this purpose.

The holders of a majority in principal amount of all of the series of debt securities issued under an indenture, voting tog as one class for this purpose, may waive our compliance with some of our covenants in that indenture. However, we ca obtain a waiver of a payment default or of any of the matters covered by the bullet points included above under Cha Requiring Your Approval.

Further details concerning voting

When taking a vote, we will use the following rules to decide how much principal to attribute to a debt security:

For original issue discount securities, we will use the principal amount that would be due and payable on the voting date if the maturity of these debt securities wer accelerated to that date because of a default.
For debt securities whose principal amount is not known (for example, because it is based on an index), we will use a special rule for that debt security described ir prospectus supplement.
For debt securities denominated in one or more foreign currencies, we will use the U.S. dollar equivalent.

Debt securities will not be considered outstanding, and therefore not eligible to vote, if we have deposited or set aside i money for their payment or redemption. Debt securities will also not be eligible to vote if they have been fully defeased described later under Defeasance Full Defeasance.

Book-entry and other indirect holders should consult their banks or brokers for information on how approval n granted or denied if we seek to change the indenture or the debt securities or request a waiver.

TABLE OF CONTENTS

Defeasance

The following provisions will be applicable to each series of debt securities unless we state in the applicable prospectus supplement that the provisions of covenant defeasance and full defeasance will not be applicable to that series.

Covenant defeasance

We may make the deposit described below and be released from some of the restrictive covenants in the indenture under which the particular series of debt securities were issued. This is called covenant defeasance. In that event, you would lose the protection of those restrictive covenants but would gain the protection of having money and government securities set aside in trust to repay your debt securities. If applicable, you also would be released from the subordination provisions described under Indenture Provisions Subordination below. In order to achieve covenant defeasance, we must do the following:

If the debt securities of the particular series are denominated in U.S. dollars, we must deposit in trust for the benefit of all holders of such debt securities a combina money and United States government or United States government agency notes or bonds that will generate enough cash to make interest, principal and any other p on the debt securities on their various due dates. No default or Event of Default with respect to the debt securities shall have occurred and be continuing on the date deposit, or in the case of a bankruptcy Event of Default, at any time during the period ending on the 91st day after the date of such deposit.
We must deliver to the trustee a legal opinion of our counsel confirming that, under current U.S. federal income tax law, we may make the above deposit without c you to be taxed on the debt securities any differently than if we did not make the deposit and just repaid the debt securities ourselves at maturity.
We must deliver to the trustee a legal opinion of our counsel stating that the above deposit does not require registration under the 1940 Act and a legal opinion and officers certificate stating that all conditions precedent to covenant defeas have been complied with.

If we accomplish covenant defeasance, you can still look to us for repayment of the debt securities if there were a short the trust deposit or the trustee is prevented from making payment. For example, if one of the remaining Events of Defa occurred (such as our bankruptcy) and the debt securities became immediately due and payable, there might be a shortf Depending on the event causing the default, you may not be able to obtain payment of the shortfall.

Full defeasance

If there is a change in U.S. federal tax law, as described below, we can legally release ourselves from all payment and o obligations on the debt securities of a particular series (called full defeasance) if we put in place the following other arrangements for you to be repaid:

If the debt securities of the particular series are denominated in U.S. dollars, we must deposit in trust for the benefit of all holders of such debt securities a combina money and United States government or United States government agency notes or bonds that will generate enough cash to make interest, principal and any other p on the debt securities. No default or Event of Default with respect to the debt securities shall have occurred and be continuing on the date of such deposit, or in the bankruptcy Event of Default, at any time during the period ending on the 91st day after the date of such deposit.
We must deliver to the trustee a legal opinion confirming that there has been a change in current U.S. federal tax law or an IRS ruling that allows us to make the ab deposit without causing you to be taxed on the debt securities any differently than if we did not make the deposit and just repaid the debt securities ourselves at ma Under current U.S. federal tax law, the deposit and our legal release from the debt securities would be treated as though we paid you your share of the cash and not bonds at the time the cash and notes or bonds were deposited in trust in exchange for your debt securities and you would recognize gain or loss on the debt securiti time of the deposit.

TABLE OF CONTENTS

We must deliver to the trustee a legal opinion of our counsel stating that the above deposit does not require registration by us under the 1940 Act and a legal opinio
officers certificate stating that all conditions precedent to defeasance have been complied with.

If we ever did accomplish full defeasance, as described above, you would have to rely solely on the trust deposit for repayment of the debt securities. You could not look to us for repayment in the unlikely event of any shortfall. Convers the trust deposit would most likely be protected from claims of our lenders and other creditors if we ever became bankr insolvent. If applicable, you would also be released from the subordination provisions described later under Indenture Provisions Subordination.

Satisfaction and discharge

The indenture will be discharged and will cease to be of further effect with respect to the debt securities when either:

all the debt securities that have been authenticated have been delivered to the trustee for cancellation; or
all the debt securities that have not been delivered to the trustee for cancellation:
have become due and payable,
will become due and payable at their stated maturity within one year, or
are to be called for redemption within one year,

and we, in the case of the first, second and third sub-bullets above, have irrevocably deposited or caused to be deposite the trustee as trust funds in trust solely for the benefit of the holders of the debt securities, in amounts as will be suffici without consideration of any reinvestment of interest, to pay and discharge the entire indebtedness (including all princi premium, if any, and interest) on such debt securities delivered to the trustee for cancellation (in the case of debt securi that have become due and payable on or prior to the date of such deposit) or to the stated maturity or redemption date, a case may be,

we have paid or caused to be paid all other sums payable by us under the indenture with respect to the debt securities; and
we have delivered to the trustee an officers certificate and legal opinion, each stating that all conditions precedent provided for in the indenture relating to the sati and discharge of the indenture and the debt securities have been complied with.

Form, exchange and transfer of certificated registered securities

Holders may exchange their certificated securities, if any, for debt securities of smaller denominations or combined int fewer debt securities of larger denominations, as long as the total principal amount is not changed.

Holders may exchange or transfer their certificated securities, if any, at the office of their trustee. We have appointed th trustee to act as our agent for registering debt securities in the names of holders transferring debt securities. We may ap another entity to perform these functions or perform them ourselves.

Holders will not be required to pay a service charge to transfer or exchange their certificated securities, if any, but they be required to pay any tax or other governmental charge associated with the transfer or exchange. The transfer or excha will be made only if our transfer agent is satisfied with the holder s proof of legal ownership.

If we have designated additional transfer agents for your debt security, they will be named in your prospectus suppleme We may appoint additional transfer agents or cancel the appointment of any particular transfer agent. We may also app change in the office through which any transfer agent acts.

TABLE OF CONTENTS

If any certificated securities of a particular series are redeemable and we redeem less than all the debt securities of that we may block the transfer or exchange of those debt securities during the period beginning 15 days before the day we r the notice of redemption and ending on the day of that mailing, in order to freeze the list of holders to prepare the maili We may also refuse to register transfers or exchanges of any certificated securities selected for redemption, except that will continue to permit transfers and exchanges of the unredeemed portion of any debt security that will be partially redeemed.

Resignation of trustee

Each trustee may resign or be removed with respect to one or more series of indenture securities provided that a succes trustee is appointed to act with respect to these series. In the event that two or more persons are acting as trustee with re to different series of indenture securities under the indenture, each of the trustees will be a trustee of a trust separate an from the trust administered by any other trustee.

Indenture provisions subordination

Upon any distribution of our assets upon our dissolution, winding up, liquidation or reorganization, the payment of the principal of (and premium, if any) and interest, if any, on any indenture securities denominated as subordinated debt securities is to be subordinated to the extent provided in the indenture in right of payment to the prior payment in full o Senior Indebtedness (as defined below), but our obligation to you to make payment of the principal of (and premium, i and interest, if any, on such subordinated debt securities will not otherwise be affected. In addition, no payment on acc principal (or premium, if any), sinking fund or interest, if any, may be made on such subordinated debt securities at any unless full payment of all amounts due in respect of the principal (and premium, if any), sinking fund and interest on Se Indebtedness has been made or duly provided for in money or money s worth.

In the event that, notwithstanding the foregoing, any payment by us is received by the trustee in respect of subordinated securities or by the holders of any of such subordinated debt securities before all Senior Indebtedness is paid in full, the payment or distribution must be paid over to the holders of the Senior Indebtedness or on their behalf for application to payment of all the Senior Indebtedness remaining unpaid until all the Senior Indebtedness has been paid in full, after gi effect to any concurrent payment or distribution to the holders of the Senior Indebtedness. Subject to the payment in fu all Senior Indebtedness upon this distribution by us, the holders of such subordinated debt securities will be subrogated rights of the holders of the Senior Indebtedness to the extent of payments made to the holders of the Senior Indebtedne of the distributive share of such subordinated debt securities.

By reason of this subordination, in the event of a distribution of our assets upon our insolvency, certain of our senior cr may recover more, ratably, than holders of any subordinated debt securities. The indenture provides that these subordin provisions will not apply to money and securities held in trust under the defeasance provisions of the indenture.

Senior Indebtedness is defined in the indenture as the principal of (and premium, if any) and unpaid interest on:

our indebtedness (including indebtedness of others guaranteed by us), whenever created, incurred, assumed or guaranteed, for money borrowed (other than indentu securities issued under the indenture and denominated as subordinated debt securities), unless in the instrument creating or evidencing the same or under which the outstanding it is provided that this indebtedness is not senior or prior in right of payment to the subordinated debt securities, and

renewals, extensions, modifications and refinancings of any of this indebtedness.

If this prospectus is being delivered in connection with the offering of a series of indenture securities denominated as subordinated debt securities, the accompanying prospectus supplement will set forth the approximate amount of our Se Indebtedness outstanding as of a recent date.

136

TABLE OF CONTENTS

Certain considerations relating to foreign currencies

Debt securities denominated or payable in foreign currencies may entail significant risks. These risks include the possibil of significant fluctuations in the foreign currency markets, the imposition or modification of foreign exchange controls potential illiquidity in the secondary market. These risks will vary depending upon the currency or currencies involved will be more fully described in the applicable prospectus supplement.

Book-entry debt securities

The Depository Trust Company (DTC) will act as securities depository for the debt securities. The debt securities w issued as fully registered securities registered in the name of Cede & Co. (DTC s partnership nominee) or such other n may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for the debt securities, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a banking organization withi meaning of the New York Banking Law, a member of the Federal Reserve System, a clearing corporation within the of the New York Uniform Commercial Code, and a clearing agency registered pursuant to the provisions of Section the Exchange Act. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity, corp and municipal debt issues, and money market instruments from over 100 countries that DTC s participants (Direct Participants) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and securities transactions in deposited securities through electronic computerized book-entry transfers and pledges betwee Direct Participants accounts. This eliminates the need for physical movement of securities certificates. Direct Particip include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certai other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation (DTCC).

DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corpora all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the D system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (Indirect Participants). DTC has Standard & Poor s Ratings Services rating of AA+. The DTC Rules ap its participants are on file with the SEC. More information about DTC can be found at *www.dtcc.com* and *www.dtcc.or*

Purchases of debt securities under the DTC system must be made by or through Direct Participants, which will receive credit for the debt securities on DTC s records. The ownership interest of each actual purchaser of each security (Ben Owner) is in turn to be recorded on the Direct and Indirect Participants records. Beneficial Owners will not receive confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Particip through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the debt securities be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owner Beneficial Owners will not receive certificates representing their ownership interests in debt securities, except in the ev that use of the book-entry system for the debt securities is discontinued.

To facilitate subsequent transfers, all debt securities deposited by Direct Participants with DTC are registered in the nar DTC s partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of D The deposit of debt securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee d affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the debt securitie DTC s records reflect only the identity of the Direct Participants to whose accounts such debt securities are credited, w

may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping acc
of their holdings on behalf of their customers.

137

TABLE OF CONTENTS

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangemen among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the debt securities within an issue are being redeemed, DTC practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the debt securities unl authorized by a Direct Participant in accordance with DTC s Procedures. Under its usual procedures, DTC mails an O Proxy to us as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co. s consenting or voting ri those Direct Participants to whose accounts the debt securities are credited on the record date (identified in a listing att to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the debt securities will be made to Cede & Co., or such nominee as may be requested by an authorized representative of DTC. DTC s practice is to credit Direct Participants upon DTC s receipt of funds and corresponding detail information from us or the trustee on the payment date in accord with their respective holdings shown on DTC s records. Payments by Participants to Beneficial Owners will be govern standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer or registered in street name, and will be the responsibility of such Participant and not of DTC nor its nominee, the tr us, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an autho representative of DTC) is the responsibility of us or the trustee, but disbursement of such payments to Direct Participan be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the debt securities at any time by g reasonable notice to us or to the trustee. Under such circumstances, in the event that a successor securities depository is obtained, certificates are required to be printed and delivered. We may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates will be printed delivered to DTC.

The information in this section concerning DTC and DTC s book-entry system has been obtained from sources that w believe to be reliable, but we take no responsibility for the accuracy thereof.

TABLE OF CONTENTS

DESCRIPTION OF WARRANTS THAT WE MAY ISSUE

The following is a general description of the terms of the warrants we may issue from time to time. Particular terms of warrants we offer will be described in the prospectus supplement relating to such warrants.

We may issue warrants to purchase shares of our common stock, preferred stock or debt securities. Such warrants may issued independently or together with shares of common or preferred stock or a specified principal amount of debt secu and may be attached or separate from such securities. We will issue each series of warrants under a separate warrant agreement to be entered into between us and a warrant agent. The warrant agent will act solely as our agent and will no assume any obligation or relationship of agency for or with holders or beneficial owners of warrants.

A prospectus supplement will describe the particular terms of any series of warrants we may issue, including the follow

the title of such warrants;
the aggregate number of such warrants;
the price or prices at which such warrants will be issued;
the currency or currencies, including composite currencies, in which the price of such warrants may be payable;
if applicable, the designation and terms of the securities with which the warrants are issued and the number of warrants issued with each such security or each princ amount of such security;
in the case of warrants to purchase debt securities, the principal amount of debt securities purchasable upon exercise of one warrant and the price at which and the c or currencies, including composite currencies, in which this principal amount of debt securities may be purchased upon such exercise;
in the case of warrants to purchase common stock or preferred stock, the number of shares of common stock or preferred stock, as the case may be, purchasable upo exercise of one warrant and the price at which and the currency or currencies, including composite currencies, in which these shares may be purchased upon such e
the date on which the right to exercise such warrants shall commence and the date on which such right will expire;
whether such warrants will be issued in registered form or bearer form;
if applicable, the minimum or maximum amount of such warrants which may be exercised at any one time;
if applicable, the date on and after which such warrants and the related securities will be separately transferable;
terms of any rights to redeem or call such warrants;
information with respect to book-entry procedures, if any;
the terms of the securities issuable upon exercise of the warrants;
if applicable, a discussion of certain U.S. federal income tax considerations; and
any other terms of such warrants, including terms, procedures and limitations relating to the exchange and exercise of such warrants.

We and the warrant agent may amend or supplement the warrant agreement for a series of warrants without the consent holders of the warrants issued thereunder to effect changes that are not inconsistent with the provisions of the warrants that do not materially and adversely affect the interests of the holders of the warrants.

139

TABLE OF CONTENTS

Prior to exercising their warrants, holders of warrants will not have any of the rights of holders of the securities purchas
upon such exercise, including, in the case of warrants to purchase debt securities, the right to receive principal, premiu
any, or interest payments, on the debt securities purchasable upon exercise or to enforce covenants in the applicable in
or, in the case of warrants to purchase common stock or preferred stock, the right to receive distributions, if any, or pay
upon our liquidation, dissolution or winding up or to exercise any voting rights.

Under the 1940 Act, we may generally only offer warrants provided that (1) the warrants expire by their terms within t
years; (2) the exercise or conversion price is not less than the current market value at the date of issuance; (3) our stockholders authorize the proposal to issue such warrants, and our Board approves such issuance on the basis that the issuance is in our best interests and the best interests of our stockholders; and (4) if the warrants are accompanied by ot
securities, the warrants are not separately transferable unless no class of such warrants and the securities accompanying
has been publicly distributed. The 1940 Act also provides that the amount of our voting securities that would result fro
exercise of all outstanding warrants, as well as options and rights, at the time of issuance may not exceed 25% of our outstanding voting securities.

TABLE OF CONTENTS

REGULATION

We have elected to be regulated as a BDC under the 1940 Act and elected to be treated as a RIC under Subchapter M o Code. As with other companies regulated by the 1940 Act, a BDC must adhere to certain substantive regulatory require The 1940 Act contains prohibitions and restrictions relating to transactions between BDCs and their affiliates (includin investment advisers or sub-advisers), principal underwriters and affiliates of those affiliates or underwriters and require a majority of the directors be persons other than interested persons, as that term is defined in the 1940 Act. In additi 1940 Act provides that we may not change the nature of our business so as to cease to be, or to withdraw our election a BDC unless approved by a majority of our outstanding voting securities as defined in the 1940 Act. A majority of th outstanding voting securities of a company is defined under the 1940 Act as the lesser of: (1) 67% or more of such com shares present at a meeting if more than 50% of the outstanding shares of such company are present or represented by p or (2) more than 50% of the outstanding shares of such company. Our bylaws provide for the calling of a special meeti stockholders at which such action could be considered upon written notice of not less than ten or more than sixty days b the date of such meeting.

We may invest up to 100% of our assets in securities acquired directly from issuers in privately negotiated transactions respect to such securities, we may, for the purpose of public resale, be deemed an underwriter as that term is defined Securities Act. We do not intend to acquire securities issued by any investment company that exceed the limits impose the 1940 Act. Under these limits, except for registered money market funds, we generally cannot acquire more than 3% voting stock of any investment company, invest more than 5% of the value of our total assets in the securities of one investment company or invest more than 10% of the value of our total assets in the securities of more than one investm company. With regard to that portion of our portfolio invested in securities issued by investment companies, it should b noted that such investments might subject our stockholders to additional expenses. None of our investment policies are fundamental and any may be changed without stockholder approval.

We may also be prohibited under the 1940 Act from knowingly participating in certain transactions with our affiliates without the prior approval of our directors who are not interested persons and, in some cases, prior approval by the SEC example, under the 1940 Act, absent receipt of exemptive relief from the SEC, we and our affiliates may be precluded f co-investing in transactions for which terms other than price are negotiated by our affiliates. As a result of one or more these situations, we may not be able to invest as much as we otherwise would in certain investments or may not be able liquidate a position as quickly. On November 27, 2017, the SEC granted us, our Advisor and certain of our affiliates an exemptive relief order permitting us to co-invest with certain affiliated funds in negotiated investments, subject to the t and conditions of the order.

We expect to be periodically examined by the SEC for compliance with the 1940 Act.

We are required to provide and maintain a bond issued by a reputable fidelity insurance company to protect us against larceny and embezzlement. Furthermore, as a BDC, we are prohibited from protecting any director or officer against an liability to us or our stockholders arising from willful misfeasance, bad faith, gross negligence or reckless disregard of duties involved in the conduct of such person s office.

We and our Advisor have adopted and implemented written policies and procedures reasonably designed to prevent vio of the federal securities laws and review these policies and procedures annually for their adequacy and the effectivenes their implementation. We and our Advisor have designated a chief compliance officer to be responsible for administeri policies and procedures.

Qualifying assets

Under the 1940 Act, a BDC may not acquire any asset other than assets of the type listed in section 55(a) of the 1940 A which are referred to as qualifying assets, unless, at the time the acquisition is made, qualifying assets represent at least of the company s total assets. The principal categories of qualifying assets relevant to our proposed business are the fo

Securities purchased in transactions not involving any public offering from the issuer of such securities, which issuer (subject to certain limited exceptions) is an el portfolio company, or

141

TABLE OF CONTENTS

from any person who is, or has been during the preceding 13 months, an affiliated person of an eligible portfolio company, or from any other person, subject to such may be prescribed by the SEC. An eligible portfolio company is defined in the 1940 Act as any issuer which:

is organized under the laws of, and has its principal place of business in, the United States;

is not an investment company (other than a small business investment company wholly owned by the BDC) or a company that would be an investment company bu certain exclusions under the 1940 Act; and

satisfies any of the following:

has a market capitalization of less than $250 million or does not have any class of securities listed on a national securities exchange;

is controlled by a BDC or a group of companies including a BDC, the BDC actually exercises a controlling influence over the management or policies of the eligib portfolio company and, as a result thereof, the BDC has an affiliated person who is a director of the eligible portfolio company; or

is a small and solvent company having total assets of not more than $4 million and capital and surplus of not less than $2 million.

Securities of any eligible portfolio company which we control.

Securities purchased in a private transaction from a U.S. issuer that is not an investment company or from an affiliated person of the issuer, or in transactions incid thereto, if the issuer is in bankruptcy and subject to reorganization or if the issuer, immediately prior to the purchase of its securities was unable to meet its obligati they came due without material assistance other than conventional lending or financing arrangements.

Securities of an eligible portfolio company purchased from any person in a private transaction if there is no ready market for such securities and we already own 60 outstanding equity of the eligible portfolio company.

Securities received in exchange for or distributed on or with respect to securities described above, or pursuant to the exercise of warrants or rights relating to such s

Cash, cash equivalents, U.S. Government securities or high-quality debt securities maturing in one year or less from the time of investment.

The regulations defining qualifying assets may change over time. We may adjust our investment focus as needed to co with and/or take advantage of any regulatory, legislative, administrative or judicial actions in this area.

Managerial assistance to portfolio companies

A BDC must have been organized and have its principal place of business in the United States and must be operated fo purpose of making investments in the types of securities described in Qualifying assets. However, in order to coun securities as qualifying assets for the purpose of the 70% test, the BDC must either control the issuer of the securities o offer to make available to the issuer of the securities (other than small and solvent companies described above) signific managerial assistance. Where the BDC purchases such securities in conjunction with one or more other persons acting together, the BDC will satisfy this test if one of the other persons in the group makes available such managerial assista Making available managerial assistance means, among other things, any arrangement whereby the BDC, through its di officers or employees, offers to provide, and, if accepted, does so provide, significant guidance and counsel concerning management, operations or business objectives and policies of a portfolio company.

142

TABLE OF CONTENTS

Issuance of additional shares

We are not generally able to issue and sell our common stock at a price below net asset value per share. We may, howe issue and sell our common stock, at a price below the current net asset value of the common stock, or issue and sell wa options or rights to acquire such common stock, at a price below the current net asset value of the common stock if our determines that such sale is in our best interest and in the best interests of our stockholders, and our stockholders have approved our policy and practice of making such sales within the preceding 12 months. In any such case, the price at w our securities are to be issued and sold may not be less than a price which, in the determination of our Board, closely approximates the market value of such securities. We may seek approval from our stockholders to offer shares of our common stock below its net asset value in the future.

Temporary investments

Pending investment in other types of qualifying assets, as described above, our investments may consist of cash, cas equivalents, U.S. Government securities or high-quality debt securities maturing in one year or less from the time of investment, which we refer to, collectively, as temporary investments, so that 70% of our assets are qualifying assets. Typically, we invest in highly rated commercial paper, U.S. Government agency notes, U.S. Treasury bills or in repurc agreements relating to such securities that are fully collateralized by cash or securities issued by the U.S. Government agencies. A repurchase agreement involves the purchase by an investor, such as us, of a specified security and the simultaneous agreement by the seller to repurchase it at an agreed-upon future date and at a price which is greater than purchase price by an amount that reflects an agreed-upon interest rate. There is no percentage restriction on the proport our assets that may be invested in such repurchase agreements. However, subject to certain exceptions, if more than 25 our total assets constitute repurchase agreements from a single counterparty, we generally would not meet the diversifi tests in order to qualify as a RIC for federal income tax purposes. Thus, we do not intend to enter into repurchase agree with a single counterparty in excess of this limit. Our Advisor monitors the creditworthiness of the counterparties with we enter into repurchase agreement transactions.

Senior securities; derivative securities

We are permitted, under specified conditions, to issue multiple classes of indebtedness and one class of stock senior to common stock if our asset coverage, as defined in the 1940 Act, is at least equal to 200% (or 150% if certain approval disclosure requirements are met) immediately after each such issuance. In addition, while any senior securities are outstanding, we must make provisions to prohibit any distribution to our stockholders or the repurchase of such securit shares unless we meet the applicable asset coverage requirements at the time of the distribution or repurchase. We may borrow amounts up to 5% of the value of our total assets for temporary purposes without regard to asset coverage. For discussion of the risks associated with leverage, see Risk Factors Risks related to our business and structure We b money, which magnifies the potential for gain or loss on amounts invested and may increase the risk of investing in us.

The 1940 Act also limits the amount of warrants, options and rights to common stock that we may issue and the terms securities.

Code of ethics

We and our Advisor have each adopted a code of ethics pursuant to Rule 17j-1 under the 1940 Act and Rule 204A-1 ur the Advisers Act, respectively, that establishes procedures for personal investments and restricts certain personal securi transactions. Personnel subject to each code may invest in securities for their personal investment accounts, including

securities that may be purchased or held by us, so long as such investments are made in accordance with the relevant co
ethics requirements. You may read and copy each code of ethics at the SEC s Public Reference Room in Washington
You may obtain information on the operation of the Public Reference Room by calling the SEC at (202) 551-8090. In
addition, each code of ethics is attached as an exhibit to our Annual Report on Form 10-K (File No. 814-00802 filed wi
SEC on March 7, 2017 as Exhibit 14.1), which is available on the SEC s Internet site at *www.sec.gov.* You may

143

TABLE OF CONTENTS

also obtain copies of the code of ethics, after paying a duplicating fee, by electronic request at the following e-mail add *publicinfo@sec.gov*, or by writing the SEC s Public Reference Section, Washington, D.C. 20549-0102.

Proxy voting policies and procedures

We have delegated our proxy voting responsibility to our Advisor. The proxy voting policies and procedures of our Ad are set forth below. The guidelines are reviewed periodically by our Advisor and our independent directors and, accord are subject to change.

Introduction

Our Advisor is registered with the SEC as an investment adviser under the Advisers Act. As an investment adviser regi under the Advisers Act, our Advisor has fiduciary duties to us. As part of this duty, our Advisor recognizes that it must client securities in a timely manner free of conflicts of interest and in our best interests and the best interests of our stockholders. Our Advisor s proxy voting policies and procedures have been formulated to ensure decision-making is consistent with these fiduciary duties.

These policies and procedures for voting proxies are intended to comply with Section 206 of, and Rule 206(4)-6 under, Advisers Act.

Proxy policies

Our Advisor votes proxies relating to our portfolio securities in what our Advisor perceives to be the best interest of ou stockholders. Our Advisor reviews on a case-by-case basis each proposal submitted to a stockholder vote to determine effect on the portfolio securities held by us. Although our Advisor generally votes against proposals that may have a ne effect on our portfolio securities, our Advisor may vote for such a proposal if there exist compelling long-term reasons so.

Our Advisor s proxy voting decisions are made by those senior officers who are responsible for monitoring each of ou investments. To ensure that a vote is not the product of a conflict of interest, our Advisor requires that (1) anyone invol the decision-making process disclose to our Chief Compliance Officer any potential conflict that he or she is aware of a any contact that he or she has had with any interested party regarding a proxy vote and (2) employees involved in the decision-making process or vote administration are prohibited from revealing how we intend to vote on a proposal in o reduce any attempted influence from interested parties.

Proxy voting records

You may obtain information about how we voted proxies by making a written request for proxy voting information to: Compliance Officer, Horizon Technology Finance Corporation, 312 Farmington Avenue, Farmington, Connecticut 060 by calling (860) 676-8654.

Sarbanes-Oxley Act of 2002

The Sarbanes-Oxley Act imposes a wide variety of regulatory requirements on publicly held companies and their insid Many of these requirements affect us. For example:

pursuant to Rule 13a-14 under the Exchange Act, our principal executive officer and principal financial officer must certify the accuracy of the financial statements contained in our periodic reports;
pursuant to Item 307 of Regulation S-K under the Securities Act, our periodic reports must disclose our conclusions about the effectiveness of our disclosure contro procedures;
pursuant to Rule 13a-15 under the Exchange Act, our management must prepare an annual report regarding its assessment of our internal control over financial rep which must be audited by our independent registered public accounting firm; and
pursuant to Item 308 of Regulation S-K under the Securities Act and Rule 13a-15 under the Exchange Act, our periodic reports must disclose whether there were si changes in our internal controls over financial reporting or in other factors that could significantly affect these controls subsequent to the date of their evaluation, in any corrective actions with regard to significant deficiencies and material weaknesses.

144

TABLE OF CONTENTS

The Sarbanes-Oxley Act requires us to review our current policies and procedures to determine whether we comply wi
Sarbanes-Oxley Act and the regulations promulgated thereunder. We will continue to monitor our compliance with all
regulations under the Sarbanes-Oxley Act and intend to take actions necessary to ensure that we are in compliance ther

Nasdaq corporate governance regulations

Nasdaq has adopted corporate governance regulations with which listed companies must comply. We intend to be in compliance with these corporate governance listing standards. We intend to monitor our compliance with all future list
standards and to take all necessary actions to ensure that we are in compliance therewith.

Privacy principles

We are committed to maintaining the privacy of stockholders and to safeguarding our non-public personal information
following information is provided to help you understand what personal information we collect, how we protect that information and why, in certain cases, we may share information with select other parties.

Generally, we do not receive any nonpublic personal information relating to our stockholders, although certain nonpub
personal information of our stockholders may become available to us. We do not disclose any nonpublic personal infor
about our stockholders or former stockholders, except as permitted by law or as is necessary in order to service stockho
accounts (for example, to a transfer agent or third party administrator).

We restrict access to nonpublic personal information about our stockholders to our Advisor s employees with a legitin
business need for the information. We maintain physical, electronic and procedural safeguards designed to protect the nonpublic personal information of our stockholders.

145

TABLE OF CONTENTS

BROKERAGE ALLOCATIONS AND OTHER PRACTICES

Since we generally acquire and dispose of our investments in privately negotiated transactions, we infrequently use bro the normal course of our business. Subject to policies established by our Board, our Advisor is primarily responsible fo execution of the publicly-traded securities portion of our portfolio transactions and the allocation of brokerage commis Our Advisor does not execute transactions through any particular broker or dealer, but seeks to obtain the best net resul us, taking into account such factors as price (including the applicable brokerage commission or dealer spread), size of o difficulty of execution, and operational facilities of the firm and the firm s risk and skill in positioning blocks of securi While our Advisor generally seeks reasonably competitive trade execution costs, we do not necessarily pay the lowest s or commission available. Subject to applicable legal requirements, our Advisor may select a broker based partly upon brokerage or research services provided to it and us and any other clients. In return for such services, we may pay a hig commission than other brokers would charge if our Advisor determines in good faith that such commission is reasonab relation to the services provided.

We have not paid any brokerage commissions during the three most recent fiscal years.

146

TABLE OF CONTENTS

PLAN OF DISTRIBUTION

We may offer, from time to time, in one or more underwritten public offerings, at-the-market offerings, negotiated transactions, block trades, best efforts or a combination of these methods, up to $250,000,000 of our common stock, pr stock, subscription rights, debt securities, warrants representing rights to purchase shares of our common stock, preferr stock or debt securities on the terms to be determined at the time of an offering. The debt securities, preferred stock, wa and subscription rights offered by means of this prospectus may be convertible or exchangeable into shares of our com stock. We may sell the securities through underwriters or dealers, directly to one or more purchasers, including existing stockholders in a rights offering, through agents or through a combination of any such methods of sale. In the case of a offering, the applicable prospectus supplement will set forth the number of shares of our common stock issuable upon t exercise of each right and the other terms of such rights offering. Any underwriter or agent involved in the offer and sa the securities by us will be named in the applicable prospectus supplement, such prospectus supplement to also set fort name or names of any underwriters, dealers or agents and the amounts of securities underwritten or purchased by each them, the offering price of the securities and the proceeds to us and any discounts, commissions or concessions allowed reallowed or paid to dealers, and any securities exchanges on which the securities may be listed. Only underwriters nam the prospectus supplement will be underwriters of the securities offered by the prospectus supplement.

The distribution of the securities may be effected from time to time in one or more transactions at a fixed price or price which may be changed, at prevailing market prices at the time of sale, at prices related to such prevailing market prices negotiated prices. However, the offering price per share of our common stock, less any underwriting commissions or discounts, must equal or exceed the net asset value per share of our common stock at the time of the offering except (1) connection with a rights offering to our existing stockholders, (2) with the consent of the majority of our common stockholders or (3) under such circumstances as the SEC may permit.

In connection with the sale of the securities, underwriters or agents may receive compensation from us or from purchas the securities, for whom they may act as agents, in the form of discounts, concessions or commissions. In connection w sale of the securities, our common stockholders will indirectly bear such fees and expenses, as well as any other fees in in connection with the sale of the securities. Underwriters may sell the securities to or through dealers and such dealers receive compensation in the form of discounts, concessions or commissions from the underwriters and/or commissions the purchasers for whom they may act as agents. Underwriters, dealers and agents that participate in the distribution of securities may be deemed to be underwriters under the Securities Act, and any discounts and commissions they receive us and any profit realized by them on the resale of the securities may be deemed to be underwriting discounts and commissions under the Securities Act. Any such underwriter or agent will be identified and any such compensation rec from us will be described in the applicable prospectus supplement. The maximum aggregate commission or discount to received by any member of the Financial Industry Regulatory Authority or independent broker-dealer will not be great 8% of gross proceeds for the sale of any securities being registered. We may also reimburse the underwriter or agent fo certain fees and legal expenses incurred by it.

If underwriters are used in the sale of any securities, the securities will be acquired by the underwriters for their own ac and may be resold from time to time in one or more transactions, including negotiated transactions, at a fixed public of price or at varying prices determined at the time of sale. The securities may be either offered to the public through underwriting syndicates represented by managing underwriters, or directly by underwriters. Generally, the underwriters obligations to purchase the securities will be subject to certain conditions precedent.

We may sell the securities through agents from time to time. The prospectus supplement will name any agent involved offer or sale of the securities and any commissions we pay to them. Generally, any agent will be acting on a best efforts for the period of its appointment.

Any underwriter may engage in over-allotment, stabilizing transactions, short-covering transactions and penalty bids in accordance with Regulation M under the Exchange Act. Over-allotment involves sales in excess of the offering size, w create a short position. Stabilizing transactions permit bids to purchase the

147

TABLE OF CONTENTS

underlying security so long as the stabilizing bids do not exceed a specified maximum price. Syndicate-covering or oth short-covering transactions involve purchases of the securities, either through exercise of the over-allotment option or i open market after the distribution is completed, to cover short positions. Penalty bids permit the underwriters to reclain selling concession from a dealer when the securities originally sold by the dealer are purchased in a stabilizing or cover transaction to cover short positions. Those activities may cause the price of the securities to be higher than it would oth be. If commenced, the underwriters may discontinue any of the activities at any time.

Any underwriters that are qualified market makers on Nasdaq may engage in passive market making transactions in ou common stock on Nasdaq in accordance with Regulation M under the Exchange Act, during the business day prior to t pricing of the offering, before the commencement of offers or sales of our common stock. Passive market makers must comply with applicable volume and price limitations and must be identified as passive market makers. In general, a pas market maker must display its bid at a price not in excess of the highest independent bid for such security; if all indepe bids are lowered below the passive market maker s bid, however, the passive market maker s bid must then be lowere certain purchase limits are exceeded. Passive market making may stabilize the market price of the securities at a level a that which might otherwise prevail in the open market and, if commenced, may be discontinued at any time.

We may offer shares of common stock in a public offering at-the-market to a select group of investors, in which case y may not be able to participate in such offering and you will experience dilution unless you purchase additional shares o common stock in the secondary market at the same or lower price.

Any common stock sold pursuant to a prospectus supplement may be traded on Nasdaq, or another exchange on which common stock are traded. The other offered securities may or may not be listed on a securities exchange and we canno assure you that there will be a liquid trading market for certain of the securities.

Under agreements that we may enter into, underwriters, dealers and agents who participate in the distribution of shares securities may be entitled to indemnification by us against certain liabilities, including liabilities under the Securities A Underwriters, dealers and agents may engage in transactions with, or perform services for, us in the ordinary course of business.

If so indicated in the applicable prospectus supplement, we will authorize underwriters or other persons acting as our a to solicit offers by certain institutions to purchase shares of our securities from us pursuant to contracts providing for p and delivery on a future date. Institutions with which such contracts may be made include commercial and savings ban insurance companies, pension funds, investment companies, educational and charitable institutions and others, but in a such institutions must be approved by us. The obligations of any purchaser under any such contract will be subject to t condition that the purchase of our securities shall not at the time of delivery be prohibited under the laws of the jurisdic which such purchaser is subject. The underwriters and such other agents will not have any responsibility in respect of t validity or performance of such contracts. Such contracts will be subject only to those conditions set forth in the prospe supplement, and the prospectus supplement will set forth the commission payable for solicitation of such contracts.

We may enter into derivative transactions with third parties, or sell securities not covered by this prospectus to third pa privately negotiated transactions. If the applicable prospectus supplement indicates, in connection with those derivative third parties may sell securities covered by this prospectus and the applicable prospectus supplement, including in shor transactions. If so, the third party may use securities pledged by us or borrowed from us or others to settle those sales o close out any related open borrowings of stock, and may use securities received from us in settlement of those derivati close out any related open borrowings of stock. The third parties in such sale transactions will be underwriters and, if n identified in this prospectus, will be identified in the applicable prospectus supplement. We and/or one of our affiliates loan or pledge securities to a financial institution or other third party that in turn may sell the securities using this prosp Such financial institution or third party may transfer its short position to investors in our securities or in connection wit simultaneous offering of other securities offered by this prospectus or otherwise.

148

TABLE OF CONTENTS

In order to comply with the securities laws of certain states, if applicable, our securities will be sold in such jurisdiction
through registered or licensed brokers or dealers. In addition, in certain states, our securities may not be sold unless the
been registered or qualified for sale in the applicable state or an exemption from the registration or qualification require
is available and is complied with.

We, and indirectly our stockholders, will pay customary costs and expenses of the registration of the shares of commor
pursuant to the registration rights agreement, including SEC filing fees and expenses of compliance with state securitie
blue sky laws.

149

TABLE OF CONTENTS

MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following discussion is a general summary of the material U.S. federal income tax considerations applicable to us an investment in shares of our common stock. This discussion is based on the provisions of the Code and the regulation the U.S. Department of Treasury promulgated thereunder (Treasury regulations) each as in effect as of the date of th prospectus. These provisions are subject to differing interpretations and change by legislative or administrative action, any change may be retroactive. This discussion does not constitute a detailed explanation of all U.S. federal income tax aspects affecting us and our stockholders and does not purport to deal with the U.S. federal income tax consequences th may be important to particular stockholders in light of their individual investment circumstances or to some types of stockholders subject to special tax rules, such as persons that have a functional currency (as defined in Section 985 of t Code) that have a functional currency other than the U.S. dollar, financial institutions, broker-dealers, traders in securit that elect to mark-to-market their securities holdings, insurance companies, tax-exempt organizations, partnerships or o pass-through entities, persons holding our common stock in connection with a hedging, straddle, conversion or other integrated transaction, non-U.S. stockholders (as defined below) engaged in a trade or business in the United States or persons who have ceased to be U.S. citizens or to be taxed as resident aliens. This discussion also does not address any aspects of U.S. estate or gift tax or foreign, state or local tax. This discussion assumes that our stockholders hold their s of our common stock as capital assets for U.S. federal income tax purposes (within the meaning of Section 1221 of the Code). No ruling has been or will be sought from the Internal Revenue Service (the IRS) regarding any matter discu herein.

This summary does not discuss the consequences of an investment in our preferred stock, debt securities, warrants representing rights to purchase shares of our preferred stock, common stock or debt securities, subscription rights or as in combination with such securities. The U.S. federal income tax consequences of such an investment will be discussed relevant prospectus supplement.

For purposes of this discussion:

a U.S. stockholder means a beneficial owner of shares of our common stock that is, for U.S. federal income tax purposes: (1) a person who is a citizen or individ of the United States; (2) a domestic corporation (or other domestic entity taxable as a corporation for U.S. federal income tax purposes); (3) an estate whose income subject to U.S. federal income tax regardless of its source; or (4) a trust if (a) a U.S. court is able to exercise primary supervision over the trust s administration and more U.S. persons are authorized to control all substantial decisions of the trust or (b) the trust has in effect a valid election to be treated as a domestic trust for U.S income tax purposes; and

a non-U.S. stockholder means a beneficial owner of shares of our common stock that is not a U.S. stockholder or a partnership (or an entity or arrangement treat partnership) for U.S. federal income tax purposes.

If a partnership or other entity classified as a partnership for U.S. federal income tax purposes holds our shares, the U.S treatment of the partnership and each partner generally will depend on the status of the partner, the activities of the partnership and certain determinations made at the partner level. A stockholder that is a partnership holding shares of o common stock, and each partner in such a partnership, should consult their own tax advisers with respect to the purchas ownership and disposition of shares of our common stock.

Tax matters are very complicated and the tax consequences to each stockholder of an investment in our securiti depend on the facts of its particular situation. Stockholders are urged to consult their own tax advisers to detern the U.S. federal, state, local and foreign tax consequences to them of an investment in our securities, including applicable tax reporting requirements, the applicability of U.S. federal, state, local and foreign tax laws, eligibili the benefits of any applicable tax treaty, and the effect of any possible changes in the tax laws.

TABLE OF CONTENTS

Taxation of the company

As a BDC, we have elected to be treated, and qualified, as a RIC under Subchapter M of the Code commencing with ou taxable year ending on December 31, 2010. As a RIC, we generally are not subject to corporate-level federal income ta our investment company taxable income, determined without regard to any deductions for dividends paid, or net capita that we timely distribute as dividends for U.S. federal income tax purposes to our stockholders.

To continue to qualify as a RIC, we must, among other things, (a) derive in each taxable year at least 90% of our gross income from dividends, interest (including tax-exempt interest), payments with respect to certain securities loans, gains the sale or other disposition of stock, securities or foreign currencies, other income (including but not limited to gain fr options, futures or forward contracts) derived with respect to our business of investing in stock, securities or currencies net income derived from an interest in a qualified publicly traded partnership (a QPTP) (the 90% Gross Income diversify our holdings so that, at the end of each quarter of each taxable year (i) at least 50% of the market value of our assets is represented by cash and cash items, U.S. Government securities, the securities of other RICs and other securiti with other securities limited, in respect of any one issuer, to an amount not greater than 5% of the value of our total ass not more than 10% of the outstanding voting securities of such issuer (subject to the exception described below), and (i more than 25% of the market value of our total assets is invested in the securities of any issuer (other than U.S. Govern securities and the securities of other regulated investment companies), the securities of any two or more issuers that we control and that are determined to be engaged in the same business or similar or related trades or businesses, or the secu of one or more QPTPs (the Diversification Tests). In the case of a RIC that furnishes capital to development corpora there is an exception relating to the Diversification Tests described above. This exception is available only to RICs whi SEC determines to be principally engaged in the furnishing of capital to other corporations which are principally engag the development or exploitation of inventions, technological improvements, new processes, or products not previously generally available, which we refer to as SEC Certification. We have not sought SEC Certification, but it is possible will seek SEC Certification in future years. If we receive SEC Certification, we generally will be entitled to include, in computation of the 50% value of our assets (described in (b)(i) above), the value of any securities of an issuer, whether we own more than 10% of the outstanding voting securities of the issuer, if the basis of the securities, when added to ou basis of any other securities of the issuer that we own, does not exceed 5% of the value of our total assets.

As a RIC, in any taxable year with respect to which we distribute an amount equal to at least 90% of the sum of our (i) investment company taxable income (which includes, among other items, dividends, interest and the excess of any net realized short-term capital gains over net realized long-term capital losses and other taxable income (other than any net capital gain), reduced by deductible expenses) determined without regard to the deduction for dividends and distributio paid and (ii) net tax-exempt interest income (which is the excess of our gross tax-exempt interest income over certain disallowed deductions) (the Annual Distribution Requirement), we (but not our stockholders) generally are not subj U.S. federal income tax on investment company taxable income and net capital gains that we distribute to our stockhol We intend to distribute annually all or substantially all of such income. While we intend to satisfy the Annual Distribut Requirement, we may choose to retain all or a portion of our net capital gains or investment company taxable income n subject to the Annual Distribution Requirement for investment, and incur the associated federal corporate income tax, o 4% U.S. federal excise tax as appropriate, and as described below.

We are subject to a nondeductible 4% U.S. federal excise tax on certain of our undistributed income, unless we timely distribute (or are deemed to have timely distributed) an amount at least equal to the sum of:

98% of our ordinary income (taking into account certain deferrals and elections) for the calendar year;
98.2% of the amount by which our capital gains exceed our capital losses (adjusted for certain ordinary losses) for a one-year period generally ending on October 3 calendar year (unless an election is made by us to use our taxable year); and
certain undistributed amounts from previous years on which we incurred no U.S. federal income tax.

151

TABLE OF CONTENTS

While we generally intend to distribute any income and capital gains in order to avoid imposition of this 4% U.S. feder excise tax, we may not be successful in avoiding entirely the imposition of this tax or may decide that it is in our best i to retain some of our income or gains and be subject to this tax. In that case, we will be liable for the tax only on the an by which we do not meet the foregoing distribution requirement.

If we borrow money, we may be prevented by loan covenants from declaring and paying distributions in certain circumstances. Limits on our payment of distributions may prevent us from satisfying distribution requirements, and m therefore, jeopardize our qualification for taxation as a RIC, or subject us to the 4% U.S. federal excise tax.

Although we do not presently expect to do so, we are authorized to borrow funds and to sell assets in order to satisfy distribution requirements. However, under the 1940 Act, we are not permitted to make distributions to our stockholders any senior securities are outstanding unless we meet the applicable asset coverage ratios. See Regulation Senior sec derivative securities. Moreover, our ability to dispose of assets to meet our distribution requirements may be limited b the illiquid nature of our portfolio and/or (2) other requirements relating to our status as a RIC, including the Diversific Tests. If we dispose of assets in order to meet the Annual Distribution Requirement or to avoid the imposition of the 4% federal excise tax, we may make such dispositions at times that, from an investment standpoint, are not advantageous.

A RIC is limited in its ability to deduct expenses in excess of its investment company taxable income (which is, gen ordinary income plus the excess of net short-term capital gains over net long-term capital losses). If our expenses in a g taxable year exceed investment company taxable income, we would incur a net operating loss for that taxable year. Ho a RIC is not permitted to carry forward net operating losses to subsequent years. In addition, deductible expenses can b only to offset investment company taxable income, not net capital gain. Due to these limits on the deductibility of expe we may for tax purposes have aggregate taxable income for several taxable years that we are required to distribute and taxable to our stockholders even if such income is greater than the aggregate net income we actually earned during thos taxable years. Such required distributions may be made from our cash assets or by liquidation of investments, if necess We may realize gains or losses from such liquidations. In the event we realize net capital gains from such transactions, may receive a larger capital gain distribution than you would have received in the absence of such transactions.

Failure to qualify as a RIC

If we were unable to qualify for treatment as a RIC, and if certain cure provisions described below are not available, w would be subject to tax on all of our taxable income (including our net capital gains) at regular corporate rates. We wou be able to deduct distributions to stockholders, nor would they be required to be made. Distributions, including distribu of net long-term capital gain, would generally be taxable to our stockholders as ordinary dividend income to the extent current and accumulated earnings and profits. Subject to certain limitations under the Code, corporate stockholders wou eligible to claim a dividends received deduction with respect to such dividends, and non-corporate stockholders would generally be able to treat such dividends as qualified dividend income, which is subject to reduced rates of U.S. fede income tax. Distributions in excess of our current and accumulated earnings and profits would be treated first as a retur capital to the extent of the stockholder s tax basis, and any remaining distributions would be treated as a capital gain. I to qualify again to be subject to tax as a RIC in a subsequent taxable year, we would be required to distribute our earnin and profits attributable to any of our non-RIC taxable years as dividends to our stockholders. Moreover, if we fail to qu as a RIC for a period greater than two taxable years, to qualify as a RIC in a subsequent taxable year we may be subjec regular corporate tax on any net built-in gains with respect to certain of our assets (*i.e.*, the excess of the aggregate gain including items of income, over aggregate losses that would have been realized with respect to such assets if we had be liquidated) that we elect to recognize on requalification or when recognized over the next five taxable years.

We may decide to be taxed as a regular corporation even if we would otherwise qualify as a RIC if we determine that treatment as a corporation for a particular taxable year would be in our best interests.

152

TABLE OF CONTENTS

Company investments

Certain of our investment practices are subject to special and complex U.S. federal income tax provisions that may, am other things, (i) disallow, suspend or otherwise limit the allowance of certain losses or deductions, including the divide received deduction, (ii) convert lower taxed long-term capital gains and qualified dividend income into higher taxed short-term capital gains or ordinary income, (iii) convert ordinary loss or a deduction into capital loss (the deductibility which is more limited), (iv) cause us to recognize income or gain without a corresponding receipt of cash, (v) adversely the time as to when a purchase or sale of stock or securities is deemed to occur, (vi) adversely alter the characterization certain complex financial transactions and (vii) produce income that will not qualify as qualifying gross income for pur of the 90% Gross Income Test. We monitor our transactions and may make certain tax elections and may be required to borrow money or dispose of securities to mitigate the effect of these rules and to prevent disqualification of us as a RIC there can be no assurance that we will be successful in this regard.

We may be required to recognize taxable income in circumstances in which we do not receive cash. For example, if we debt instruments that are treated under applicable tax rules as having original issue discount (such as debt instruments w payment-in-kind interest or, in certain cases, increasing interest rates or issued with warrants), we must include in taxal income each year a portion of the original issue discount that accrues over the life of the obligation, regardless of wheth cash representing such income is received by us in the same taxable year. Since in certain cases we may recognize taxa income before or without receiving cash representing such income, we may have difficulty meeting the Annual Distrib Requirement or may be required to incur the 4% U.S. federal excise tax.

In such instances, we may need to sell some of our assets at times that we would not consider advantageous, raise addit debt or equity capital or forego new investment opportunities or otherwise take actions that are disadvantageous to our business (or be unable to take action that are advantageous) in order to satisfy the Annual Distribution Requirement. If unable to obtain cash from other sources to satisfy the Annual Distribution Requirement, we may fail to be eligible to b subject to federal income tax as a RIC and, thus, become subject to a corporate-level federal income tax on all our inco

Warrants. Gain or loss realized by us from the sale or exchange of warrants acquired by us as well as any loss attributa the lapse of such warrants generally are treated as capital gain or loss. The treatment of such gain or loss as long-term o short-term depends on how long we held a particular warrant. Upon the exercise of a warrant acquired by us, our tax ba the stock purchased under the warrant equals the sum of the amount paid for the warrant plus the strike price paid on th exercise of the warrant.

Foreign investments. In the event we invest in foreign securities, we may be subject to withholding and other foreign t with respect to those securities. We do not expect to satisfy the requirement to pass through to our stockholders their sh the foreign taxes paid by us.

Passive foreign investment companies. We may invest in the stock of a foreign corporation which is considered a pas foreign investment company (PFIC) within the meaning of Section 1297 of the Code. In general, if a special tax el not been made, we are subject to tax at ordinary income rates on any gains and excess distributions with respect to P stock as if such items had been realized ratably over the period during which we held the PFIC stock, plus an interest c Any adverse tax consequences of a PFIC investment may be limited if we are eligible to elect alternative tax treatment respect to such investment. No assurances can be given that any such election will be available or that, if available, we make such an election.

Recent Tax Legislation. Under recent tax legislation, we and the companies in which we invest will be generally subje certain leverage limitations regarding the deductibility of interest expense. The recent tax legislation may, pending furt regulatory guidance, require us to accrue market discount currently and to otherwise recognize income for tax purposes later than we recognize it for financial reporting purposes. The recent tax legislation may also require us to recognize accumulated undistributed earnings of foreign corporations in which were invested in 2017 if any if our ownership leve exceeded certain thresholds. The effects of these and other provisions of the tax legislation on us remains uncertain at t time pending regulatory guidance.

153

TABLE OF CONTENTS

Foreign currency transactions. Our functional currency, for U.S. federal income tax purposes, is the U.S. dollar. Unde Code, gains or losses attributable to fluctuations in exchange rates which occur between the time we accrue income or receivables or accrue expenses or other liabilities denominated in a foreign currency and the time we actually collect su receivables or pay such liabilities generally are treated as ordinary income or loss. Similarly, on disposition of debt instruments and certain other instruments denominated in a foreign currency, gains or losses attributable to fluctuations value of the foreign currency between the date of acquisition of the instrument and the date of disposition are generally treated as ordinary gain or loss. These gains and losses, referred to under the Code as section 988 gains or losses, ma increase or decrease the amount of our investment company taxable income to be distributed to our stockholders as ord income. Any such transactions that are not directly related to our investment in securities (possibly including speculativ currency positions or currency derivatives not used for hedging purposes) also could, under future Treasury regulations produce income not among the types of qualifying income for purposes of the 90% Income Test.

The remainder of this discussion assumes that we qualify as a RIC for each taxable year.

Taxation of U.S. stockholders

Distributions by us to U.S. stockholders are generally characterized either as ordinary income or capital gains. Distribu of our investment company taxable income (which is, generally, our net ordinary income plus net short-term capital excess of net long-term capital losses, and determined without regard to any deduction for dividends paid) will be characterized as ordinary income to U.S. stockholders to the extent of our current or accumulated earnings and profits, whether paid in cash or reinvested in additional shares of our common stock. To the extent such distributions paid by u non-corporate stockholders (including individuals) are attributable to dividends from U.S. corporations and certain qua foreign corporations and if certain holding period requirements are met, such distributions generally will be treated as qualified dividend income and generally eligible for a maximum U.S. federal tax rate of either 15% or 20% (depending whether the stockholder s income exceeds certain threshold amounts). In this regard, it is anticipated that distributions us will generally not be attributable to dividends and, therefore, generally will not be eligible to treatment as qualified dividend income.

Distributions of our net capital gains (which is generally our realized net long-term capital gains in excess of realized n short-term capital losses) properly designated by us as capital gain dividends will be taxable to a U.S. stockholder g will be characterized as long-term capital gains (generally at a maximum U.S. federal tax rate of 15% or 20%, dependi whether the stockholder s income exceeds certain threshold amounts) in the case of individuals, trusts or estates, regar the U.S. stockholder s holding period for his, her or its common stock and regardless of whether paid in cash or reinve additional common stock. Distributions in excess of our earnings and profits first will reduce a U.S. stockholder s adju basis in such stockholder s common stock and, after the adjusted basis is reduced to zero, will constitute capital gains U.S. stockholder.

Although we currently intend to distribute any net long-term capital gains at least annually, we may in the future decid retain some or all of our net long-term capital gains but designate the retained amount as a deemed distribution. In th among other consequences, we will be subject to tax on the retained amount, each U.S. stockholder will be required to include their share of the deemed distribution in income as if it had been distributed to the U.S. stockholder, and the U. stockholder will be entitled to claim a credit equal their allocable share of the tax paid on the deemed distribution by us amount of the deemed distribution net of such tax will be added to the U.S. stockholder s tax basis for their common s Since we expect to incur a 35% U.S. federal income tax on any retained capital gains, and since that rate is generally in excess of the maximum rate currently payable by individuals on long-term capital gains, the amount of tax that individu stockholders will be treated as having paid and for which they will receive a credit will exceed the tax they owe on the retained net capital gain. Such excess generally may be claimed as a credit against the U.S. stockholder s other U.S. fe

income tax obligations or may be refunded to the extent it exceeds a stockholder s liability for U.S. federal income tax
stockholder that is not subject to U.S. federal income tax or otherwise required to file a U.S. federal income tax return v
be required to file a U.S. federal income tax return on the appropriate form in order to claim a refund for the taxes we p
order to utilize the

154

TABLE OF CONTENTS

deemed distribution approach, we must provide written notice to our stockholders prior to the expiration of 60 days aft close of the relevant taxable year. We cannot treat any of our investment company taxable income as a deemed distrib

For purposes of determining (1) whether the Annual Distribution Requirement is satisfied for any taxable year and (2) amount of capital gain distributions paid for that taxable year, we may, under certain circumstances, elect to treat a divi that is paid during the following taxable year as if it had been paid during the taxable year in question. If we make such election, the U.S. stockholder will still be treated as receiving the dividend in the taxable year in which the distribution made. However, if we pay you a dividend in January of any calendar year which was declared in October, November o December to stockholders of record on a specified date in one of these months, then the dividend will be treated for tax purposes as being paid by us and received by you on December 31 of the calendar year in which the dividend was decl

If an investor purchases shares of our stock shortly before the record date of a distribution, the price of the shares will i the value of the distribution and the investor will be subject to tax on the distribution even though it represents a return investment.

Alternative minimum tax. As a RIC, we are subject to alternative minimum tax, also referred to as AMT, but any ite are treated differently for AMT purposes must be apportioned between us and our U.S. stockholders and this may affec U.S. stockholders AMT liabilities. Although Treasury regulations explaining the precise method of apportionment ha yet been issued, such items will generally be apportioned in the same proportion that distributions paid to each U.S. stockholder bear to our taxable income (determined without regard to the dividends paid deduction), unless a different method for particular item is warranted under the circumstances.

Dividend Reinvestment Plan. Under the DRIP, if a U.S. stockholder owns shares of common stock registered in its ow name, the U.S. stockholder will have all cash distributions automatically reinvested in additional shares of common sto unless the U.S. stockholder opts out of our DRIP by delivering a written notice to our dividend paying agent prior to th record date of the next dividend or distribution. See Dividend Reinvestment Plan. Any distributions determined to c dividends which have been reinvested under the plan will nevertheless generally remain taxable to the U.S. stockholde Stockholders receiving dividends or distributions in the form of additional shares of our common stock purchased in th market generally should be treated for U.S. federal income tax purposes as receiving a distribution in an amount equal amount of money that the stockholders receiving cash dividends or distributions will receive, and should have a cost ba the shares received equal to such amount. Stockholders receiving distributions in newly issued shares of our common s will be treated as receiving a distribution equal to the value of the shares received, and should have a cost basis of such amount.

Dispositions. A U.S. stockholder will recognize gain or loss on the sale, exchange or other taxable disposition of share our common stock in an amount equal to the difference between the U.S. stockholder s adjusted basis in the shares dis of and the amount realized on their disposition. Generally, gain recognized by a U.S. stockholder on the disposition of of our common stock will result in capital gain or loss to a U.S. stockholder, and will be a long-term capital gain or los shares have been held for more than one year at the time of sale. Any loss recognized by a U.S. stockholder upon the disposition of shares of our common stock held for six months or less will be treated as a long-term capital loss to the e of any capital gain distributions received (including amounts credited as an undistributed capital gain dividend) by the stockholder. A loss recognized by a U.S. stockholder on a disposition of shares of our common stock will be disallowe deduction if the U.S. stockholder acquires additional shares of our common stock (whether through the automatic reinvestment of distributions or otherwise) within a 61-day period beginning 30 days before and ending 30 days after th that the shares are disposed of. In this case, the basis of the shares acquired will be adjusted to reflect the disallowed lo Non-corporate U.S. stockholders with net capital losses for a taxable year (i.e., capital losses in excess of capital gains) generally may deduct up to $3,000 of such losses against their ordinary income each taxable year; any net capital losse non-corporate U.S. stockholder in excess of $3,000 generally may be carried forward and used in

TABLE OF CONTENTS

subsequent taxable years as provided in the Code. Corporate U.S. stockholders generally may not deduct any net capita losses for a taxable year, but may carry back such losses for three taxable years or carry forward such losses for five ta years.

Tax shelter reporting regulations. Under applicable Treasury regulations, if a U.S. stockholder recognizes a loss with r to shares of $2 million or more for a non-corporate U.S. stockholder or $10 million or more for a corporate U.S. stockh in any single taxable year (or a greater loss over a combination of years), the U.S. stockholder must file with the IRS a disclosure statement on Form 8886. Direct U.S. stockholders of portfolio securities are in many cases excepted from th reporting requirement, but under current guidance, U.S. stockholders of a RIC are not excepted. Future guidance may e the current exception from this reporting requirement to U.S. stockholders of most or all RICs. The fact that a loss is reportable under these regulations does not affect the legal determination of whether the taxpayer s treatment of the lo proper. U.S. stockholders should consult their own tax advisers to determine the applicability of these regulations in lig their individual circumstances.

Shareholder tax reporting and other matters. We will provide information to each of our U.S. stockholders, as prompt possible after the end of each calendar year, a notice detailing, on a per share and per distribution basis, the amounts includible in such U.S. stockholder s taxable income for such calendar year as ordinary income and as long-term capit In addition, the U.S. federal tax status of distributions paid by us in respect of each calendar year generally will be repo the IRS. Distributions may also be subject to additional state, local and foreign taxes depending on a U.S. stockholder particular situation.

Backup withholding. We are required in certain circumstances to backup withhold on taxable dividends or distribution to non-corporate U.S. stockholders who do not furnish us with their correct taxpayer identification number (in the case individuals, their social security number) and certain certifications, or who are otherwise subject to backup withholding Backup withholding is not an additional tax. Any amounts withheld from payments made to you may be refunded or cr against your U.S. federal income tax liability, if any, provided that the required information is timely furnished to the I

U.S. stockholders should consult their own tax advisers with respect to the U.S. federal income tax and withhold tax, and state, local and foreign tax consequences of an investment in shares of our common stock.

Taxation of non-U.S. stockholders

The following discussion only applies to non-U.S. stockholders. Whether an investment in shares of our common stock appropriate for a non-U.S. stockholder will depend upon that person s particular circumstances. An investment in shar our common stock by a non-U.S. stockholder may have adverse tax consequences. Non-U.S. stockholders should consu their own tax advisers before investing in shares of our common stock.

Actual and deemed distributions; dispositions. Distributions of ordinary income to non-U.S. stockholders, subject to th discussion below, will generally be subject to withholding of U.S. federal withholding tax at a 30% rate (or lower rate provided by an applicable treaty) to the extent of our current or accumulated earnings and profits even if they are funde income or gains (such as portfolio interest, short-term capital gains, or foreign-source dividend and interest income) tha paid to a non-U.S. stockholder directly, would not be subject to withholding. Different tax consequences may result if t non-U.S. stockholder is engaged in a trade or business in the United States or, in the case of an individual, is present in United States for 183 days or more during a taxable year and certain other conditions are satisfied. Special certification requirements apply to a non-U.S. stockholder that is a foreign partnership or a foreign trust, and such entities are urged consult their own tax advisers.

In addition, no withholding is required and the distributions generally are not subject to U.S. federal income tax if (i) th
distributions are properly reported in a notice timely delivered to our stockholders as interest-related dividends or s
capital gain dividends, (ii) the distributions are derived from sources specified in the Code for such distributions and (
certain other requirements are satisfied. In the case of shares of our common stock held through an intermediary, the
intermediary may have withheld U.S. federal income tax even if we reported the payment as having been derived from
qualified net interest income

156

TABLE OF CONTENTS

or from qualified short-term capital gains. Furthermore, no assurance can be given as to whether any amount of our distributions will be eligible for this exemption from withholding or, if eligible, will be reported as such by us.

Actual or deemed distributions of our net capital gains to a non-U.S. stockholder, and gains recognized by a non-U.S. stockholder upon the sale or other disposition of our common stock, generally will not be subject to U.S. federal withho tax and will not be subject to federal income tax unless (i) the distributions or gains, as the case may be, are effectively connected with a U.S. trade or business of the non-U.S. stockholder and, if required by an applicable income tax treaty attributable to a permanent establishment maintained by the non-U.S. stockholder in the United States or (ii) in the case individual, the non-U.S. stockholder is present in the United States for 183 days or more during a taxable year and certa other conditions are satisfied.

Withholding agents are required to withhold U.S. tax (at a 30% rate) on payments of taxable distributions and (effectiv January 1, 2019) redemption proceeds and certain capital gain distributions made to certain non-U.S. entities that fail to comply (or be deemed compliant) with extensive reporting and withholding requirements designated to inform the U.S Department of the Treasury of U.S.-owned foreign investment accounts. The information required to be reported inclu identity and taxpayer identification number of each account holder and transaction activity within the holder s account Stockholders may be requested to provide additional information to the withholding agents to enable the withholding a to determine whether withholding is required.

If we distribute our net capital gains in the form of deemed rather than actual distributions (which we may do in the fut non-U.S. stockholder will be entitled to a federal income tax credit or tax refund equal to the stockholder s allocable sh the tax we incur the capital gains deemed to have been distributed. In order to obtain the refund, the non-U.S. stockhold must obtain a U.S. taxpayer identification number and file a U.S. federal income tax return even if the non-U.S. stockh is not otherwise required to obtain a U.S. taxpayer identification number or file a U.S. federal income tax return.

For a corporate non-U.S. stockholder, distributions (both actual and deemed), and gains realized upon the sale of our common stock that are effectively connected with a U.S. trade or business may, under certain circumstances, be subjec additional branch profits tax at a 30% rate (or at a lower rate if provided for by an applicable tax treaty). Accordingl investment in shares of our common stock may not be appropriate for certain non-U.S. stockholder. Non-U.S. stockhol may also be subject to U.S. estate tax with respect to their shares of our common stock.

Dividend Reinvestment Plan. Under our DRIP, if a non-U.S. stockholder owns shares of common stock registered in it name, the non-U.S. stockholder will have all cash distributions automatically reinvested in additional shares of commo unless it opts out of our DRIP by delivering a written notice to our dividend paying agent prior to the record date of the dividend or distribution. See Dividend Reinvestment Plan. If the distribution is a distribution of our investment com taxable income, is not designated by us as a short-term capital gains dividend or interest-related dividend and it is not effectively connected with a U.S. trade or business of the non-U.S. stockholder (or, if required by an applicable income treaty, is not attributable to a U.S. permanent establishment of the non-U.S. stockholder), the amount distributed (to the extent of our current or accumulated earnings and profits) will be subject to withholding of U.S. federal income tax at a rate (or lower rate provided by an applicable treaty) and only the net after-tax amount will be reinvested in common sha the distribution is effectively connected with a U.S. trade or business of the non-U.S. stockholder, generally the full am of the distribution will be reinvested in the plan and will nevertheless be subject to U.S. federal income tax at the ordin income rates applicable to U.S. persons.

Backup withholding. A non-U.S. stockholder who is a non-resident alien individual, and who is otherwise subject to withholding of federal income tax, may be subject to information reporting and backup withholding of federal income t taxable dividends or distributions unless the non-U.S. stockholder provides us or the dividend paying agent with an IRS W-8BEN or IRS Form W-8BEN-E (or an acceptable substitute form) or otherwise meets documentary evidence requir

for establishing that it is a non-U.S. stockholder or otherwise establishes an exemption from backup withholding. Back
withholding is

157

TABLE OF CONTENTS

not an additional tax. Any amounts withheld from payments made to you may be refunded or credited against your U.S federal income tax liability, if any, provided that the required information is furnished to the IRS.

An investment in our common stock by a non-U.S. person may also be subject to U.S. federal estate tax.

Non-U.S. stockholders should consult their own tax advisers with respect to the U.S. federal income tax and withholding tax, and state, local and foreign tax consequences of an investment in our shares.

158

TABLE OF CONTENTS

CUSTODIAN, TRANSFER AGENT, DIVIDEND PAYING AGENT AND REGISTRAR

Our securities are held by US Bank, N.A. pursuant to a custodian services agreement. The principal business address o Bank, N.A. is 1133 Rankin Street, St. Paul, Minnesota 55116. Securities held through Credit II are held under a custod agreement with U.S. Bank National Association. The principal address for U.S. Bank National Association is 1133 Ran Street, St. Paul, Minnesota 55116. Computershare Shareowner Services LLC (formerly known as BNY Mellon Shareo Services) acts as our transfer agent, dividend paying agent and registrar pursuant to a transfer agency agreement. The principal business address of Computershare Shareowner Services LLC is 250 Royall Street, Canton, Massachusetts 02

LEGAL MATTERS

Certain legal matters in connection with the securities offered by this prospectus will be passed upon for us by Dechert Boston, Masschusetts and certain legal matters will be passed upon for underwriters or dealer managers, if any, by the counsel named in the applicable prospectus supplement.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FI

The consolidated financial statements and related senior securities table and the effectiveness of internal control over financial reporting appearing in this prospectus and registration statement have been audited by RSM US LLP, an independent registered public accounting firm located at 1185 Avenue of the Americas, New York, New York 10036, a stated in their reports appearing elsewhere herein, and are included in reliance upon such reports and upon the authority such firm as experts in accounting and auditing.

159

TABLE OF CONTENTS

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement, of which this prospectus forms a part, on Form N-2, together with amendments and related exhibits, under the Securities Act, with respect to the securities offered by this prospectus. The registration statement contains additional information about us and the securities being offered by this prospectus.

As a public company, we file with or submit to the SEC annual, quarterly and current periodic reports, proxy statement other information meeting the informational requirements of the Exchange Act. You may inspect and copy these report proxy statements and other information, as well as the registration statement and related exhibits and schedules, at the Reference Room of the SEC at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operat the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains re proxy and information statements and other information filed electronically by us with the SEC which are available on SEC s website at *www.sec.gov* or on our website at *www.horizontechfinance.com*. Copies of these reports, proxy and information statements and other information may be obtained, after paying a duplicating fee, by electronic request at t following e-mail address: *publicinfo@sec.gov*, or by writing the SEC s Public Reference Section, 100 F Street, N.E., Washington, D.C. 20549. Information on our website is not incorporated into or a part of this prospectus.

TABLE OF CONTENTS

Consolidated Financial Statements and Supplementary Data

Index to Consolidated Financial Statements

	Page
UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS	
Consolidated Statements of Assets and Liabilities as of March 31, 2018 and December 31, 2017 (unaudited)	F-2
Consolidated Statements of Operations for the three months ended March 31, 2018 and 2017 (unaudited)	F-3
Consolidated Statements of Changes in Net Assets for the three months ended March 31, 2018 and 2017 (unaudited)	F-4
Consolidated Statements of Cash Flows for the three months ended March 31, 2018 and 2017 (unaudited)	F-5
Consolidated Schedules of Investments as of March 31, 2018 and December 31, 2017 (unaudited)	F-6
Notes to the Consolidated Financial Statements (unaudited)	F-18
AUDITED FINANCIAL STATEMENTS	
Management s Report on Internal Control over Financial Reporting	F-38
Report of Independent Registered Public Accounting Firm	F-39
Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting	F-40
Consolidated Statements of Assets and Liabilities as of December 31, 2017 and 2016	F-42
Consolidated Statements of Operations for the Years Ended December 31, 2017, 2016 and 2015	F-43
Consolidated Statements of Changes in Net Assets for the Years Ended December 31, 2017, 2016 and 2015	F-44
Consolidated Statements of Cash Flows for the Years Ended December 31, 2017, 2016 and 2015	F-45
Consolidated Schedules of Investments as of December 31, 2017 and 2016	F-46
Notes to the Consolidated Financial Statements	F-58

TABLE OF CONTENTS

Horizon Technology Finance Corporation and Subsidiaries

Consolidated Statements of Assets and Liabilities (Unaudited)
(Dollars in thousands, except share and per share data)

	March 31, 2018	December 31, 2017
Assets		
Non-affiliate investments at fair value (cost of $205,970 and $219,303, respectively)	$ 204,936	$ 218,600
Affiliate investments at fair value (cost of $7,371 and $3,774, respectively) (Note 5)	6,969	3,499
Total investments at fair value (cost of $213,341 and $223,077, respectively) (Note 4)	211,905	222,099
Cash	16,127	6,594
Interest receivable	4,224	3,986
Other assets	1,510	1,467
Total assets	$ 233,766	$ 234,146
Liabilities		
Borrowings (Note 7)	$ 94,144	$ 94,075
Distributions payable	3,457	3,456
Base management fee payable (Note 3)	384	379
Incentive fee payable (Note 3)	545	541
Other accrued expenses	975	620
Total liabilities	99,505	99,071
Commitments and Contingencies (Note 8)		
Net assets		
Preferred stock, par value $0.001 per share, 1,000,000 shares authorized, zero shares issued and outstanding as of March 31, 2018 and December 31, 2017		
Common stock, par value $0.001 per share, 100,000,000 shares authorized, 11,691,416 and 11,687,871 shares issued and 11,523,951 and 11,520,406 shares outstanding as of March 31, 2018 and December 31, 2017, respectively	12	12
Paid-in capital in excess of par	179,681	179,641
Distributions in excess of net investment income	(2,145)	(1,898)
Net unrealized depreciation on investments	(1,436)	(978)
Net realized loss on investments	(41,851)	(41,702)
Total net assets	134,261	135,075
Total liabilities and net assets	$ 233,766	$ 234,146
Net asset value per common share	$ 11.65	$ 11.72

See Notes to Consolidated Financial Statements

TABLE OF CONTENTS

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 March 31,	
	2018	2017
Investment income		
Interest income on investments		
Interest income on non-affiliate investments	$ 6,622	$ 6,279
Interest income on affiliate investments	131	
Total interest income on investments	6,753	6,279
Fee income		
Prepayment fee income on non-affiliate investments	285	460
Fee income on non-affiliate investments	137	223
Total investment income	7,175	6,962
Expenses		
Interest expense	1,484	1,316
Base management fee (Note 3)	1,114	974
Performance based incentive fee (Note 3)	545	430
Administrative fee (Note 3)	184	194
Professional fees	445	506
General and administrative	193	175
Total expenses	3,965	3,595
Net investment income	3,210	3,367
Net realized and unrealized (loss) gain on investments		
Net realized loss on non-affiliate investments	(149)	(10,845)
Net realized loss on investments	(149)	(10,845)
Net unrealized (depreciation) appreciation on non-affiliate investments	(332)	11,131
Net unrealized depreciation on affiliate investments	(126)	
Net unrealized (depreciation) appreciation on investments	(458)	11,131
Net realized and unrealized (loss) gain on investments	(607)	286
Net increase in net assets resulting from operations	$ 2,603	$ 3,653
Net investment income per common share	$ 0.28	$ 0.29
Net increase in net assets per common share	$ 0.23	$ 0.32
Distributions declared per share	$ 0.30	$ 0.30
Weighted average shares outstanding	11,522,153	11,512,853

See Notes to Consolidated Financial Statements

TABLE OF CONTENTS

Horizon Technology Finance Corporation and Subsidiaries

Consolidated Statements of Changes in Net Assets (Unaudited)
(Dollars in thousands, except share data)

See Notes to Consolidated Financial Statements

TABLE OF CONTENTS

Horizon Technology Finance Corporation and Subsidiaries

Consolidated Statements of Cash Flows (Unaudited) (Dollars in thousands)

	For the Three Months Ended March 31, 2018	2017
Cash flows from operating activities:		
Net increase in net assets resulting from operations	$ 2,603	$ 3,653
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by operating activities:		
Amortization of debt issuance costs	150	127
Net realized loss on investments	149	10,845
Net unrealized depreciation (appreciation) on investments	458	(11,131)
Purchase of investments	(8,562)	(25,916)
Principal payments received on investments	15,540	39,511
Proceeds from sale of investments	2,715	1,226
Changes in assets and liabilities:		
Decrease in interest receivable	4	112
(Increase) decrease in end-of-term payments	(242)	927
Decrease in unearned income	(106)	(235)
(Increase) decrease in other assets	(124)	385
Increase in other accrued expenses	355	4
Increase (decrease) in base management fee payable	5	(25)
Increase in incentive fee payable	4	430
Net cash provided by operating activities	12,949	19,913
Cash flows from financing activities:		
Advances on credit facility		15,000
Repayment of credit facility		(25,000)
Distributions paid	(3,416)	(3,404)
Net cash used in financing activities	(3,416)	(13,404)
Net increase in cash	9,533	6,509
Cash:		
Beginning of period	6,594	37,135
End of period	$ 16,127	$ 43,644
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 1,278	$ 1,257
Supplemental non-cash investing and financing activities:		
Warrant investments received and recorded as unearned income	$ 248	$ 877
Distributions payable	$ 3,457	$ 3,455
End-of-term payments receivable	$ 3,178	$ 3,736

See Notes to Consolidated Financial Statements

F-5

TABLE OF CONTENTS

Horizon Technology Finance Corporation and Subsidiaries

Consolidated Schedule of Investments (Unaudited)
March 31, 2018
(Dollars in thousands)

See Notes to Consolidated Financial Statements

TABLE OF CONTENTS

Horizon Technology Finance Corporation and Subsidiaries

Consolidated Schedule of Investments (Unaudited) March 31, 2018 (Continued) (Dollars in thousands)

See Notes to Consolidated Financial Statements

TABLE OF CONTENTS

Horizon Technology Finance Corporation and Subsidiaries

Consolidated Schedule of Investments (Unaudited) March 31, 2018 - (Continued) (Dollars in thousands)

See Notes to Consolidated Financial Statements

TABLE OF CONTENTS

Horizon Technology Finance Corporation and Subsidiaries

Consolidated Schedule of Investments (Unaudited) March 31, 2018 - (Continued) (Dollars in thousands)

See Notes to Consolidated Financial Statements

TABLE OF CONTENTS

Horizon Technology Finance Corporation and Subsidiaries

Consolidated Schedule of Investments (Unaudited) March 31, 2018 - (Continued) (Dollars in thousands)

(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 State

(2) Has been pledged as collateral under the Key Facility.

(3) All non-affiliate investments are investments in which the Company owns less than 5% ownership of the voting securities of the portfolio company. All affiliate investments are investments in which the Company owns 5% or more of the voting securities of the portfolio company.

(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 annua 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, co fees or prepayment fees. Debt investments are at fixed rates for the term of the debt investment, unless otherwise indicated. All debt investments based on LIBO based on one-month LIBOR. For each debt investment, the current interest rate in effect as of March 31, 2018 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.

See Notes to Consolidated Financial Statements

TABLE OF CONTENTS

Horizon Technology Finance Corporation and Subsidiaries

Consolidated Schedule of Investments (Unaudited) March 31, 2018 - (Continued) (Dollars in thousands)

(9) The Company did not have any non-qualifying assets under Section 55(a) of the Investment Company Act of 1940, as amended (the 1940 Act), as of March 3 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% 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 E 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 inco the Company has not yet received in cash.

(11) Debt investment is on non-accrual status as of March 31, 2018.

(12) Debt investment has a payment-in-kind (PIK) feature.

(13) Except for common stock in publicly traded companies, the fair value of the investment was valued using significant unobservable inputs.

See Notes to Consolidated Financial Statements

F-11

TABLE OF CONTENTS

Horizon Technology Finance Corporation and Subsidiaries

Consolidated Schedule of Investments (Unaudited) December 31, 2017 (Dollars in thousands)

See Notes to Consolidated Financial Statements

F-12

TABLE OF CONTENTS

Horizon Technology Finance Corporation and Subsidiaries

Consolidated Schedule of Investments (Unaudited) December 31, 2017 (Continued) (Dollars in thousands)

See Notes to Consolidated Financial Statements

F-13

TABLE OF CONTENTS

Horizon Technology Finance Corporation and Subsidiaries

Consolidated Schedule of Investments (Unaudited) December 31, 2017 - (Continued) (Dollars in thousands)

See Notes to Consolidated Financial Statements

TABLE OF CONTENTS

Horizon Technology Finance Corporation and Subsidiaries

Consolidated Schedule of Investments (Unaudited) December 31, 2017 - (Continued) (Dollars in thousands)

See Notes to Consolidated Financial Statements

TABLE OF CONTENTS

Horizon Technology Finance Corporation and Subsidiaries

Consolidated Schedule of Investments (Unaudited) December 31, 2017 - (Continued) (Dollars in thousands)

(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 Stat

(2) Has been pledged as collateral under the Key Facility.

(3) All non-affiliate investments are investments in which the Company owns less than 5% ownership of the voting securities of the portfolio company. All affiliate investments are investments in which the Company owns 5% or more of the voting securities of the portfolio company.

(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 annua 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 prepaym Debt investments are at fixed rates for the term of the debt investment, unless

See Notes to Consolidated Financial Statements

TABLE OF CONTENTS

Horizon Technology Finance Corporation and Subsidiaries

Consolidated Schedule of Investments (Unaudited) December 31, 2017 - (Continued) (Dollars in thousands)

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 Decen 2017 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) The Company did not have any non-qualifying assets under Section 55(a) of the 1940 Act as of December 31, 2017. Under the 1940 Act, the Company may not 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 E 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 inco the Company has not yet received in cash.

(11) Debt investment is on non-accrual status as of December 31, 2017.

(12) Digital Signal Corporation, a Delaware corporation (DSC), made an assignment for the benefit of its creditors whereby DSC assigned all of its assets to DSC (assignment for the benefit of creditors), LLC (DSC ABC), a Delaware limited liability company, established under Delaware law to effectuate the Assignm Benefit of Creditors of DSC.

(13) Debt investment has a PIK feature.

(14) Except for common stock in publicly traded companies, the fair value of the investment was valued using significant unobservable inputs.

See Notes to Consolidated Financial Statements

TABLE OF CONTENTS

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, 20 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 t treated as a regulated investment company (RIC) as defined under Subchapter M of the Internal Revenue Code of 19 amended (the Code). As a RIC, the Company generally is not subject to corporate-level federal income tax on the po its taxable income (including net capital gains) the Company distributes to its stockholders. The Company primarily ma secured debt investments to development-stage companies in the technology, life science, healthcare information and s and cleantech 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 N Global Select Market under the symbol HRZN . The Company was formed to continue and expand the business of C Horizon Funding Company LLC, a Delaware limited liability company, which commenced operations in March 2008 a became the Company s wholly owned subsidiary upon the completion of the Company s IPO.

Horizon Credit II LLC (Credit II) was formed as a Delaware limited liability company on June 28, 2011, with the C 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 has also established an additional wholly owned subsidiary, which is structured as a Delaware limited li 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 fro debt investments the Company makes and capital appreciation from the warrants the Company receives when making s 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 day-to-day operations of, and provides investment advisory services to, the Company.

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 o Regulation S-X (Regulation S-X) under the Securities Act of 1933, as amended (the Securities Act). In the opinio management, the consolidated financial statements reflect all adjustments and reclassifications that are necessary for th presentation of financial results as of and for the periods presented. All intercompany balances and transactions have be eliminated. The current period s results of operations are not necessarily indicative of results that ultimately may be ac for the year. Therefore, the unaudited financial statements and notes should be read in conjunction with the audited fina statements and notes thereto for the year ended December 31, 2017.

Principles of consolidation

As required under GAAP and Regulation S-X, the Company will generally consolidate its investment in a company tha 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.

TABLE OF CONTENTS

Horizon Technology Finance Corporation and Subsidiaries

Notes to Consolidated Financial Statements

Note 2. Basis of presentation and significant accounting policies - (continued)

Use of estimates

In preparing the consolidated financial statements in accordance with GAAP, management is required to make estimate assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities 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 frame 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 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 assumpti 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 c factors, including, for example, the type of product, whether the product is new, whether the product is traded on an act exchange or in the secondary market and the current market conditions. To the extent that the valuation is based on mo 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 instru classified as Level 3.

See Note 6 for additional information regarding fair value.

Segments

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

Investments

Investments are recorded at fair value. The Company s board of directors (the Board) determines the fair value of t Company s portfolio investments. The Company has the intent to hold its debt investments for the foreseeable future c 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 r expect to receive interest and principal repayments, the debt investment is placed on non-accrual status and the recogni interest income may be discontinued. Interest payments received on non-accrual debt investments may be recognized a income, on a cash basis, or applied to principal depending upon management s judgment at the time the debt investme placed on non-accrual status. As of March 31, 2018, there were no debt investments on non-accrual status. As of Dece 31, 2017, there was one investment on non-accrual status with a cost of $3.0 million and a fair value of $2.9 million. F three months ended March 31, 2018 and 2017, the Company did not recognize any interest income from debt investme non-accrual status.

TABLE OF CONTENTS

Horizon Technology Finance Corporation and Subsidiaries

Notes to Consolidated Financial Statements

Note 2. Basis of presentation and significant accounting policies - (continued)

The Company receives a variety of fees from borrowers in the ordinary course of conducting its business, including ad fees, commitment fees, amendment fees, non-utilization fees, success fees and prepayment fees. In a limited number of 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 level-yield adjustment over the respective term of the debt investment. All other income is recognized when earned. Fe counterparty debt investment commitments with multiple debt investments are allocated to each debt investment based each debt investment s relative fair value. When a debt investment is placed on non-accrual status, the amortization of 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 a taken into income over the life of the debt investment to the extent such amounts are expected to be collected. The Con will generally cease accruing the income if there is insufficient value to support the accrual or the Company does not e the borrower to be able to pay the ETP when due. The proportion of the Company s total investment income that resul from the portion of ETPs not received in cash for the three months ended March 31, 2018 and 2017 was 7.5%.

In connection with substantially all lending arrangements, the Company receives warrants to purchase shares of stock f the borrower. The warrants are recorded as assets at estimated fair value on the grant date using the Black-Scholes valu model. The warrants are considered loan fees and are recorded as unearned income on the grant date. The unearned inc recognized as interest income over the contractual life of the related debt investment in accordance with the Company income recognition policy. Subsequent to debt investment origination, the fair value of the warrants is determined usin Black-Scholes valuation model. Any adjustment to fair value is recorded through earnings as net unrealized appreciatio depreciation on investments. Gains and losses from the disposition of the warrants or stock acquired from the exercise 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 th is not recoverable, are calculated using the specific identification method. The Company measures realized gains or los 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 portfolio investments during the reporting period, including any reversal of previously recorded unrealized appreciatio 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 fr lenders and issuing debt securities. The unamortized balance of debt issuance costs as of March 31, 2018 and Decembe

2017 was $2.0 million and $2.1 million, respectively. These amounts are amortized and included in interest expense in consolidated statements of operations over the life of the borrowings. The accumulated amortization balances as of Ma 2018 and December 31, 2017 were $2.0 million and $1.8 million, respectively. The amortization expense for the three months ended March 31, 2018 and 2017 was $0.2 million and $0.1 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 s qualify for the tax treatment applicable to RICs. In order to qualify as a RIC and to avoid the imposition of corporate-le income tax on the portion of its taxable income distributed to stockholders, among other things, the Company is require meet certain source of income and asset diversification requirements and to timely distribute dividends out of assets leg available for distribution to its stockholders of an amount generally at least equal to 90% of its investment company tax income, as

F-20

TABLE OF CONTENTS

Horizon Technology Finance Corporation and Subsidiaries

Notes to Consolidated Financial Statements

Note 2. Basis of presentation and significant accounting policies - (continued)

defined by the Code and determined without regard to any deduction for dividends paid, for each tax year. The Compa among other things, has made and intends to continue to make the requisite distributions to its stockholders, which gen relieves the Company from corporate-level U.S. federal income taxes. Accordingly, no provision for federal income ta been recorded in the financial statements. Differences between taxable income and net increase in net assets resulting f operations either can be temporary, meaning they will reverse in the future, or permanent. In accordance with Topic 94 *Financial Services Investment Companies*, of the Financial Accounting Standards Board s (FASB s), Accountin Codification, as amended (ASC), permanent tax differences, such as non-deductible excise taxes paid, are reclassifi distributions in excess of net investment income and net realized loss on investments to paid-in-capital at the end of ea fiscal year. These permanent book-to-tax differences are reclassified on the consolidated statements of changes in net a to reflect their tax character but have no impact on total net assets. For the year ended December 31, 2017, the Compa reclassified $0.03 million to paid-in capital from distributions in excess of net investment income, which related to exc taxes payable.

Depending on the level of taxable income earned in a tax year, the Company may choose to carry forward taxable inco excess of current year distributions into the next tax year and incur a 4% U.S. federal excise tax on such income, as req 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 tax income is earned. For the three months ended March 31, 2018 and 2017, there was no U.S. federal excise tax recorded.

The Company evaluates tax positions taken in the course of preparing the Company s tax returns to determine whethe positions are more-likely-than-not to be sustained by the applicable tax authority in accordance with ASC Topic 74 *Taxes*, as modified by ASC Topic 946. Tax benefits of positions not deemed to meet the more-likely-than-not threshol uncertain tax positions, would be recorded as a tax expense in the current year. It is the Company s policy to recogniz accrued interest and penalties related to uncertain tax benefits in income tax expense. The Company had no material uncertain tax positions at March 31, 2018 and December 31, 2017. The Company s income tax returns for the 2016, 2 2014 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 determined by the Board. Net realized capital gains, if any, may be distributed, although the Company may decide to r such net realized gains for investment.

The Company has adopted a dividend reinvestment plan that provides for reinvestment of cash distributions on behalf 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 automatica reinvested in additional shares of the Company s common stock, rather than receiving the cash distribution. The Comp may use newly issued shares to implement the plan or the Company may purchase shares in the open market to fulfill i obligations under the plan.

Stock Repurchase Program

On April 27, 2018, the Board extended a previously authorized stock repurchase program which allows the Company t repurchase up to $5.0 million of its common stock at prices below the Company s net asset value per share as reported most recent consolidated financial statements. Under the repurchase program, the Company may, but is not obligated t repurchase shares of its outstanding common stock in the open market or in privately negotiated transactions from time time. Any repurchases by the Company will comply with the requirements of Rule 10b-18 under the Securities Exchan of 1934, as amended (the Exchange Act), and any applicable requirements of the 1940 Act. Unless extended by the the repurchase program will terminate on the earlier of June 30, 2019 or the repurchase of $5.0 million of the

F-21

TABLE OF CONTENTS

Horizon Technology Finance Corporation and Subsidiaries

Notes to Consolidated Financial Statements

Note 2. Basis of presentation and significant accounting policies - (continued)

Company s common stock. During the three months ended March 31, 2018 and 2017, the Company did not make any repurchases of its common stock. From the inception of the stock repurchase program through March 31, 2018, the Co 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. 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. assets are owned by special purpose entities that are consolidated in the Company s financial statements. The creditors special purpose entities have received security interests in such assets and such assets are not intended to be available t 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 presum beyond the reach of the transferor and its creditors, even in bankruptcy or other receivership, (2) the transferee obtains right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred asse (3) the transferor does not maintain effective control over the transferred assets through either (a) an agreement that bo entitles and obligates the transferor to repurchase or redeem the assets before maturity or (b) the ability to unilaterally the holder to return specific assets, other than through a cleanup call.

Recently adopted accounting pronouncement

In April 2014, the FASB issued Accounting Standards Update 2014-09, Revenue from Contracts with Customers (Top (ASU 2014-09), which amends existing revenue recognition guidance to depict the transfer of promised goods or se customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those g or services. ASU 2014-09 is effective for annual and interim periods beginning after December 15, 2017. As required, Company adopted ASU 2014-09 effective January 1, 2018, and such adoption did not have an impact on the Company consolidated financial statements and disclosures.

Note 3. Related party transactions

Investment Management Agreement

The Investment Management Agreement was reapproved by the Board on July 28, 2017. Under the terms of the Invest
Management Agreement, the Advisor determines the composition of the Company s investment portfolio, the nature a
timing of the changes to the investment portfolio and the manner of implementing such changes; identifies, evaluates a
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
exercise of any voting or consent rights.

The Advisor s services under the Investment Management Agreement are not exclusive to the Company, and the Advi
free to furnish similar services to other entities so long as its services to the Company are not impaired. The Advisor is
registered investment adviser with the U.S. Securities and Exchange Commission. The Advisor receives fees for provic
services to the Company under the Investment Management Agreement, consisting of two components, a base manage
fee and an incentive fee.

The base management fee under the Investment Management Agreement is calculated at an annual rate of 2.00% of (i)
Company s gross assets, less (ii) assets consisting of cash and cash equivalents, and is payable monthly in arrears. For
purposes of calculating the base management fee, the term gross assets includes any assets acquired with the procee
leverage.

F-22

TABLE OF CONTENTS

Horizon Technology Finance Corporation and Subsidiaries

Notes to Consolidated Financial Statements

Note 3. Related party transactions - (continued)

The base management fee payable at March 31, 2018 and December 31, 2017 was $0.4 million. The base management expense was $1.1 million and $1.0 million for the three months ended March 31, 2018 and 2017, 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 p quarterly in arrears based on the Company s pre-incentive fee net investment income for the immediately preceding ca quarter. For this purpose, Pre-Incentive Fee Net Investment Income means interest income, dividend income and an income (including any other fees (other than fees for providing managerial assistance), such as commitment, originatio 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 Administratio Agreement (as defined below), and any interest expense and any dividends paid on any issued and outstanding preferre stock, but excluding the incentive fee). Pre-Incentive Fee Net Investment Income includes, in the case of investments w deferred interest feature (such as original issue discount, debt instruments with payment-in-kind interest and zero coupo securities), accrued income the Company has not yet received in cash. The incentive fee with respect to the Pre-Incenti 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 assets at the end of the immediately preceding calendar quarter, subject to a catch-up provision measured as of the e 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% Pre-Incentive Fee Net Investment Income with respect to that portion of such Pre-Incentive Fee Net Investment Income any, that exceeds the hurdle rate but is less than 2.1875% quarterly (which is 8.75% annualized). The effect of this ca provision is that, if Pre-Incentive Fee Net Investment Income exceeds 2.1875% in any calendar quarter, the Advisor wi receive 20.00% of the Pre-Incentive Fee Net Investment Income as if the hurdle rate did not apply.

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

Commencing with the calendar quarter beginning July 1, 2014, the incentive fee on Pre-Incentive Fee Net Investment I is subject to a fee cap and deferral mechanism which is determined based upon a look-back period of up to three years 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) commenced on July 1, 2014 and increased by one quarter at the end of each calendar quarter until June 30, 2017, after which time, the Incentive Fee Look-back Period includes t relevant calendar quarter and the 11 preceding full calendar quarters. Each quarterly incentive fee payable on Pre-Incen Fee Net Investment Income is subject to a cap (the Incentive Fee Cap) and a deferral mechanism through which the may recoup a portion of such deferred incentive fees (collectively, the Incentive Fee Cap and Deferral Mechanism). Incentive Fee Cap is equal to

F-23

Horizon Technology Finance Corporation and Subsidiaries

Notes to Consolidated Financial Statements

Note 3. Related party transactions - (continued)

(a) 20.00% of Cumulative Pre-Incentive Fee Net Return (as defined below) during the Incentive Fee Look-back Period (b) cumulative incentive fees of any kind paid to the Advisor during the Incentive Fee Look-back Period. To the extent 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 fee Pre-Incentive Fee Net Investment Income is limited by the Incentive Fee Cap, the payment of such fees will be deferre paid in subsequent calendar quarters up to three years after their date of deferment, subject to certain limitations, which 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-Incentiv Net Return during any Incentive Fee Look-back Period means the sum of (a) Pre-Incentive Fee Net Investment Incom the base management fee for each calendar quarter during the Incentive Fee Look-back Period and (b) the sum of cumu realized capital gains and losses, cumulative unrealized capital appreciation and cumulative unrealized capital deprecia 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 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 thro the end of such year, less all previous amounts paid in respect of the capital gain incentive fee. However, in accordance GAAP, the Company is required to include the aggregate unrealized capital appreciation on investments in the calculat and accrue a capital gain incentive fee on a quarterly basis, as if such unrealized capital appreciation were realized, eve though such unrealized capital appreciation is not permitted to be considered in calculating the fee actually payable und Investment Management Agreement.

On March 6, 2018, the Advisor irrevocably waived the receipt of incentive fees related to the amounts previously defer that it may be entitled to receive under the Investment Management Agreement for the period commencing on January 2018 and ending on December 31, 2018. Such waived incentive fees will not be subject to recoupment.

The performance based incentive fee expense was $0.5 million and $0.4 million for the three months ended March 31, and 2017, respectively. The incentive fee on Pre-Incentive Fee Net Investment Income was subject to the Incentive Fee and Deferral Mechanism for the three months ended March 31, 2018 and 2017, which resulted in $0.2 million and $0.3 million of reduced expense and additional net investment income, respectively. The performance based incentive fee pa as of March 31, 2018 and December 31, 2017 was $0.5 million. The entire incentive fee payable as of March 31, 2018 December 31, 2017 represented part one of the incentive fee.

Administration Agreement

The Company entered into an administration agreement (the Administration Agreement) with the Advisor to provid administrative services to the Company. For providing these services, facilities and personnel, the Company reimburse 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 e was $0.2 million for the three months ended March 31, 2018 and 2017.

TABLE OF CONTENTS

Horizon Technology Finance Corporation and Subsidiaries

Notes to Consolidated Financial Statements

Note 4. Investments

The following table shows the Company s investments as of March 31, 2018 and December 31, 2017:

	March 31, 2018		December 31, 2017	
	Cost	Fair Value	Cost	Fair Value
	(In thousands)			
Investments				
Debt	$ 193,682	$ 192,970	$ 204,235	$ 203,793
Warrants	6,296	9,304	6,182	9,090
Other	11,943	7,700	12,031	7,700
Equity	1,420	1,931	629	1,516
Total investments	$ 213,341	$ 211,905	$ 223,077	$ 222,099

The following table shows the Company s investments by industry sector as of March 31, 2018 and December 31, 201

	March 31, 2018		December 31, 2017	
	Cost	Fair Value	Cost	Fair Value
	(In thousands)			
Life Science				
Biotechnology	$ 20,269	$ 21,479	$ 21,249	$ 22,694
Drug Delivery	1,557	1,481	6,918	6,860
Medical Device	38,507	38,458	37,374	37,306
Technology				
Communications	19,846	19,804	19,823	19,773
Consumer-Related	4,271	5,105	11,359	12,314
Data Storage	4,200	100	4,226	100
Internet and Media	39,491	39,490	39,768	39,763
Materials	9,149	9,418	9,511	9,772
Networking			66	
Power Management	1,056	1,055	1,262	1,260
Semiconductors	3,840	4,283	3,823	4,256
Software	58,216	58,204	58,516	58,744
Cleantech				
Alternative Energy	68		68	
Energy Efficiency	100	119	100	117
Healthcare Information and Services				
Diagnostics	83	2	83	2
Other	218	169	218	165
Software	12,470	12,738	8,713	8,973
Total investments	$ 213,341	$ 211,905	$ 223,077	$ 222,099

TABLE OF CONTENTS

Horizon Technology Finance Corporation and Subsidiaries

Notes to Consolidated Financial Statements

Note 5. Transactions with affiliated companies

An affiliated company is generally a portfolio company in which the Company owns 5% or more of such portfolio com voting securities. Transactions related to investments in affiliated companies for the three months ended March 31, 201 as follows:

Portfolio Company	Three months ended March 31, 2018 Fair value at December 31, 2017 (In thousands)	Purchases	Sales	Transfers in/(out) at fair value	Discount accretion	Net unrealized gain/(loss)	Fair value at March 31, 2018	Net realized gain/(loss)	Interest income
Decisyon, Inc.	$ 3,499	$	$	$	$ 7	$ (20)	$ 3,486	$	$ 131
StereoVision, Inc.		3,589				(106)	3,483		
Total Affiliates	$ 3,499	$ 3,589	$	$	$ 7	$ (126)	$ 6,969	$	$ 131

There were no transactions related to investments in affiliated companies for the three months ended March 31, 2017.

Note 6. Fair value

The Company uses fair value measurements to record fair value adjustments to certain assets and liabilities and to dete fair value disclosures. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an o transaction between market participants at the measurement date. Fair value is best determined based upon quoted mar prices. However, in certain instances, there are no quoted market prices for certain assets or liabilities. In cases where q market prices are not available, fair values are based on estimates using present value or other valuation techniques. Th techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash f Accordingly, the fair value estimates may not be realized in an immediate settlement of the asset or liability.

Fair value measurements focus on exit prices in an orderly transaction (that is, not a forced liquidation or distressed sal between market participants at the measurement date under current market conditions. If there has been a significant de in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valua techniques may be appropriate. In such instances, determining the price at which willing market participants would tra the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment.

The Company s fair value measurements are classified into a fair value hierarchy in accordance with ASC Topic 820, *Value Measurement*, based on the markets in which the assets and liabilities are traded and the reliability of the assump used to determine fair value. 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 acti model-based valuation techniques for which all significant inputs are observable or can be corroborated by observable market data for substantially the full

	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 li include financial instruments whose value is determined using pricing models, discounted cash flow methodologies or similar techniques, as well as instrun which the determination of fair value requires significant management judgment or estimation.

Investments are valued at fair value as determined in good faith by the Board, based on input of management, the audit committee and independent valuation firms which are engaged at the direction of the Board to assist in the valuation of portfolio investment lacking a readily available market quotation at

TABLE OF CONTENTS

Horizon Technology Finance Corporation and Subsidiaries

Notes to Consolidated Financial Statements

Note 6. Fair value - (continued)

least once during a trailing twelve-month period under a valuation policy and a consistently applied valuation process. valuation process is conducted at the end of each fiscal quarter, with at least 25% (based on fair value) of the Company valuation of portfolio companies lacking readily available market quotations subject to review by an independent valua firm.

Because there is not a readily available market value for most of the investments in its portfolio, the Company values substantially all of its portfolio investments at fair value as determined in good faith by the Board, as described herein. the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, 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 investm are generally subject to legal and other restrictions on resale or otherwise are less liquid than publicly traded securities. 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 a recorded at fair value on a recurring basis and are categorized as Level 1 within the fair value hierarchy described abov

Debt investments: The fair value of debt investments is estimated by discounting the expected future cash flows using period end rates at which similar debt investments would be made to borrowers with similar credit ratings and for the s remaining maturities. At March 31, 2018 and December 31, 2017, the hypothetical market yields used ranged from 10 25%. Significant increases (decreases) in this unobservable input would result in a significantly lower (higher) fair valu measurement. These assets are recorded at fair value on a recurring basis and are categorized as Level 3 within the fair hierarchy described above.

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

Warrant investments: The Company values its warrants using the Black-Scholes valuation model incorporating the fol 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 underlying company issuing the warrant. A total of seven such indices are used. Significant increases (decreases) in this unobservable input would result in a signif 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 in 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 en

F-27

TABLE OF CONTENTS

Horizon Technology Finance Corporation and Subsidiaries

Notes to Consolidated Financial Statements

Note 6. Fair value - (continued)

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 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 bank 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 wa fair value, such as an expected settlement of a warrant in the near term or a model that incorporates a put feature associ with the warrant. The fair value may be determined based on the expected proceeds to be received from such settlemen 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 rea available in public markets or can be derived from information available in public markets. Therefore, the Company ha 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 manag best estimate of what market participants would use in pricing the warrants at the measurement date. Therefore, the Co has categorized these warrants as Level 3 within the fair value hierarchy described above. These assets are recorded at 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 new third-party round of equity financing. The Company may make adjustments to fair value, absent a new equity fina event, based upon positive or negative changes in a portfolio company s financial or operational performance. Signific increases (decreases) in this unobservable input would result in a significantly higher (lower) fair value measurement. Company has categorized these equity investments as Level 3 within the fair value hierarchy described above. The fair 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 hierar 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 flo model as the contractual future cash flows contain elements of variability. Significant changes in the estimated cash flo 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 investment 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 measurem its investments as of March 31, 2018 and December 31, 2017. In addition to the techniques and inputs noted in the tabl below, according to the Company s valuation policy, the Company may also use other valuation techniques and methodologies when determining its fair value measurements.

F-28

TABLE OF CONTENTS

Horizon Technology Finance Corporation and Subsidiaries

Notes to Consolidated Financial Statements

Note 6. Fair value - (continued)

The following table is not intended to be all-inclusive, but rather provides information on the significant Level 3 inputs they relate to the Company s fair value measurements as of March 31, 2018:

March 31, 2018 Investment Type	Fair Value	Valuation Techniques/Methodologies	Unobservable Input	Range	Weighted Average
(Dollars in thousands, except per share data)					
Debt investments	$ 192,624	Discounted Expected Future Cash Flows	Hypothetical Market Yield	10% 25%	13%
	346	Liquidation Scenario	Probability Weighting	100%	100%
Warrant investments	7,456	Black-Scholes Valuation Model	Price Per Share Average Industry Volatility Marketability Discount Estimated Time to Exit	$0.00 $22.38 20% 20% 1 to 5 years	$3.63 20% 20% 3 years
	2	Expected Settlement	Price Per Share	$0.001	$0.001
Other investments	7,700	Multiple Probability Weighted Cash Flow Model	Discount Rate Probability Weighting	18% 25% 0% 100%	19% 36%
Equity investments	990	Last Equity Financing	Price Per Share	$0.00 $1.26	$0.46
Total Level 3 investments	$ 209,118				

The following table is not intended to be all-inclusive, but rather provides information on the significant Level 3 inputs they relate to the Company s fair value measurements as of December 31, 2017:

December 31, 2017 Investment Type	Fair Value	Valuation Techniques/Methodologies	Unobservable Input	Range	Weighted Average
(Dollars in thousands, except per share data)					
Debt investments	$ 200,893	Discounted Expected Future Cash Flows	Hypothetical Market Yield	10% 25%	13%
	2,900	Liquidation Scenario	Discount Rate Marketability Discount Uncertainty Discount	18% 20% 20%	18% 20% 20%
Warrant investments	7,371	Black-Scholes Valuation Model	Price Per Share Average Industry Volatility Marketability Discount Estimated Time to Exit	$0.00 $22.38 20% 20% 1 to 5 years	$3.69 20% 20% 3 years
	2	Expected Proceeds	Price Per Share	$0.001	$0.001
Other investments	7,700	Multiple Probability Weighted Cash Flow Model	Discount Rate Probability Weighting	18% 25% 0% 100%	19% 36%
Equity investments	249	Last Equity Financing	Price Per Share	$0.00 $1.26	$0.54
Total Level 3 investments	$ 219,115				

Borrowings: The carrying amount of borrowings under the Company s revolving credit facility (the Key Facility) KeyBank National Association (Key) approximates fair value due to the variable interest rate of the Key Facility an 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 2022 Notes (as defin Note 7) is based on the closing public share price on the date of measurement. On March 31, 2018, the closing price of

2022 Notes on the New York Stock Exchange was $25.75 per note, or $38.5 million. Therefore, the Company has categorized this borrowing as Level 1 within the fair value hierarchy described above.

Off-balance-sheet instruments: Fair values for off-balance-sheet lending commitments are based on fees currently cha 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 describ above.

F-29

TABLE OF CONTENTS

Horizon Technology Finance Corporation and Subsidiaries

Notes to Consolidated Financial Statements

Note 6. Fair value - (continued)

The following tables detail the assets that are carried at fair value and measured at fair value on a recurring basis as of March 31, 2018 and December 31, 2017 and indicate the fair value hierarchy of the valuation techniques utilized by the Company to determine the fair value:

	March 31, 2018			
	Total	Level 1	Level 2	Level 3
	(In thousands)			
Debt investments	$ 192,970	$	$	$ 192,970
Warrant investments	$ 9,304	$	$ 1,846	$ 7,458
Other investments	$ 7,700	$	$	$ 7,700
Equity investments	$ 1,931	$ 941	$	$ 990

	December 31, 2017			
	Total	Level 1	Level 2	Level 3
	(In thousands)			
Debt investments	$ 203,793	$	$	$ 203,793
Warrant investments	$ 9,090	$	$ 1,717	$ 7,373
Other investments	$ 7,700	$	$	$ 7,700
Equity investments	$ 1,516	$ 1,267	$	$ 249

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 March 31, 2018:

	Three Months Ended March 31, 2018				
	Debt Investments	Warrant Investments	Equity Investments	Other Investments	Total
	(In thousands)				
Level 3 assets, beginning of period	$ 203,793	$ 7,373	$ 249	$ 7,700	$ 219,115
Purchase of investments	8,562				8,562
Warrants and equity received and classified as Level 3		240	791		1,031
Principal payments received on investments	(15,452)			(88)	(15,540)
Proceeds from sale of investments	(2,715)				(2,715)
Net realized loss on investments	(15)	(134)			(149)
Unrealized (depreciation) appreciation included in earnings	(270)	(21)	(50)	88	(253)
Other	(933)				(933)
Level 3 assets, end of period	$ 192,970	$ 7,458	$ 990	$ 7,700	$ 209,118

The Company s transfers between levels are recognized at the end of each reporting period. During the three months ended March 31 2018, there were no transfers between levels.

The change in unrealized depreciation included in the consolidated statement of operations attributable to Level 3 investments still held at March 31, 2018 includes $0.3 million in unrealized depreciation on debt and other investments, million in unrealized depreciation on warrant investments and $0.05 million in unrealized depreciation on equity investments

F-30

TABLE OF CONTENTS

Horizon Technology Finance Corporation and Subsidiaries

Notes to Consolidated Financial Statements

Note 6. Fair value - (continued)

The following table shows a reconciliation of the beginning and ending balances for Level 3 assets measured at fair val a recurring basis for the three months ended March 31, 2017:

	Three Months Ended March 31, 2017				
	Debt Investments	Warrant Investments	Equity Investments	Other Investments	Total
	(In thousands)				
Level 3 assets, beginning of period	$ 186,186	$ 5,857	$ 268	$ 600	$ 192,911
Purchase of investments	25,916				25,916
Warrants and equity received and classified as Level 3		856			856
Principal payments received on investments	(39,490)			(21)	(39,511)
Proceeds from sale of investments		(1,215)			(1,215)
Net realized (loss) gain on investments	(11,019)	780			(10,239)
Unrealized appreciation (depreciation) included in earnings	10,414	(28)		21	10,407
Transfer from debt to other investments	(5,300)			5,300	
Other	(641)				(641)
Level 3 assets, end of period	$ 166,066	$ 6,250	$ 268	$ 5,900	$ 178,484

The Company s transfers between levels are recognized at the end of each reporting period. During the three months e March 31, 2017, there were no transfers between levels.

The change in unrealized appreciation included in the consolidated statement of operations attributable to Level 3 investments still held at March 31, 2017 includes $0.5 million in unrealized depreciation on debt and other investments million in unrealized depreciation on warrant investments and $0.1 million in unrealized appreciation on equity investr

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

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

As of March 31, 2018 and December 31, 2017, the recorded balances equaled fair values of all the Company s financi instruments, except for the Company s 2022 Notes, as previously described.

Off-balance-sheet instruments

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 ch and that change may be either favorable or unfavorable to the Company. Management attempts to match maturities of a and liabilities to the extent believed necessary to minimize interest rate risk. Management monitors rates and maturities assets and liabilities and attempts to minimize interest rate risk by adjusting terms of new debt investments and by inve in securities with terms that mitigate the Company s overall interest rate risk.

F-31

TABLE OF CONTENTS

Horizon Technology Finance Corporation and Subsidiaries

Notes to Consolidated Financial Statements

Note 7. Borrowings

The following table shows the Company s borrowings as of March 31, 2018 and December 31, 2017:

	March 31, 2018			December 31, 2017		
	Total Commitment	Balance Outstanding	Unused Commitment	Total Commitment	Balance Outstanding	Unused Commitment
	(In thousands)					
Key Facility	$95,000	$ 58,000	$ 37,000	$95,000	$ 58,000	$ 37,000
2022 Notes	37,375	37,375		37,375	37,375	
Total before debt issuance costs	132,375	95,375	37,000	132,375	95,375	37,000
Unamortized debt issuance costs attributable to term borrowings		(1,231)			(1,300)	
Total borrowings outstanding, net	$132,375	$ 94,144	$ 37,000	$132,375	$ 94,075	$ 37,000

Currently, with certain limited exceptions, as a BDC, the Company is only allowed to borrow amounts such that the Company s asset coverage, as defined in the 1940 Act, is at least 200% after such borrowings. As of March 31, 2018, Company s asset coverage for borrowed amounts was 241%.

On March 23, 2018, President Trump signed into law the Small Business Credit Availability Act as part of an omnibus spending bill, which, among other things, amends the 1940 Act to reduce the minimum required asset coverage applica BDCs under the 1940 Act from 200% to 150% if certain approval and disclosure requirements are met. Before such red asset coverage requirement can apply to the Company, such reduced asset coverage requirement must be approved by e (a) a majority of the Company s directors who have no financial interest in such approval and a majority of the Compa directors who are not interested persons, as defined by the 1940 Act, of the Company in which case such reduced asset coverage requirement would take effect on the first anniversary of the date of such Board approval, or (b) a majority of cast by the stockholders of the Company at a special or annual meeting at which a quorum is present, in which case suc reduced asset coverage requirement shall take effect on the day after such approval.

The Company entered into the Key Facility with Key effective November 4, 2013. The Key Facility has an accordion f which allows for an increase in the total loan commitment to $150 million from the $95 million commitment as of Mar 2018. The Key Facility is collateralized by all debt investments and warrants held by Credit II and permits an advance up to 50% 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 rela loan agreement. As of March 31, 2018, the Key Facility had a revolving period that extended to August 12, 2018, follo by a two-year amortization period and was scheduled to mature on August 12, 2020. The interest rate is based upon the one-month London Interbank Offered Rate (LIBOR), plus a spread of 3.25%, with a LIBOR floor of 0.75%. The LI was 1.88% and 1.56% on March 31, 2018 and December 31, 2017, respectively. The average interest rate for the three months ended March 31, 2018 and 2017 was 4.85% and 4.03%, respectively. The Key Facility requires the payment of unused line fee in an amount equal to 0.50% of any unborrowed amount available under the facility annually. As of Ma 31, 2018 and December 31, 2017, the Company had borrowing capacity under the Key Facility of $37.0 million. At Ma

31, 2018 and December 31, 2017, $24.0 million and $23.6 million, respectively, was available, subject to existing term
advance rates.

F-32

TABLE OF CONTENTS

Horizon Technology Finance Corporation and Subsidiaries

Notes to Consolidated Financial Statements

Note 7. Borrowings - (continued)

On March 23, 2012, the Company issued and sold an aggregate principal amount of $30.0 million of 7.375% senior unsecured notes due in 2019 and on April 18, 2012, pursuant to the underwriters 30 day option to purchase additional the Company sold an additional $3.0 million of such notes (collectively, the 2019 Notes). The 2019 Notes had a stat maturity of March 15, 2019 and were redeemable in whole or in part at the Company s option at any time or from time at a redemption price of $25 per security plus accrued and unpaid interest. The 2019 Notes bore interest at a rate of 7.3 per year payable quarterly on March 15, June 15, September 15 and December 15 of each year. The 2019 Notes were t Company s direct unsecured obligations and (i) ranked equally in right of payment with the Company s future unsecu indebtedness; (ii) were senior in right of payment to any of the Company s future indebtedness that expressly provided subordinated to the 2019 Notes; (iii) were effectively subordinated to all of the Company s existing and future secured indebtedness (including indebtedness that was initially unsecured to which the Company subsequently granted security the extent of the value of the assets securing such indebtedness, and (iv) were structurally subordinated to all existing a future indebtedness and other obligations of any of the Company s subsidiaries. On October 30, 2017 (the Redempti the Company redeemed all of the issued and outstanding 2019 Notes in an aggregate principal amount of $33.0 million paid accrued interest of $0.3 million. The Company accelerated $0.2 million of unamortized debt issuance costs related 2019 Notes. The 2019 Notes were delisted effective on the Redemption Date.

On September 29, 2017, the Company issued and sold an aggregate principal amount of $32.5 million of 6.25% notes d 2022 and on October 11, 2017, pursuant to the underwriters 30 day option to purchase additional notes, the Company additional $4.9 million of such notes (collectively, the 2022 Notes). The 2022 Notes have a stated maturity of Septe 2022 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 Se 15, 2019 at a redemption price of $25 per security plus accrued and unpaid interest. The 2022 Notes bear interest at a ra 6.25% per year, payable quarterly on March 15, June 15, September 15 and December 15 of each year. The 2022 Notes the Company s direct unsecured obligations and (i) rank equally in right of payment with the Company s current and 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 2022 Notes; (iii) are effectively subordinated to all of the Company s existing and fu secured indebtedness (including indebtedness that is initially unsecured to which the Company subsequently grants sec to the extent of the value of the assets securing such indebtedness, and (iv) are structurally subordinated to all existing a future indebtedness and other obligations of any of the Company s subsidiaries. As of March 31, 2018, the Company w material compliance with the terms of the 2022 Notes. The 2022 Notes are listed on the New York Stock Exchange un symbol HTFA .

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 var degrees, elements of credit risk in excess of the amount recognized in the consolidated statement of assets and liabilitie Company attempts to limit its credit risk by conducting extensive due diligence and obtaining collateral where appropr

The balance of unfunded commitments to extend credit was $22.5 million and $33.3 million as of March 31, 2018 and December 31, 2017, respectively. Commitments to extend credit consist principally of the unused portions of commitm that obligate the Company to extend credit, such as revolving credit arrangements or similar transactions. These commitments are often subject to financial or non-financial milestones and other conditions to borrow that must be ach 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.

TABLE OF CONTENTS

Horizon Technology Finance Corporation and Subsidiaries

Notes to Consolidated Financial Statements

Note 8. Financial instruments with off-balance-sheet risk - (continued)

The following table provides the Company s unfunded commitments by portfolio company as of March 31, 2018:

	March 31, 2018	
	Principal Balance	Fair Value of Unfunded Commitment Liability
	(In thousands)	
Aerin Medical, Inc.	$ 5,000	$ 63
VERO Biotech LLC	2,000	20
HealthEdge Software, Inc.	7,500	75
Intelepeer Holdings, Inc.	3,000	40
PebblePost, Inc.	4,000	59
StereoVision Imaging, Inc.	1,000	
Total	$ 22,500	$ 257

The table above also provides the fair value of the Company s unfunded commitment liability as of March 31, 2018, w totaled $0.3 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 counterparti credit profile. The unfunded commitment liability reflects the fair value of these future funding commitments and is inc in the Company s consolidated statement of assets and liabilities.

Note 9. Concentrations of credit risk

The Company s debt investments consist primarily of loans to development-stage companies at various stages of deve in the technology, life science, healthcare information and services and cleantech industries. Many of these companies have relatively limited operating histories and also may experience variation in operating results. Many of these compa conduct business in regulated industries and could be affected by changes in government regulations. Most of the Com borrowers will need additional capital to satisfy their continuing working capital needs and other requirements, and in r 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 ex debt investments are repaid. The Company s five largest debt investments, at cost, represented 32% and 29% of total d investments outstanding as of March 31, 2018 and December 31, 2017, respectively. No single debt investment represe more than 10% of the total debt investments as of March 31, 2018 and December 31, 2017. Investment income, consist interest and fees, can fluctuate significantly upon repayment of large debt investments. Interest income from the five la debt investments accounted for 29% and 14% of total interest and fee income on investments for the three months ende March 31, 2018 and 2017, respectively.

F-34

TABLE OF CONTENTS

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 di activity for the three months ended March 31, 2018 and for the years ended December 31, 2017 and 2016:

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)					
Three Months Ended March 31, 2018						
3/1/18	5/17/18	6/15/18	$ 0.10	$		$
3/1/18	4/19/18	5/15/18	0.10			
3/1/18	3/19/18	4/17/18	0.10	1,139	1,255	13
			$ 0.30	$ 1,139	1,255	$ 13
Year Ended December 31, 2017						
10/27/17	2/21/18	3/15/18	$ 0.10	$ 1,138	1,241	$ 14
10/27/17	1/22/18	2/15/18	0.10	1,139	1,185	13
10/27/17	12/20/17	1/17/18	0.10	1,139	1,119	13
7/28/17	11/20/17	12/15/17	0.10	1,139	1,227	13
7/28/17	10/19/17	11/15/17	0.10	1,139	1,195	13
7/28/17	9/20/17	10/16/17	0.10	1,138	1,205	14
4/27/17	8/18/17	9/15/17	0.10	1,140	1,199	13
4/27/17	7/20/17	8/15/17	0.10	1,140	1,159	12
4/27/17	6/20/17	7/14/17	0.10	1,138	1,164	13
3/3/17	5/19/17	6/15/17	0.10	1,137	1,202	14
3/3/17	4/21/17	5/16/17	0.10	1,137	1,287	15
3/3/17	3/20/17	4/18/17	0.10	1,134	1,510	18
			$ 1.20	$ 13,658	14,693	$ 165
Year Ended December 31, 2016						
10/28/16	2/22/17	3/15/17	$ 0.10	$ 1,134	1,665	$ 16
10/28/16	1/19/17	2/15/17	0.10	1,133	1,542	17
10/28/16	12/20/16	1/13/17	0.10	1,137	1,550	16
7/29/16	11/18/16	12/15/16	0.115	1,308	1,712	19
7/29/16	10/20/16	11/15/16	0.115	1,308	1,896	21
7/29/16	9/20/16	10/17/16	0.115	1,305	1,716	22
4/28/16	8/19/16	9/15/16	0.115	1,307	1,535	21
4/28/16	7/20/16	8/15/16	0.115	1,302	1,842	25
4/28/16	6/20/16	7/15/16	0.115	1,305	1,734	23
3/3/16	5/19/16	6/15/16	0.115	1,305	1,898	23
3/3/16	4/20/16	5/16/16	0.115	1,283	3,821	44
3/3/16	3/18/16	4/15/16	0.115	1,306	1,840	21
			$ 1.335	$ 15,133	22,751	$ 268

TABLE OF CONTENTS

Horizon Technology Finance Corporation and Subsidiaries

Notes to Consolidated Financial Statements

Note 10. Distributions - (continued)

On April 27, 2018, the Board declared monthly distributions per share, payable as set forth in the following table:

Ex-Dividend Date	Record Date	Payment Date	Distributions Declared
August 16, 2018	August 17, 2018	September 14, 2018	$ 0.10
July 18, 2018	July 19, 2018	August 15, 2018	$ 0.10
June 18, 2018	June 19, 2018	July 17, 2018	$ 0.10

After paying distributions of $0.30 per share and earning $0.28 per share for the quarter, the Company s undistributed spillover income as of March 31, 2018 was $0.07 per share. Spillover income includes any ordinary income and net cap gains from the preceding tax years that were not distributed during such tax years.

Note 11. Financial highlights

The following table shows financial highlights for the Company:

	Three Months Ended March 31,	
	2018	2017
	(In thousands, except share and per share data)	
Per share data:		
Net asset value at beginning of period	$ 11.72	$ 12.09
Net investment income	0.28	0.29
Realized loss on investments	(0.01)	(0.94)
Unrealized (depreciation) appreciation on investments	(0.04)	0.97
Net increase in net assets resulting from operations	0.23	0.32
Distributions declared[1]	(0.30)	(0.30)
From net investment income	(0.30)	(0.30)
From net realized gain on investments		
Return of capital		
Net asset value at end of period	$ 11.65	$ 12.11
Per share market value, beginning of period	$ 11.22	$ 10.53
Per share market value, end of period	$ 10.39	$ 11.13
Total return based on a market value[2]	(4.7)%	8.5%
Shares outstanding at end of period	11,523,951	11,515,181
Ratios to average net assets:		
Expenses without incentive fees	10.2%[3]	9.1%[3]
Incentive fees	1.6%[3]	1.2%[3]
Net expenses	11.8%[3]	10.3%[3]
Net investment income with incentive fees	9.5%[3]	9.7%[3]
Net assets at the end of the period	$ 134,261	$ 139,439
Average net asset value	$ 134,668	$ 139,316
Average debt per share	$ 8.28	$ 7.47
Portfolio turnover ratio	4.3%	14.4%

(1)

Distributions are determined based on taxable income calculated in accordance with income tax regulations, which may differ from amounts determined under G
due to (i) changes in unrealized appreciation and depreciation, (ii) temporary and permanent differences in income and expense recognition, and (iii) the amount
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 wel
tax attributes for distributions in such tax year, will be made after the close of the tax year.

TABLE OF CONTENTS

Horizon Technology Finance Corporation and Subsidiaries

Notes to Consolidated Financial Statements

Note 11. Financial highlights - (continued)

(2) 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, div the beginning price.

(3) Annualized.

Note 12. Subsequent event

On April 6, 2018, the Company amended the Key Facility to increase the aggregate commitments to $100.0 million an extend the revolving period to April 6, 2021 and the maturity date to April 6, 2023.

TABLE OF CONTENTS

Management s Report on Internal Control over Financi Reporting

Management of Horizon Technology Finance Corporation (the Company) is responsible for establishing and mainta adequate internal control over the Company s financial reporting. The Company s internal control system is a process to provide reasonable assurance to management and the board of directors regarding the preparation and fair presentati published financial statements.

The Company s internal control over financial reporting includes policies and procedures that pertain to the maintenan records that, in reasonable detail, accurately and fairly reflect transactions recorded necessary to permit the preparation financial statements in accordance with U.S. generally accepted accounting principles. The Company s policies and procedures also provide reasonable assurance that receipts and expenditures are being made only in accordance with authorizations of management and the directors of the Company, and provide reasonable assurance regarding preventio timely detection of unauthorized acquisition, use or disposition of the Company s assets that could have a material eff the Company s financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness as to future periods are subject to the risk that control become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures r deteriorate.

Management assessed the effectiveness of the Company s internal control over financial reporting as of December 31, In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadwa Commission in *Internal Control Integrated Framework* issued in 2013. Based on the assessment, management believ that, as of December 31, 2017, the Company s internal control over financial reporting is effective based on those crite

The Company s independent registered public accounting firm that audited the financial statements has issued an audi on the effectiveness of the Company s internal control over financial reporting as of December 31, 2017, which appea annual report on page F-40.

F-38

TABLE OF CONTENTS

Report of Independent Registered Public Accounting Fi

To the Stockholders and the Board of Directors
Horizon Technology Finance Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of assets and liabilities, including the consolidated schedul investments, of Horizon Technology Finance Corporation and Subsidiaries (the Company) as of December 31, 2017 ar 2016, and the related consolidated statements of operations, changes in net assets and cash flows for each of the three y the period ended December 31, 2017, and the related notes to the consolidated financial statements (collectively, the fi statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the three y the period ended December 31, 2017, in conformity with accounting principles generally accepted in the United States America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United S (PCAOB), the Company s internal control over financial reporting as of December 31, 2017, based on criteria establis *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013, and our report dated March 6, 2018, expressed an unqualified opinion on the effectiveness of the Company s internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company s management. Our responsibility is to express an op the Company s financial statements based on our audits. We are a public accounting firm registered with the PCAOB required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applica rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and pe the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whe due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the fina statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures inclu examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluatin overall presentation of the financial statements. Our procedures included confirmation of investments owned as of Dec 31, 2017 and 2016, by correspondence with the custodian or borrower or by other appropriate auditing procedures whe replies from the custodian or borrowers were not received. We believe that our audits provide a reasonable basis for ou opinion.

/s/ RSM US LLP

We have served as the Company s auditor since 2008.

New York, New York
March 6, 2018

F-39

TABLE OF CONTENTS

Report of Independent Registered Public Accounting Fi on
Internal Control Over Financial Reporting

To the Stockholders and the Board of Directors
Horizon Technology Finance Corporation

Opinion on the Internal Control Over Financial Reporting

We have audited Horizon Technology Finance Corporation and Subsidiaries (the Company) internal control over fina reporting as of December 31, 2017, based on criteria established in *Internal Control Integrated Framework* issued by Committee of Sponsoring Organizations of the Treadway Commission in 2013. In our opinion, the Company maintaine all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria estab in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United S (PCAOB), the consolidated statements of assets and liabilities of the Company, including the consolidated schedules o investments, as of December 31, 2017 and 2016, and the related consolidated statements of operations, changes in net a and cash flows for each of the three years in the period ended December 31, 2017, and our report dated March 6, 2018 expressed an unqualified opinion.

Basis for Opinion

The Company s management is responsible for maintaining effective internal control over financial reporting and for i assessment of the effectiveness of internal control over financial reporting in the accompanying Management s Report Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company s internal contr financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perf the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintaine all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessi risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal contro based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding reliability of financial reporting and the preparation of financial statements for external purposes in accordance with ge

accepted accounting principles. A company s internal control over financial reporting includes those policies and proc
that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions anc
dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary t
permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipt
expenditures of the company are being made only in accordance with authorizations of management and directors of th
company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, u
disposition of the company s assets that could have a material effect on the financial statements.

F-40

TABLE OF CONTENTS

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. A
projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequ
because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ RSM US LLP

New York, New York
March 6, 2018

F-41

TABLE OF CONTENTS

Horizon Technology Finance Corporation and Subsidiaries

Consolidated Statements of Assets and Liabilities (In thousands, except share and per share data)

	December 31, 2017	2016
Assets		
Non-affiliate investments at fair value (cost of $219,303 and $211,627, respectively) (Note 4)	$218,600	$ 194,003
Affiliate investments at fair value (cost of $3,774) (Note 5)	3,499	
Total investments at fair value (cost of $223,077 and $211,627, respectively)	222,099	194,003
Cash	6,594	37,135
Interest receivable	3,986	6,036
Other assets	1,467	2,078
Total assets	$234,146	$ 239,252
Liabilities		
Borrowings (Note 7)	$94,075	$ 95,597
Distributions payable	3,456	3,453
Base management fee payable (Note 3)	379	337
Incentive fee payable (Note 3)	541	
Other accrued expenses	620	673
Total liabilities	99,071	100,060
Commitments and Contingencies (Note 8 and 9)		
Net assets		
Preferred stock, par value $0.001 per share, 1,000,000 shares authorized, zero shares issued and outstanding as of December 31, 2017 and 2016		
Common stock, par value $0.001 per share, 100,000,000 shares authorized, 11,687,871 and 11,671,966 shares issued and 11,520,406 and 11,510,424 shares outstanding as of December 31, 2017 and 2016, respectively	12	12
Paid-in capital in excess of par	179,641	179,551
Distributions in excess of net investment income	(1,898)	(397)
Net unrealized depreciation on investments	(978)	(19,463)
Net realized loss on investments	(41,702)	(20,511)
Total net assets	135,075	139,192
Total liabilities and net assets	$234,146	$ 239,252
Net asset value per common share	$11.72	$ 12.09

See Notes to Consolidated Financial Statements

TABLE OF CONTENTS

Horizon Technology Finance Corporation and Subsidiaries

Consolidated Statements of Operations (In thousands, except share and per share data)

	Year Ended December 31, 2017	2016	2015
Investment income			
Interest income on non-affiliate investments	$ 23,538	$ 31,397	$ 28,650
Interest income on affiliate investments	225		
Total interest income on investments	23,763	31,397	28,650
Fee income			
Prepayment fee income on non-affiliate investments	1,432	794	1,289
Fee income on non-affiliate investments	567	793	1,171
Fee income on affiliate investments	15		
Total investment income	25,777	32,984	31,110
Expenses			
Interest expense	5,167	5,878	5,757
Base management fee (Note 3)	3,786	4,727	4,747
Performance based incentive fee (Note 3)	1,714	2,126	3,501
Administrative fee (Note 3)	699	869	1,124
Professional fees	1,365	1,486	1,308
General and administrative	803	886	1,023
Total expenses	13,534	15,972	17,460
Management and performance based incentive fees waived (Note 3)	(79)		(346)
Net expenses	13,455	15,972	17,114
Net investment income before excise tax	12,322	17,012	13,996
Provision (credit) for excise tax (Note 8)	25	(87)	
Net investment income	12,297	17,099	13,996
Net realized and unrealized loss on investments			
Net realized loss on non-affiliate investments	(21,191)	(7,776)	(1,650)
Net realized loss on investments	(21,191)	(7,776)	(1,650)
Net unrealized appreciation (depreciation) on non-affiliate investments	18,506	(14,236)	(490)
Net unrealized depreciation on affiliate investments	(21)		
Net unrealized appreciation (depreciation) on investments	18,485	(14,236)	(490)
Net realized and unrealized loss on investments	(2,706)	(22,012)	(2,140)
Net increase (decrease) in net assets resulting from operations	$ 9,591	$ (4,913)	$ 11,856
Net investment income per common share	$ 1.07	$ 1.48	$ 1.25
Net increase (decrease) in net assets per common share	$ 0.83	$ (0.43)	$ 1.06
Distributions declared per share	$ 1.20	$ 1.335	$ 1.38
Weighted average shares outstanding	11,516,846	11,543,708	11,180,864

See Notes to Consolidated Financial Statements

F-43

TABLE OF CONTENTS

Horizon Technology Finance Corporation and Subsidiaries

Consolidated Statements of Changes in Net Assets (In thousands, except share data)

See Notes to Consolidated Financial Statements

TABLE OF CONTENTS

Horizon Technology Finance Corporation and Subsidiaries

Consolidated Statements of Cash Flow (In thousands)

	Year Ended December 31, 2017	2016	2015
Cash flows from operating activities:			
Net increase (decrease) in net assets resulting from operations	$9,591	$(4,913)	$11,856
Adjustments to reconcile net increase (decrease) in net assets resulting from operations to net cash (used in) provided by operating activities:			
Amortization of debt issuance costs	795	562	911
Net realized loss on investments	21,191	7,776	1,650
Net unrealized (appreciation) depreciation on investments	(18,485)	14,236	490
Purchase of investments	(135,556)	(59,858)	(123,281)
Principal payments received on investments	103,790	95,710	74,640
Proceeds from sale of investments	1,840	984	1,669
Changes in assets and liabilities:			
Net decrease (increase) in investments in money market funds		285	(258)
Net decrease in restricted investments in money market funds		1,091	1,815
(Increase) decrease in interest receivable	(87)	211	(199)
Decrease (increase) in end-of-term payments	1,437	(1,861)	(1,301)
Decrease in unearned income	(176)	(712)	(203)
Decrease in other assets	289		634
Decrease in other accrued expenses	(53)	(125)	(11)
Increase (decrease) in base management fee payable	42	(48)	29
Increase (decrease) in incentive fee payable	541	(1,028)	229
Net cash (used in) provided by operating activities	(14,841)	52,310	(31,330)
Cash flows from financing activities:			
Proceeds from issuance of 2022 Notes	37,375		
Repayment of 2019 Notes	(33,000)		
Proceeds from issuance of common stock, net of offering costs			26,506
Repayment of Asset-Backed Notes		(14,546)	(24,207)
Advances on credit facility	92,000	10,000	58,000
Repayment of credit facility	(97,000)	(15,000)	
Distributions paid	(13,646)	(15,657)	(14,888)
Repurchase of common stock	(59)	(516)	(1,313)
Debt issuance costs	(1,370)	(221)	(420)
Net cash (used in) provided by financing activities	(15,700)	(35,940)	43,678
Net (decrease) increase in cash	(30,541)	16,370	12,348
Cash:			
Beginning of period	37,135	20,765	8,417
End of period	$6,594	$37,135	$20,765
Supplemental disclosure of cash flow information:			
Cash paid for interest	$4,397	$5,305	$4,733
Supplemental non-cash investing and financing activities:			
Warrant investments received and recorded as unearned income	$2,463	$554	$870
Distributions payable	$3,456	$3,453	$3,980
End of term payments receivable	$2,936	$5,074	$5,086

See Notes to Consolidated Financial Statements

TABLE OF CONTENTS

Horizon Technology Finance Corporation and Subsidiaries

Consolidated Schedule of Investments December 31, 2017 (In thousands)

See Notes to Consolidated Financial Statements

TABLE OF CONTENTS

Horizon Technology Finance Corporation and Subsidiaries

Consolidated Schedule of Investments December 31, 2017 (Continued) (In thousands)

See Notes to Consolidated Financial Statements

TABLE OF CONTENTS

Horizon Technology Finance Corporation and Subsidiaries

Consolidated Schedule of Investments December 31, 2017 - (Continued) (In thousands)

See Notes to Consolidated Financial Statements

TABLE OF CONTENTS

Horizon Technology Finance Corporation and Subsidiaries

Consolidated Schedule of Investments December 31, 2017 - (Continued) (In thousands)

See Notes to Consolidated Financial Statements

TABLE OF CONTENTS

Horizon Technology Finance Corporation and Subsidiaries

Consolidated Schedule of Investments December 31, 2017 - (Continued) (In thousands)

(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 State

(2) Has been pledged as collateral under the Key Facility.

(3) All non-affiliate investments are investments in which the Company owns less than 5% ownership of the voting securities of the portfolio company. All affiliate investments are investments in which the Company owns 5% or more of the voting securities of the portfolio company.

See Notes to Consolidated Financial Statements

TABLE OF CONTENTS

Horizon Technology Finance Corporation and Subsidiaries

Consolidated Schedule of Investments December 31, 2017 - (Continued) (In thousands)

(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 annua 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, co fees or prepayment fees. Debt investments are at fixed rates for the term of the debt investment, unless otherwise indicated. All debt investments based on LIBO based on one-month LIBOR. For each debt investment, the current interest rate in effect as of December 31, 2017 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) The Company did not have any non-qualifying assets under Section 55(a) of the Investment Company Act of 1940, as amended (the 1940 Act), as of Decemb 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% 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 E 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 inco the Company has not yet received in cash.

(11) Debt investment is on non-accrual status as of December 31, 2017.

(12) Digital Signal Corporation, a Delaware corporation (DSC), made an assignment for the benefit of its creditors whereby DSC assigned all of its assets to DSC (assignment for the benefit of creditors), LLC (DSC ABC), a Delaware limited liability company, established under Delaware law to effectuate the Assignm Benefit of Creditors of DSC.

(13) Debt investment has a payment-in-kind (PIK) feature.

(14) Except for common stock in publicly traded companies, the fair value of the investment was valued using significant unobservable inputs.

See Notes to Consolidated Financial Statements

F-51

TABLE OF CONTENTS

Horizon Technology Finance Corporation and Subsidiaries

Consolidated Schedule of Investments December 31, 2016 (In thousands)

See Notes to Consolidated Financial Statements

F-52

TABLE OF CONTENTS

Horizon Technology Finance Corporation and Subsidiaries

Consolidated Schedule of Investments December 31, 2016 (Continued) (In thousands)

See Notes to Consolidated Financial Statements

TABLE OF CONTENTS

Horizon Technology Finance Corporation and Subsidiaries

Consolidated Schedule of Investments December 31, 2016 - (Continued) (In thousands)

See Notes to Consolidated Financial Statements

TABLE OF CONTENTS

Horizon Technology Finance Corporation and Subsidiaries

Consolidated Schedule of Investments December 31, 2016 - (Continued) (In thousands)

See Notes to Consolidated Financial Statements

F-55

TABLE OF CONTENTS

Horizon Technology Finance Corporation and Subsidiaries

Consolidated Schedule of Investments December 31, 2016 - (Continued) (In thousands)

See Notes to Consolidated Financial Statements

F-56

TABLE OF CONTENTS

Horizon Technology Finance Corporation and Subsidiaries

Consolidated Schedule of Investments December 31, 2016 - (Continued) (In thousands)

(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 Stat

(2) Has been pledged as collateral under the Key Facility.

(3) All investments are less than 5% ownership of the class and ownership of the portfolio company.

(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 annua 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 prepaym All debt investments are at fixed rates for the term of the debt investment, unless otherwise indicated. Debt investments based on LIBOR are based on one-mont LIBOR. For each debt investment, the current interest rate in effect as of December 31, 2016 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) The Company did not have any non-qualifying assets under Section 55(a) of the 1940 Act, as of December 31, 2016. Under the 1940 Act, the Company may not 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 E 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 inco the Company has not yet received in cash.

(11) Debt investment is on non-accrual status as of December 31, 2016.

(12) ScoreBig, Inc., a Delaware corporation (ScoreBig), made an assignment for the benefit of its creditors whereby ScoreBig assigned all of its assets to SB (ass the benefit of creditors), LLC, a California limited liability company (SBABC), established under California law to effectuate the Assignment for the Benef Creditors of ScoreBig. SBABC subsequently entered into a License Agreement with a third party (Licensee), whereby SBABC granted a license of certain c intellectual property and general intangibles to Licensee in exchange for certain royalty payments on the future net profits, if any, of Licensee. SBABC, in cons for the Company s consent to the License Agreement, agreed to pay all payments due under the License Agreement, if any, to the Company until the payment cash of the Company s debt investments in ScoreBig.

(13) DSC, made an assignment for the benefit of its creditors whereby DSC assigned all of its assets to DSC (assignment for the benefit of creditors), LLC, a Delaw limited liability company, established under Delaware law to effectuate the Assignment for the Benefit of Creditors of DSC.

(14) Except for common stock in publicly traded companies, the fair value of the investment was valued using significant unobservable inputs.

See Notes to Consolidated Financial Statements

TABLE OF CONTENTS

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, 20
an externally managed, non-diversified, closed-end investment company. The Company has elected to be regulated as a
business development company (BDC) under the Investment Company Act of 1940, as amended (the 1940 Act).
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 n
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 compani
the technology, life science, healthcare information and services and cleantech 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

On October 28, 2010, the Company completed an initial public offering (IPO) and its common stock trades on the N
Global Select Market under the symbol HRZN. The Company was formed to continue and expand the business of C
Horizon Funding Company LLC, a Delaware limited liability company, which commenced operations in March 2008 a
became the Company s wholly owned subsidiary upon the completion of the Company s IPO.

Horizon Credit II LLC (Credit II) was formed as a Delaware limited liability company on June 28, 2011, with the C
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 2013-1 LLC (2013-1 LLC) as a Delaware limited liability company on June
and Horizon Funding Trust 2013-1 (2013-1 Trust and, together with the 2013-1 LLC, the 2013-1 Entities) as a D
on June 18, 2013. The 2013-1 Entities were special purpose bankruptcy remote entities and were separate legal entities
the Company. The Company formed the 2013-1 Entities for purposes of securitizing $189.3 million of secured loans (t
2013-1 Securitization) and issuing fixed-rate asset-backed notes in an aggregate principal amount of $90.0 million (
Asset-Backed Notes). The 2013-1 Entities were dissolved as of December 31, 2016.

The Company has also established an additional wholly owned subsidiary, which is structured as a Delaware limited li
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 fro
debt investments the Company makes and capital appreciation from the warrants the Company receives when making s
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 manage
day-to-day operations of, and provides investment advisory services to, the Company.

On March 24, 2015, the Company completed a public offering of 2,000,000 shares of its common stock at a public offe
price of $13.95 per share, for total net proceeds to the Company of $26.5 million, after deducting underwriting commis
and discounts and other offering expenses (the 2015 Offering).

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-K and Articles 6 and 10 o Regulation S-X (Regulation S-X) under the Securities Act of 1933, as amended (the Securities Act). In the opinio management, the consolidated financial statements reflect

F-58

TABLE OF CONTENTS

Horizon Technology Finance Corporation and Subsidiaries

Notes to Consolidated Financial Statements

Note 2. Basis of presentation and significant accounting policies - (continued)

all adjustments and reclassifications that are necessary for the fair presentation of financial results as of and for the peri presented. All intercompany balances and transactions have been eliminated.

Principles of consolidation

As required under GAAP and Regulation S-X, the Company will generally consolidate its investment in a company tha 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.

Use of estimates

In preparing the consolidated financial statements in accordance with GAAP, management is required to make estimate assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities 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 frame 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 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 assumpti 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 o factors, including, for example, the type of product, whether the product is new, whether the product is traded on an act exchange or in the secondary market and the current market conditions. To the extent that the valuation is based on mo 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 instru classified as Level 3.

See Note 6 for additional information regarding fair value.

Segments

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

Investments

Investments are recorded at fair value. The Company s board of directors (the Board) determines the fair value of th Company s portfolio investments. The Company has the intent to hold its debt investments for the foreseeable future o 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

F-59

TABLE OF CONTENTS

Horizon Technology Finance Corporation and Subsidiaries

Notes to Consolidated Financial Statements

Note 2. Basis of presentation and significant accounting policies - (continued)

due, or if the Company otherwise does not expect to receive interest and principal repayments, the debt investment is p on non-accrual status and the recognition of interest income may be discontinued. Interest payments received on non-a 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 December 31, 2017, there was one inve on non-accrual status with a cost of $3.0 million and a fair value of $2.9 million. As of December 31, 2016, there were investments on non-accrual status with a cost of $26.2 million and a fair value of $11.5 million. For the year ended De 31, 2017, the Company recognized, as interest income, payments of $0.1 million received from one portfolio company debt investment was on non-accrual status. For the year ended December 31, 2016, the Company did not recognize inte income from debt investments on non-accrual status. For the year ended December 31, 2015, the Company recognized interest income, payments of $0.2 million received from one portfolio company whose debt investment was on non-ac status.

The Company receives a variety of fees from borrowers in the ordinary course of conducting its business, including ad fees, commitment fees, amendment fees, non-utilization fees, success fees and prepayment fees. In a limited number of 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 level-yield adjustment over the respective term of the debt investment. All other income is recognized when earned. Fe counterparty debt investment commitments with multiple debt investments are allocated to each debt investment based each debt investment s relative fair value. When a debt investment is placed on non-accrual status, the amortization of 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 a taken into income over the life of the debt investment to the extent such amounts are expected to be collected. The Con will generally cease accruing the income if there is insufficient value to support the accrual or the Company does not e the borrower to be able to pay the ETP when due. The proportion of the Company s total investment income that resul from the portion of ETPs not received in cash for the years ended December 31, 2017, 2016 and 2015 was 6.0%, 10.8% 7.1%, respectively.

In connection with substantially all lending arrangements, the Company receives warrants to purchase shares of stock f the borrower. The warrants are recorded as assets at estimated fair value on the grant date using the Black-Scholes valu model. The warrants are considered loan fees and are recorded as unearned income on the grant date. The unearned inc recognized as interest income over the contractual life of the related debt investment in accordance with the Company income recognition policy. Subsequent to debt investment origination, the fair value of the warrants is determined usin Black-Scholes valuation model. Any adjustment to fair value is recorded through earnings as net unrealized appreciatio depreciation on investments. Gains and losses from the disposition of the warrants or stock acquired from the exercise 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 th
is not recoverable, are calculated using the specific identification method. The Company measures realized gains or los
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
portfolio investments during the reporting period, including any reversal of previously recorded unrealized appreciatio
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 fr
lenders and issuing debt securities. The unamortized balance of debt issuance costs as of December 31, 2017 and 2016
$2.1 million and $1.6 million, respectively. These amounts are amortized

F-60

TABLE OF CONTENTS

Horizon Technology Finance Corporation and Subsidiaries

Notes to Consolidated Financial Statements

Note 2. Basis of presentation and significant accounting policies - (continued)

and included in interest expense in the consolidated statements of operations over the life of the borrowings. The accum amortization balances as of December 31, 2017 and 2016 were $1.8 million and $2.4 million, respectively. The amortiz expense for the years ended December 31, 2017, 2016 and 2015 was $0.8 million, $0.6 million and $0.9 million, respe

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 s qualify for the tax treatment applicable to RICs. In order to qualify as a RIC and to avoid the imposition of corporate-le income tax on the portion of its taxable income distributed to stockholders, among other things, the Company is require meet certain source of income and asset diversification requirements and to timely distribute dividends out of assets leg available for distribution to its stockholders of an amount generally at least equal to 90% of its investment company tax income, as defined by the Code and determined without regard to any deduction for dividends paid, for each tax year. T Company, among other things, has made and intends to continue to make the requisite distributions to its stockholders, generally relieves the Company from corporate-level U.S. federal income taxes. Accordingly, no provision for federal i tax has been recorded in the financial statements. Differences between taxable income and net increase in net assets res from operations either can be temporary, meaning they will reverse in the future, or permanent. In accordance with Top 946, *Financial Services Investment Companies*, of the Financial Accounting Standards Board s (FASB s), Accou Standards Codification, as amended (ASC), 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-capita 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 3 2017, the Company reclassified $0.03 million to paid-in capital from distributions in excess of net investment income, related to excise taxes payable. For the year ended December 31, 2016, the Company reclassified $0.1 million to paid-i capital from distributions in excess of net investment income, which related to excise taxes refunded in 2016. For the y ended December 31, 2015, the Company reclassified $1.0 million to paid-in capital from distributions in excess of net investment income of $0.9 million and net realized loss on investments of $0.1 million, which related to excise taxes pa prior years.

Depending on the level of taxable income earned in a tax year, the Company may choose to carry forward taxable inco excess of current year distributions into the next tax year and incur a 4% U.S. federal excise tax on such income, as req 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 tax income is earned. For the years ended December 31, 2017 and 2016, $0.03 million and $0.1 million, respectively, was recorded for U.S. federal excise tax. For the year ended December 31, 2015, there was no U.S. federal excise tax recor

The Company evaluates tax positions taken in the course of preparing the Company s tax returns to determine whether positions are more-likely-than-not to be sustained by the applicable tax authority in accordance with ASC Topic 740 *Taxes*, as modified by ASC Topic 946. Tax benefits of positions not deemed to meet the more-likely-than-not threshold 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 December 31, 2017 and 2016. The 2016, 2015 and 2014 tax years remain subject to examinat U.S. federal and state tax authorities.

F-61

TABLE OF CONTENTS

Horizon Technology Finance Corporation and Subsidiaries

Notes to Consolidated Financial Statements

Note 2. Basis of presentation and significant accounting policies - (continued)

Distributions

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

The Company has adopted a dividend reinvestment plan that provides for reinvestment of cash distributions on behalf o 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 automatica reinvested in additional shares of the Company s common stock, rather than receiving the cash distribution. The Comp may use newly issued shares to implement the plan or the Company may purchase shares in the open market to fulfill i obligations under the plan.

Stock Repurchase Program

On April 27, 2017, the Board extended a previously authorized stock repurchase program which allows the Company t repurchase up to $5.0 million of its common stock at prices below the Company s net asset value per share as reported 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 time. Any repurchases by the Company will comply with the requirements of Rule 10b-18 under the Securities Exchan of 1934, as amended, and any applicable requirements of the 1940 Act. Unless extended by the Board, the repurchase program will terminate on the earlier of June 30, 2018 or the repurchase of $5.0 million of the Company s common sto During the year ended December 31, 2017, the Company repurchased 5,923 shares of its common stock at an average p of $9.97 on the open market at a total cost of $0.1 million. During the year ended December 31, 2016, the Company repurchased 48,160 shares of its common stock at an average price of $10.66 on the open market at a total cost of $0.5 million. During the year ended December 31, 2015, the Company repurchased 113,382 shares of its common stock at a average price of $11.53 on the open market at a total cost of $1.3 million. From the inception of the stock repurchase p through December 31, 2017, the Company repurchased 167,465 shares of its common stock at an average price of $11. 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. assets are owned by special purpose entities that are consolidated in the Company s financial statements. The creditors

special purpose entities have received security interests in such assets and such assets are not intended to be available t
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 presump beyond the reach of the transferor and its creditors, even in bankruptcy or other receivership, (2) the transferee obtains right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred asse (3) the transferor does not maintain effective control over the transferred assets through either (a) an agreement that bo entitles and obligates the transferor to repurchase or redeem the assets before maturity or (b) the ability to unilaterally c the holder to return specific assets, other than through a cleanup call.

TABLE OF CONTENTS

Horizon Technology Finance Corporation and Subsidiaries

Notes to Consolidated Financial Statements

Note 2. Basis of presentation and significant accounting policies - (continued)

Recently issued accounting pronouncement

In April 2014, the FASB issued Accounting Standards Update 2014-09, Revenue from Contracts with Customers (Top 606), or ASU 2014-09, which amends existing revenue recognition guidance to depict the transfer of promised goods o services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange those goods or services. This guidance is effective for annual and interim periods beginning on or after December 15, 2 The Company has evaluated ASU 2014-09 and determined it will not have a material impact on its consolidated financ statements and disclosures.

Note 3. Related party transactions

Investment Management Agreement

The Investment Management Agreement was reapproved by the Board on July 28, 2017. Under the terms of the Invest Management Agreement, the Advisor determines the composition of the Company s investment portfolio, the nature a timing of the changes to the investment portfolio and the manner of implementing such changes; identifies, evaluates a 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 exercise of any voting or consent rights.

The Advisor s services under the Investment Management Agreement are not exclusive to the Company, and the Advi free to furnish similar services to other entities so long as its services to the Company are not impaired. The Advisor is registered investment adviser with the U.S. Securities and Exchange Commission (the SEC). The Advisor receives f providing services to the Company under the Investment Management Agreement, consisting of two components, a bas management fee and an incentive fee.

The base management fee under the Investment Management Agreement is calculated at an annual rate of 2.00% of (i) Company s gross assets, less (ii) assets consisting of cash and cash equivalents, and is payable monthly in arrears. For purposes of calculating the base management fee, the term gross assets includes any assets acquired with the procee leverage. In addition, the Advisor agreed to waive its base management fee relating to the proceeds raised in the 2015 Offering, to the extent such fee is not otherwise waived and regardless of the application of the proceeds raised, until th earlier to occur of (i) March 31, 2016 or (ii) the last day of the second consecutive calendar quarter in which the Compa net investment income exceeds distributions declared on its shares of common stock for the applicable quarter. As of December 31, 2015, the Company had met condition (ii) above as net investment income exceeded distributions declar the quarters ended September 30, 2015 and December 31, 2015.

During the year ended December 31, 2015, the Advisor waived base management fees of $0.3 million, which the Advi
would have otherwise earned on the proceeds raised in the 2015 Offering. The base management fee payable at Decem
2017 and 2016 was $0.4 million and $0.3 million, respectively. After giving effect of the waiver, the base management
expense was $3.8 million, $4.7 million and $4.4 million for the years ended December 31, 2017, 2016 and 2015, respe

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 p
quarterly in arrears based on the Company s pre-incentive fee net investment income for the immediately preceding ca
quarter. For this purpose, Pre-Incentive Fee Net Investment Income means interest income, dividend income and an
income (including any other fees (other than fees for providing managerial assistance), such as commitment, originatio
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

F-63

TABLE OF CONTENTS

Horizon Technology Finance Corporation and Subsidiaries

Notes to Consolidated Financial Statements

Note 3. Related party transactions - (continued)

under the Administration Agreement (as defined below), and any interest expense and any dividends paid on any issued outstanding preferred stock, but excluding the incentive fee). Pre-Incentive Fee Net Investment Income includes, in the of investments with a deferred interest feature (such as original issue discount, debt instruments with payment-in-kind and zero coupon securities), accrued income the Company has not yet received in cash. The incentive fee with respect Pre-Incentive Fee Net Investment Income is 20.00% of the amount, if any, by which the Pre-Incentive Fee Net Investm Income for the immediately preceding calendar quarter exceeds a hurdle rate of 1.75% (which is 7.00% annualized) of Company s net assets at the end of the immediately preceding calendar quarter, subject to a catch-up provision mea the end of each calendar quarter. Under this provision, in any calendar quarter, the Advisor receives no incentive fee un Pre-Incentive Fee Net Investment Income equals the hurdle rate of 1.75%, but then receives, as a catch-up, 100.00% Pre-Incentive Fee Net Investment Income with respect to that portion of such Pre-Incentive Fee Net Investment Income any, that exceeds the hurdle rate but is less than 2.1875% quarterly (which is 8.75% annualized). The effect of this ca provision is that, if Pre-Incentive Fee Net Investment Income exceeds 2.1875% in any calendar quarter, the Advisor wi receive 20.00% of the Pre-Incentive Fee Net Investment Income as if the hurdle rate did not apply.

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

Commencing with the calendar quarter beginning July 1, 2014, the incentive fee on Pre-Incentive Fee Net Investment I is subject to a fee cap and deferral mechanism which is determined based upon a look-back period of up to three years 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) commenced on July 1, 2014 and increased by one quarter at the end of each calendar quarter until June 30, 2017, after which time, the Incentive Fee Look-back Period includes t relevant calendar quarter and the 11 preceding full calendar quarters. Each quarterly incentive fee payable on Pre-Incen Fee Net Investment Income is subject to a cap (the Incentive Fee Cap) and a deferral mechanism through which the may recoup a portion of such deferred incentive fees (collectively, the Incentive Fee Cap and Deferral Mechanism). Incentive Fee Cap is equal to (a) 20.00% of Cumulative Pre-Incentive Fee Net Return (as defined below) during the Inc Fee Look-back Period less (b) cumulative incentive fees of any kind paid to the Advisor during the Incentive Fee Look Period. To the extent the Incentive Fee Cap is zero or a negative value in any calendar quarter, the Company will not pa incentive fee on Pre-Incentive Fee Net Investment Income to the Advisor in that quarter. To the extent that the paymen incentive fees on Pre-Incentive Fee Net Investment Income is limited by the Incentive Fee Cap, the payment of such fe 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-Ince Net Investment Income and the base management fee for each calendar quarter during the Incentive Fee Look-back Pe and (b) the sum of

F-64

TABLE OF CONTENTS

Horizon Technology Finance Corporation and Subsidiaries

Notes to Consolidated Financial Statements

Note 3. Related party transactions - (continued)

cumulative realized capital gains and losses, cumulative unrealized capital appreciation and cumulative unrealized capi 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 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 thro the end of such year, less all previous amounts paid in respect of the capital gain incentive fee. However, in accordance GAAP, the Company is required to include the aggregate unrealized capital appreciation on investments in the calculat and accrue a capital gain incentive fee on a quarterly basis, as if such unrealized capital appreciation were realized, eve though such unrealized capital appreciation is not permitted to be considered in calculating the fee actually payable und Investment Management Agreement.

During the year ended December 31, 2017, the Advisor waived performance based incentive fees of $0.1 million which Advisor would have otherwise earned. The performance based incentive fee expense was $1.6 million, $2.1 million and million for the years ended December 31, 2017, 2016 and 2015, respectively. The incentive fee on Pre-Incentive Fee N Investment Income was subject to the Incentive Fee Cap and Deferral Mechanism for the years ended December 31, 20 and 2016, which resulted in $1.1 million and $1.7 million, respectively, of reduced expense and additional net investme income. As of December 31, 2015, the incentive fee on Pre-Incentive Fee Net Investment Income was not limited by th Incentive Fee Cap and Deferral Mechanism. The performance based incentive fee payable at December 31, 2017 was $ million. The entire incentive fee payable at December 31, 2017 represented part one of the incentive fee. There was no performance based incentive fee payable at December 31, 2016.

Administration Agreement

The Company entered into an administration agreement (the Administration Agreement) with the Advisor to provid administrative services to the Company. For providing these services, facilities and personnel, the Company reimburse 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 e was $0.7 million, $0.9 million and $1.1 million for the years ended December 31, 2017, 2016 and 2015, respectively.

Note 4. Investments

The following table shows the Company s investments as of December 31, 2017 and 2016:

	December 31, 2017		December 31, 2016	
	Cost	Fair Value	Cost	Fair Value
	(In thousands)			
Investments				
Debt	$ 204,235	$ 203,793	$ 201,216	$ 186,186
Warrants	6,182	9,090	5,140	6,362
Other	12,031	7,700	4,683	600
Equity	629	1,516	588	855
Total investments	$ 223,077	$ 222,099	$ 211,627	$ 194,003

F-65

TABLE OF CONTENTS

Horizon Technology Finance Corporation and Subsidiaries

Notes to Consolidated Financial Statements

Note 4. Investments - (continued)

The following table shows the Company s investments by industry sector as of December 31, 2017 and 2016:

	December 31, 2017		December 31, 2016	
	Cost	Fair Value	Cost	Fair Value
	(In thousands)			
Life Science				
Biotechnology	$ 21,249	$ 22,694	$ 46,703	$ 41,578
Drug Delivery	6,918	6,860		
Medical Device	37,374	37,306	14,164	13,736
Technology				
Communications	19,823	19,773	108	99
Consumer-Related	11,359	12,314	21,055	22,121
Data Storage	4,226	100	4,340	100
Internet and Media	39,768	39,763	7,933	7,933
Materials	9,511	9,772	9,966	10,222
Networking	66		3,412	3,409
Power Management	1,262	1,260	2,255	2,318
Semiconductors	3,823	4,256	12,076	8,311
Software	58,516	58,744	60,516	55,362
Cleantech				
Alternative Energy	68		93	
Energy Efficiency	100	117	2,086	2,082
Waste Recycling			5,997	6,003
Healthcare Information and Services				
Diagnostics	83	2	4,817	4,405
Other	218	165	5,988	5,939
Software	8,713	8,973	10,118	10,385
Total investments	$ 223,077	$ 222,099	$ 211,627	$ 194,003

Note 5. Transactions with affiliated companies

An affiliated company is generally a portfolio company in which the Company owns 5% or more of its voting securitie
Transactions related to investments in affiliated companies for the year ended December 31, 2017 were as follows:

	Year ended December 31, 2017								
Portfolio Company	Fair value at December 31, 2016	Purchases	Sales	Transfers in at fair value	Discount accretion	Net unrealized loss	Fair value at December 31, 2017	Net realized gain (loss)	Interest income
	(In thousands)								
Decisyon, Inc.[(1)]	$	$ 750	$	$ 2,754	$ 16	$ (21)	$ 3,499	$	$ 225
Total Affiliates	$	$ 750	$	$ 2,754	$ 16	$ (21)	$ 3,499	$	$ 225

(1) During the year ended December 31, 2017, the Company s ownership in the portfolio company increased to five percent of the portfolio company s voting sec

There were no transactions related to investments in affiliated companies for the year ended December 31, 2016.

F-66

TABLE OF CONTENTS

Horizon Technology Finance Corporation and Subsidiaries

Notes to Consolidated Financial Statements

Note 6. Fair value

The Company uses fair value measurements to record fair value adjustments to certain assets and liabilities and to dete fair value disclosures. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an o transaction between market participants at the measurement date. Fair value is best determined based upon quoted mar prices. However, in certain instances, there are no quoted market prices for certain assets or liabilities. In cases where market prices are not available, fair values are based on estimates using present value or other valuation techniques. Th techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash f Accordingly, the fair value estimates may not be realized in an immediate settlement of the asset or liability.

Fair value measurements focus on exit prices in an orderly transaction (that is, not a forced liquidation or distressed sal between market participants at the measurement date under current market conditions. If there has been a significant d in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valu techniques may be appropriate. In such instances, determining the price at which willing market participants would tra the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment.

The Company s fair value measurements are classified into a fair value hierarchy in accordance with ASC Topic 820, *Value Measurement*, based on the markets in which the assets and liabilities are traded and the reliability of the assump used to determine fair value. 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 acti model-based valuation techniques for which all significant inputs are observable or can be corroborated by observable market data for substantially the full 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 li include financial instruments whose value is determined using pricing models, discounted cash flow methodologies or similar techniques, as well as instrum which the determination of fair value requires significant management judgment or estimation.

Investments are valued at fair value as determined in good faith by the Board, based on input of management, the audit committee and independent valuation firms which are engaged at the direction of the Board to assist in the valuation o portfolio investment lacking a readily available market quotation at least once during a trailing twelve-month period u valuation policy and a consistently applied valuation process. This valuation process is conducted at the end of each fis quarter, with at least 25% (based on fair value) of the Company s valuation of portfolio companies lacking readily ava market quotations subject to review by an independent valuation firm.

Because there is not a readily available market value for most of the investments in its portfolio, the Company values substantially all of its portfolio investments at fair value as determined in good faith by the Board, as described herein. the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, value of the Company s investments may fluctuate from period to period. Additionally, the fair value of the Company 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 investm are generally subject to legal and other restrictions on resale or otherwise are less liquid than publicly traded securities. 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.

F-67

TABLE OF CONTENTS

Horizon Technology Finance Corporation and Subsidiaries

Notes to Consolidated Financial Statements

Note 6. Fair value - (continued)

Cash and interest receivable: The carrying amount is a reasonable estimate of fair value. These financial instruments recorded at fair value on a recurring basis and are categorized as Level 1 within the fair value hierarchy described abov

Debt investments: The fair value of debt investments is estimated by discounting the expected future cash flows using year end rates at which similar debt investments would be made to borrowers with similar credit ratings and for the san remaining maturities. At December 31, 2017 and 2016, the hypothetical market yields used ranged from 10% to 25% a 11% to 25%, respectively. Significant increases (decreases) in this unobservable input would result in a significantly lo (higher) fair value measurement. These assets are recorded at fair value on a recurring basis and are categorized as Lev within the fair value hierarchy described above.

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

Warrant investments: The Company values its warrants using the Black-Scholes valuation model incorporating the fol 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 underlying company issuing the warrant. A total of seven such indices are used. Significant increases (decreases) in this unobservable input would result in a signif 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 in 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 en 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 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 bank 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 wa fair value, such as an expected settlement of a warrant in the near term or a model that incorporates a put feature associ with the warrant. The fair value may be determined based on the expected proceeds to be received from such settlemen 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 rea available in public markets or can be derived from information available in public markets. Therefore, the Company ha 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 manag best estimate of what market

F-68

TABLE OF CONTENTS

Horizon Technology Finance Corporation and Subsidiaries

Notes to Consolidated Financial Statements

Note 6. Fair value - (continued)

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 recurri basis.

Equity investments: The fair value of an equity investment in a privately held company is initially the face value of th amount invested. The Company adjusts the fair value of equity investments in private companies upon the completion new third-party round of equity financing. The Company may make adjustments to fair value, absent a new equity fina event, based upon positive or negative changes in a portfolio company s financial or operational performance. Signific increases (decreases) in this unobservable input would result in a significantly higher (lower) fair value measurement. Company has categorized these equity investments as Level 3 within the fair value hierarchy described above. The fair 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 hierar 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 flo model as the contractual future cash flows contain elements of variability. Significant changes in the estimated cash flo 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 investment 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 measure its investments as of December 31, 2017 and 2016. 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 methodologie determining its fair value measurements.

The following table is not intended to be all-inclusive, but rather provides information on the significant Level 3 inputs they relate to the Company s fair value measurements as of December 31, 2017:

		December 31, 2017				
Investment Type	Fair Value	Valuation Techniques/Methodologies	Unobservable Input	Range		Weighted Average
(Dollars in thousands, except per share data)						
Debt investments	$ 200,893	Discounted Expected Future Cash Flows	Hypothetical Market Yield	10%	25%	13%
	2,900	Liquidation Scenario	Discount Rate	18%		18%
			Marketability Discount	20%		20%
			Uncertainty Discount	20%		20%
Warrant investments	7,371	Black-Scholes Valuation Model	Price Per Share	$0.00	$22.38	$3.69
			Average Industry Volatility	20%		20%

			Marketability Discount	20%	20%
			Estimated Time to Exit	1 to 5 years	3 years
	2	Expected Proceeds	Price Per Share	$0.001	$0.001
Other investments	7,700	Multiple Probability Weighted Cash Flow Model	Discount Rate	18% 25%	19%
			Probability Weighting	0% 100%	36%
Equity investments	249	Last Equity Financing	Price Per Share	$0.00 $1.26	$0.54
Total Level 3 investments	$ 219,115				

TABLE OF CONTENTS

Horizon Technology Finance Corporation and Subsidiaries

Notes to Consolidated Financial Statements

Note 6. Fair value - (continued)

The following table is not intended to be all-inclusive, but rather provides information on the significant Level 3 inputs they relate to the Company s fair value measurements as of December 31, 2016:

Investment Type	Fair Value	Valuation Techniques/Methodologies	Unobservable Input	Range		Weighted Average
	December 31, 2016					
(Dollars in thousands, except per share data)						
Debt investments	$ 174,686	Discounted Expected Future Cash Flows	Hypothetical Market Yield	11%	25%	13%
	11,500	Liquidation Scenario	Probability Weighting	25%	100%	40%
Warrant investments	5,677	Black-Scholes Valuation Model	Price Per Share	$0.00	$63.98	$4.02
			Average Industry Volatility	21%		21%
			Marketability Discount	20%		20%
			Estimated Time to Exit	1 to 5 years		3 years
	180	Expected Settlement	Price Per Share	$1.78		$1.78
Other investments	600	Multiple Probability Weighted Cash Flow Model	Discount Rate	25%		25%
			Probability Weighting	25%	100%	43%
Equity investments	268	Last Equity Financing	Price Per Share	$0.04	$1.00	$0.34
Total Level 3 investments	$ 192,911					

Borrowings: The carrying amount of borrowings under the Company s revolving credit facility (the Key Facility) KeyBank National Association (Key) approximates fair value due to the variable interest rate of the Key Facility an 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 2022 Notes and 2019 (as defined in Note 7) is based on the closing public share price on the date of measurement. On December 31, 2017, th closing price of the 2022 Notes on the New York Stock Exchange was $25.40 per note, or $38.0 million. Therefore, the Company has categorized this borrowing as Level 1 within the fair value hierarchy described above.

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

The following tables detail the assets that are carried at fair value and measured at fair value on a recurring basis as of December 31, 2017 and 2016 and indicate the fair value hierarchy of the valuation techniques utilized by the Company determine the fair value:

	December 31, 2017			
	Total	Level 1	Level 2	Level 3
	(In thousands)			
Debt investments	$ 203,793	$	$	$ 203,793
Warrant investments	$ 9,090	$	$ 1,717	$ 7,373
Other investments	$ 7,700	$	$	$ 7,700

Equity investments	$ 1,516	$ 1,267	$	$ 249

F-70

TABLE OF CONTENTS

Horizon Technology Finance Corporation and Subsidiaries

Notes to Consolidated Financial Statements

Note 6. Fair value - (continued)

	December 31, 2016			
	Total	Level 1	Level 2	Level 3
	(In thousands)			
Debt investments	$ 186,186	$	$	$ 186,186
Warrant investments	$ 6,362	$	$ 505	$ 5,857
Other investments	$ 600	$	$	$ 600
Equity investments	$ 855	$ 587	$	$ 268

The following table shows a reconciliation of the beginning and ending balances for Level 3 assets measured at fair val a recurring basis for the year ended December 31, 2017:

	December 31, 2017				
	Debt Investments	Warrant Investments	Equity Investments	Other Investments	Total
	(In thousands)				
Level 3 assets, beginning of period	$ 186,186	$ 5,857	$ 268	$ 600	$ 192,911
Purchase of investments	135,556				135,556
Warrants and equity received and classified as Level 3		2,355	41		2,396
Principal payments received on investments	(103,659)			(152)	(103,811)
Proceeds from sale of investments		(1,804)			(1,804)
Net realized (loss) gain on investments	(21,219)	766			(20,453)
Unrealized appreciation (depreciation) included in earnings	16,427	199	(60)	(248)	16,318
Transfer from debt investments to other investments	(7,500)			7,500	
Other	(1,998)				(1,998)
Level 3 assets, end of period	$ 203,793	$ 7,373	$ 249	$ 7,700	$ 219,115

The Company s transfers between levels are recognized at the end of each reporting period. During the year ended De 31, 2017, there were no transfers between levels.

The change in unrealized appreciation included in the consolidated statement of operations attributable to Level 3 investments still held at December 31, 2017 includes $0.1 million in unrealized appreciation on debt and other investm $0.3 million in unrealized depreciation on warrant investments and $0.01 million in unrealized appreciation on equity investments.

TABLE OF CONTENTS

Horizon Technology Finance Corporation and Subsidiaries

Notes to Consolidated Financial Statements

Note 6. Fair value - (continued)

The following table shows a reconciliation of the beginning and ending balances for Level 3 assets measured at fair val a recurring basis for the year ended December 31, 2016:

	December 31, 2016 Debt Investments (In thousands)	Warrant Investments	Equity Investments	Other Investments	Total
Level 3 assets, beginning of period	$ 242,167	$ 5,793	$ 316	$ 300	$ 248,576
Purchase of investments	59,858				59,858
Warrants and equity received and classified as Level 3		402	84		486
Principal payments received on investments	(95,639)			(121)	(95,760)
Proceeds from sale of investments		(855)	(129)		(984)
Net realized (loss) gain on investments	(7,597)	340	(367)		(7,624)
Unrealized (depreciation) appreciation included in earnings	(12,296)	177	364	38	(11,717)
Transfer from debt to other investments	(383)			383	
Other	76				76
Level 3 assets, end of period	$ 186,186	$ 5,857	$ 268	$ 600	$ 192,911

The Company s transfers between levels are recognized at the end of each reporting period. During the year ended De 31, 2016, there were no transfers between levels.

The change in unrealized depreciation included in the consolidated statement of operations attributable to Level 3 investments still held at December 31, 2016 includes $14.7 million in unrealized depreciation on debt and other investr $0.3 million in unrealized appreciation on warrants and $0.1 million in unrealized appreciation on equity.

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

The fair value amounts for 2017 and 2016 have been measured as of the reporting date and have not been reevaluated o 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 at year-end.

As of December 31, 2017 and 2016, the recorded balances equaled fair values of all the Company s financial instrume except for the Company s 2019 Notes and 2022 Notes, as previously described.

Off-balance-sheet instruments

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 ch

and that change may be either favorable or unfavorable to the Company. Management attempts to match maturities of a
and liabilities to the extent believed necessary to minimize interest rate risk. Management monitors rates and maturities
assets and liabilities and attempts to minimize interest rate risk by adjusting terms of new debt investments and by inve
in securities with terms that mitigate the Company s overall interest rate risk.

F-72

TABLE OF CONTENTS

Horizon Technology Finance Corporation and Subsidiaries

Notes to Consolidated Financial Statements

Note 7. Borrowings

The following table shows the Company s borrowings as of December 31, 2017 and 2016:

	December 31, 2017			December 31, 2016		
	Total Commitment	Balance Outstanding	Unused Commitment	Total Commitment	Balance Outstanding	Unused Commitment
	(In thousands)					
Key Facility	$95,000	$ 58,000	$ 37,000	$95,000	$ 63,000	$ 32,000
2022 Notes	37,375	37,375				
2019 Notes				33,000	33,000	
Total before debt issuance costs	132,375	95,375	37,000	128,000	96,000	32,000
Unamortized debt issuance costs attributable to term borrowings		(1,300)			(403)	
Total borrowings outstanding, net	$132,375	$ 94,075	$ 37,000	$128,000	$ 95,597	$ 32,000

In accordance with the 1940 Act, with certain limited exceptions, the Company is only allowed to borrow amounts suc the Company s asset coverage, as defined in the 1940 Act, is at least 200% after such borrowings. As of December 31 the asset coverage for borrowed amounts was 242%.

The Company entered into the Key Facility with Key effective November 4, 2013. The Key Facility has an accordion f which allows for an increase in the total loan commitment to $150 million from the current $95 million commitment. T Key Facility is collateralized by all debt investments and warrants held by Credit II and permits an advance rate of up t of eligible debt investments held by Credit II. The Key Facility contains covenants that, among other things, require th Company to maintain a minimum net worth and to restrict the debt investments securing the Key Facility to certain cri for qualified debt investments and includes portfolio company concentration limits as defined in the related loan agree The Key Facility has a three-year revolving period which ends on August 12, 2018 followed by a two-year amortizatio period and matures on August 12, 2020. The interest rate is based upon the one-month London Interbank Offered Rate (LIBOR), plus a spread of 3.25%, with a LIBOR floor of 0.75%. The LIBOR rate was 1.56% and 0.77% on Decem 2017 and 2016, respectively. The average rate for the years ended December 31, 2017 and 2016 was 4.33% and 4.00% respectively. The Key Facility requires the payment of an unused line fee in an amount equal to 0.50% of any unborro amount available under the facility annually. As of December 31, 2017 and 2016, the Company had borrowing capacit $37.0 and $32.0 million, respectively. At December 31, 2017 and 2016, $23.6 million and $4.6 million, respectively, w available, subject to existing terms and advance rates.

On March 23, 2012, the Company issued and sold an aggregate principal amount of $30.0 million of 7.375% senior unsecured notes due in 2019 and on April 18, 2012, pursuant to the underwriters 30 day option to purchase additiona the Company sold an additional $3.0 million of such notes (collectively, the 2019 Notes). The 2019 Notes had a stat maturity of March 15, 2019 and were redeemable in whole or in part at the Company s option at any time or from tim at a redemption price of $25 per security plus accrued and unpaid interest. The 2019 Notes bore interest at a rate of 7.3 per year payable quarterly on March 15, June 15, September 15 and December 15 of each year. The 2019 Notes were t Company s direct unsecured obligations and (i) ranked equally in right of payment with the Company s future unsec indebtedness; (ii) were senior in right of payment to any of the Company s future indebtedness that expressly provided subordinated to the 2019 Notes; (iii) were effectively subordinated to all of the Company s existing and future secured indebtedness (including indebtedness that was initially unsecured to which the Company subsequently granted security the extent of the value of the assets securing such indebtedness, and (iv) were structurally subordinated to all existing a future indebtedness and other obligations of any of

F-73

TABLE OF CONTENTS

Horizon Technology Finance Corporation and Subsidiaries

Notes to Consolidated Financial Statements

Note 7. Borrowings - (continued)

the Company s subsidiaries. On October 30, 2017 (the Redemption Date), the Company redeemed all of the issued outstanding 2019 Notes in an aggregate principal amount of $33.0 million and paid accrued interest of $0.3 million. Th Company accelerated $0.2 million of unamortized debt issuance costs related to the 2019 Notes. The 2019 Notes were delisted effective on the Redemption Date.

On September 29, 2017, the Company issued and sold an aggregate principal amount of $32.5 million of 6.25% notes d 2022 and on October 11, 2017, pursuant to the underwriters 30 day option to purchase additional notes, the Company additional $4.9 million of such notes (collectively, the 2022 Notes). The 2022 Notes have a stated maturity of Septe 2022 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 Se 15, 2019 at a redemption price of $25 per security plus accrued and unpaid interest. The 2022 Notes bear interest at a ra 6.25% per year, payable quarterly on March 15, June 15, September 15 and December 15 of each year. The 2022 Notes the Company s direct unsecured obligations and (i) rank equally in right of payment with the Company s current and 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 2022 Notes; (iii) are effectively subordinated to all of the Company s existing and fu secured indebtedness (including indebtedness that is initially unsecured to which the Company subsequently grants sec to the extent of the value of the assets securing such indebtedness, and (iv) are structurally subordinated to all existing a future indebtedness and other obligations of any of the Company s subsidiaries. As of December 31, 2017, the Compa in material compliance with the terms of the 2022 Notes. The 2022 Notes are listed on the New York Stock Exchange u the symbol HTFA .

On June 28, 2013, the Company completed the 2013-1 Securitization. In connection with the 2013-1 Securitization, 20 Trust, a wholly owned subsidiary of the Company, issued $90.0 million in the Asset-Backed Notes, which were rated A by Moody s Investors Service, Inc. The Asset-Backed Notes were issued by 2013-1 Trust and were backed by a pool o made to certain portfolio companies of the Company and secured by certain assets of such portfolio companies. The Asset-Backed Notes were secured obligations of 2013-1 Trust and non-recourse to the Company. In connection with th issuance and sale of the Asset-Backed Notes, the Company made customary representations, warranties and covenants. Asset-Backed Notes bore interest at a fixed rate of 3.00% per annum and had a stated maturity of May 15, 2018. As of December 31, 2016, the Asset-Backed Notes were repaid in full.

TABLE OF CONTENTS

Horizon Technology Finance Corporation and Subsidiaries

Notes to Consolidated Financial Statements

Note 7. Borrowings - (continued)

The following table shows information about our senior securities as of December 31, 2017, 2016, 2015, 2014 and 201

Class and Year	Total Amount Outstanding Exclusive of Treasury Securities[1]	Asset Coverage per Unit[2]	Involuntary Liquidation Preference per Unit[3]	Average Market Value per Unit[4]
	(In thousands, except unit data)			
Credit facilities				
2017	$ 58,000	$ 3,973		N/A
2016	$ 63,000	$ 3,733		N/A
2015	$ 68,000	$ 4,048		N/A
2014	$ 10,000	$ 22,000		N/A
2013	$ 10,000	$ 25,818		N/A
2022 Notes				
2017	$ 37,375	$ 6,166		$ 25.66
2019 Notes				
2017				
2016	$ 33,000	$ 7,127		$ 25.42
2015	$ 33,000	$ 8,342		$ 25.26
2014	$ 33,000	$ 6,667		$ 25.64
2013	$ 33,000	$ 7,824		$ 25.70
2013-1 Securitization				
2017				
2016				
2015	$ 14,546	$ 18,926		N/A
2014	$ 38,753	$ 5,677		N/A
2013	$ 79,343	$ 3,254		N/A
Total senior securities				
2017	$ 95,375	$ 2,416		N/A
2016	$ 96,000	$ 2,450		N/A
2015	$ 115,546	$ 2,383		N/A
2014	$ 81,753	$ 2,691		N/A
2013	$ 122,343	$ 2,110		N/A

(1) Total amount of senior securities outstanding at the end of the period presented.

(2) Asset coverage per unit is the ratio of the original cost less accumulated depreciation, amortization or impairment of the Company s total consolidated assets, le liabilities and indebtedness not represented by senior securities, to the aggregate amount of senior securities representing indebtedness. Asset coverage per unit i expressed in terms of dollar amounts per $1,000 of indebtedness.

(3) The amount which the holder of such class of senior security would be entitled upon the voluntary liquidation of the applicable issuer in preference to any securi to it. The in this column indicates that the SEC expressly does not require this information to be disclosed for certain types of securities.

(4) Not applicable to the Company s credit facilities and 2013-1 Securitization because such securities are not registered for public trading.

TABLE OF CONTENTS

Horizon Technology Finance Corporation and Subsidiaries

Notes to Consolidated Financial Statements

Note 8. Federal income tax

The Company has elected to be treated as a RIC under Subchapter M of the Code and to distribute substantially all of i taxable income. Accordingly, no provision for federal, state or local income tax has been recorded in the financial state Taxable income differs from net increase in net assets resulting from operations primarily due to unrealized appreciatio investments as investment gains and losses are not included in taxable income until they are realized.

The following table reconciles net increase (decrease) in net assets resulting from operations to taxable income:

	Years Ended December 31, 2017	2016	2015
	(In thousands)		
Net increase (decrease) in net assets resulting from operations	$ 9,591	$ (4,913)	$ 11,856
Net unrealized (appreciation) depreciation on investments	(18,485)	14,236	490
Other book-tax differences	806	(844)	(239)
Capital loss carry forward	21,191	7,776	1,650
Taxable income before deductions for distributions	$ 13,103	$ 16,255	$ 13,757

The tax characters of distributions paid are as follows:

	Years Ended December 31, 2017	2016	2015
	(In thousands)		
Ordinary income	$ 13,818	$ 15,759	$ 16,465
Total	$ 13,818	$ 15,759	$ 16,465

The components of undistributed ordinary income earnings on a tax basis were as follows:

	As of December 31, 2017	2016	2015
	(In thousands)		
Undistributed ordinary income	$ 1,036	$ 1,753	$ 1,256
Long term capital loss carry forward	(41,702)	(20,511)	(12,735)
Unrealized appreciation	6,049	3,830	4,384
Unrealized depreciation	(7,027)	(23,293)	(9,611)
Other temporary differences	2,955	2,169	(3,277)
Total	$ (38,689)	$ (36,052)	$ (19,983)

Depending on the level of taxable income earned in a tax year, the Company may choose to carry forward taxable inco excess of current year distributions into the next tax year and incur a 4% excise tax on such income, as required. For th ended December 31, 2017 and 2016, the Company elected to carry forward taxable income in excess of current year distributions of $1.0 million and $1.8 million, respectively. At December 31, 2017 and 2016, a provision for excise tax $0.03 million and $0.1 million, respectively, was recorded.

Capital losses in excess of capital gains earned in a tax year may generally be carried forward, without expiration, and offset capital gains, subject to certain limitations. During the years ended December 31, 2017, 2016 and 2015, the Com did not use any of its capital loss carry forward to offset capital gains.

For federal income tax purposes, the tax cost of investments at December 31, 2017 and 2016 was $223.1 million and $2
million, respectively. The gross unrealized appreciation on investments at

F-76

TABLE OF CONTENTS

Horizon Technology Finance Corporation and Subsidiaries

Notes to Consolidated Financial Statements

Note 8. Federal income tax - (continued)

December 31, 2017 and 2016 was $6.0 million and $3.8 million, respectively. The gross unrealized depreciation on investments at December 31, 2017 and 2016 was $7.0 million and $23.3 million, respectively.

Note 9. 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 var degrees, elements of credit risk in excess of the amount recognized in the consolidated statement of assets and liabilitie Company attempts to limit its credit risk by conducting extensive due diligence and obtaining collateral where appropr

The balance of unfunded commitments to extend credit was $33.3 million and $20.8 million as of December 31, 2017 2016, respectively. Commitments to extend credit consist principally of the unused portions of commitments that oblig Company to extend credit, such as revolving credit arrangements or similar transactions. These commitments are often subject to financial or non-financial milestones and other conditions to borrow that must be achieved before the commi 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 requirements.

The following table provides the Company s unfunded commitments by portfolio company as of December 31, 2017:

	December 31, 2017	
	Principal Balance	Fair Value of Unfunded Commitment Liability
	(In thousands)	
Aerin Medical, Inc.	$ 5,000	$ 63
GeNO LLC	2,000	20
HealthEdge Software, Inc.	11,250	112
Intelepeer Holdings, Inc.	3,000	40
Kixeye, Inc.	3,000	45
PebblePost, Inc.	4,000	59
Titan Pharmaceuticals, Inc.	3,000	30
Weblinc Corporation	2,000	37
Total	$ 33,250	$ 406

The table above also provides the fair value of the Company s unfunded commitment liability as of December 31, 201 totaled $0.4 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 counterparti credit profile. The unfunded commitment liability reflects the fair value of these future funding commitments and is inc in the Company s consolidated statement of assets and liabilities.

Note 10. Concentrations of credit risk

The Company s debt investments consist primarily of loans to development-stage companies at various stages of deve in the technology, life science, healthcare information and services and cleantech industries. Many of these companies have relatively limited operating histories and also may experience variation in operating results. Many of these compa conduct business in regulated industries and could be affected by changes in government regulations. Most of the Com borrowers will need additional capital

F-77

TABLE OF CONTENTS

Horizon Technology Finance Corporation and Subsidiaries

Notes to Consolidated Financial Statements

Note 10. Concentrations of credit risk - (continued)

to satisfy their continuing working capital needs and other requirements, and in many instances, to service the interest a principal payments on the loans.

The Company s largest debt investments may vary from year to year as new debt investments are recorded and existin investments are repaid. The Company s five largest debt investments, at cost, represented 29% and 24% of total debt investments outstanding as of December 31, 2017 and 2016, respectively. No single debt investment represented more 10% of the total debt investments as of December 31, 2017 or 2016. Investment income, consisting of interest and fees fluctuate significantly upon repayment of large debt investments. Interest income from the five largest debt investment accounted for 14%, 17% and 14% of total interest and fee income on investments for the years ended December 31, 20 2016 and 2015, respectively.

Note 11. Distributions

The Company s distributions are recorded on the declaration date. The following table summarizes the Company s di activity for the years ended December 31, 2017 and 2016:

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)					
Year Ended December, 2017						
10/27/17	2/21/18	3/15/18	$ 0.10	$		
10/27/17	1/22/18	2/15/18	0.10	1,139	1,185	13
10/27/17	12/20/17	1/17/18	0.10	1,139	1,119	13
7/28/17	11/20/17	12/15/17	0.10	1,139	1,227	13
7/28/17	10/19/17	11/15/17	0.10	1,139	1,195	13
7/28/17	9/20/17	10/16/17	0.10	1,138	1,205	14
4/27/17	8/18/17	9/15/17	0.10	1,140	1,199	13
4/27/17	7/20/17	8/15/17	0.10	1,140	1,159	12
4/27/17	6/20/17	7/14/17	0.10	1,138	1,164	13
3/3/17	5/19/17	6/15/17	0.10	1,137	1,202	14
3/3/17	4/21/17	5/16/17	0.10	1,137	1,287	15
3/3/17	3/20/17	4/18/17	0.10	1,134	1,510	18
			$ 1.20	$ 12,520	13,452	$ 151
Year Ended December 31, 2016						
10/28/16	2/22/17	3/15/17	$ 0.10	$ 1,134	1,665	$ 16
10/28/16	1/19/17	2/15/17	0.10	1,133	1,542	17
10/28/16	12/20/16	1/13/17	0.10	1,137	1,550	16
7/29/16	11/18/16	12/15/16	0.115	1,308	1,712	19
7/29/16	10/20/16	11/15/16	0.115	1,308	1,896	21
7/29/16	9/20/16	10/17/16	0.115	1,305	1,716	22
4/28/16	8/19/16	9/15/16	0.115	1,307	1,535	21
4/28/16	7/20/16	8/15/16	0.115	1,302	1,842	25

4/28/16	6/20/16	7/15/16	0.115	1,305	1,734	23
3/3/16	5/19/16	6/15/16	0.115	1,305	1,898	23
3/3/16	4/20/16	5/16/16	0.115	1,283	3,821	44
3/3/16	3/18/16	4/15/16	0.115	1,306	1,840	21
			$ 1.335	$ 15,133	22,751	$ 268

On March 1, 2018, the Board declared monthly distributions per share, payable as set forth in the following table:

TABLE OF CONTENTS

Horizon Technology Finance Corporation and Subsidiaries

Notes to Consolidated Financial Statements

Note 10. Concentrations of credit risk - (continued)

Ex-Dividend Date	Record Date	Payment Date	Distributions Declared
May 16, 2018	May 17, 2018	June 15, 2018	$ 0.10
April 18, 2018	April 19, 2018	May 15, 2018	$ 0.10
March 16, 2018	March 19, 2018	April 17, 2018	$ 0.10

After paying distributions of $1.10 per share deemed paid for tax purposes in 2017, declaring on October 27, 2017 a distribution of $0.10 per share payable January 17, 2018, and taxable earnings of $1.14 per share in 2017, the Company undistributed spillover income as of December 31, 2017 was $0.09 per share. Spillover income includes any ordinary i and net capital gains from the preceding tax years that were not distributed during such tax years.

Note 12. Subsequent events

On February 14, 2018, DSC ABC, a borrower of the Company, sold substantially all of its assets (the DSC Assets) t StereoVision Imaging, Inc. (SVI) for approximately $2.7 million. The Company received the proceeds of the sale of Assets. In order to finance SVI s purchase of the DSC Assets and to provide SVI working capital, the Company made investment of $3.2 million in SVI.

On March 6, 2018, the Advisor irrevocably waived the receipt of incentive fees related to the amounts previously defer that it may be entitled to receive under the Investment Management Agreement for the period commencing on January 2018 and ending on December 31, 2018. Such waived incentive fees will not be subject to recoupment.

F-79

TABLE OF CONTENTS

Horizon Technology Finance Corporation and Subsidiaries

Notes to Consolidated Financial Statements

Note 13. Financial highlights

The following table shows financial highlights for the Company:

	Years Ended December 31,				
	2017	2016	2015	2014	2013
	(In thousands, except share and per share data)				
Per share data:					
Net asset value at beginning of period	$ 12.09	$ 13.85	$ 14.36	$ 14.14	$ 15.15
Net investment income	1.07	1.48	1.25	1.11	1.38
Realized loss on investments	(1.84)	(0.67)	(0.15)	(0.37)	(0.78)
Unrealized appreciation (depreciation) on investments	1.60	(1.24)	(0.04)	0.86	(0.23)
Net increase (decrease) in net assets resulting from operations	0.83	(0.43)	1.06	1.60	0.37
Net dilution from issuance of common stock			(0.18)		
Distributions declared[1]	(1.20)	(1.34)	(1.38)	(1.38)	(1.38)
From net investment income	(1.20)	(1.34)	(1.38)	(1.38)	(1.38)
From net realized gain on investments					
Return of capital					
Net accretion from repurchase of common stock		0.01	0.02		
Other[2]			(0.03)		
Net asset value at end of period	$ 11.72	$ 12.09	$ 13.85	$ 14.36	$ 14.14
Per share market value, beginning of period	$ 10.53	$ 11.73	$ 13.99	$ 14.21	$ 14.92
Per share market value, end of period	11.22	10.53	11.73	13.99	14.21
Total return based on a market value[3]	17.9 %	1.5 %	(6.3)%	8.2 %	4.5 %
Shares outstanding at end of period	11,520,406	11,510,424	11,535,212	9,628,124	9,608,949
Ratios, net of waivers, to average net assets:					
Expenses without incentive fees	8.6 %	9.2 %	8.6 %	13.3 %	11.8 %
Incentive fees	1.2 %	1.4 %	2.2 %	1.5 %	2.3 %
Net expenses	9.8 %	10.6 %	10.8 %	14.8 %	14.1 %
Net investment income with incentive fees	9.0 %	11.4 %	8.9 %	7.8 %	9.2 %
Ratios, without waivers, to average net assets:					
Expenses without incentive fees[4]	8.6 %	9.2 %	8.9 %	13.5 %	11.9 %
Incentive fees[4]	1.3 %	1.4 %	2.2 %	1.5 %	2.3 %
Net expenses[4]	9.9 %	10.6 %	11.1 %	15.0 %	14.2 %
Net investment income with incentive fees[4]	8.9 %	11.4 %	8.7 %	7.5 %	9.1 %
Net assets at the end of the period	$ 135,075	$ 139,192	$ 159,751	$ 138,248	$ 135,835
Average net asset value	$ 137,293	$ 150,612	$ 157,612	$ 137,848	$ 142,327
Average debt per share	$ 6.60	$ 8.91	$ 7.87	$ 10.68	$ 12.06
Portfolio turnover ratio	79.4 %	27.1 %	56.1 %	46.5 %	37.9 %

(1) Distributions are determined based on taxable income calculated in accordance with income tax regulations, which may differ from amounts determined under G due to (i) changes in unrealized appreciation and depreciation, (ii) temporary and permanent differences in income and expense recognition, and (iii) the amount spillover income carried over from a given tax year for distribution in

TABLE OF CONTENTS

Horizon Technology Finance Corporation and Subsidiaries

Notes to Consolidated Financial Statements

Note 13. Financial highlights - (continued)

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
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 per
certain per share data based on the shares outstanding as of a period end or transaction date.

(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, div
the beginning price.

(4) During the years ended December 31, 2015, 2014 and 2013, the Advisor waived $0.3 million, $0.2 million and $0.1 million, respectively, of base management f
During the years ended December 31, 2017 and 2014, the Advisor waived $0.1 million of incentive fee.

Note 14. Selected quarterly financial data (unaudited)

	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017
	(In thousands, except per share data)			
Total investment income	$ 6,163	$ 6,774	$ 5,878	$ 6,962
Net investment income	$ 2,379	$ 3,797	$ 2,754	$ 3,367
Net realized and unrealized gain (loss)	$ 117	$ (1,088)	$ (2,021)	$ 286
Net increase in net asset resulting from operations	$ 2,496	$ 2,709	$ 733	$ 3,653
Net investment income per share[1]	$ 0.21	$ 0.33	$ 0.24	$ 0.29
Net increase in net assets per share[1]	$ 0.21	$ 0.24	$ 0.06	$ 0.32
Net asset value per share at period end[2]	$ 11.72	$ 11.81	$ 11.87	$ 12.11

	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016
	(In thousands, except per share data)			
Total investment income	$ 6,987	$ 7,608	$ 9,092	$ 9,297
Net investment income	$ 3,815	$ 4,375	$ 4,512	$ 4,397
Net realized and unrealized loss	$ (4,404)	$ (10,018)	$ (4,590)	$ (3,000)
Net (decrease) increase in net asset resulting from operations	$ (589)	$ (5,643)	$ (78)	$ 1,397
Net investment income per share[1]	$ 0.33	$ 0.38	$ 0.39	$ 0.38
Net (decrease) increase in net assets per share[1]	$ (0.05)	$ (0.49)	$ (0.01)	$ 0.12
Net asset value per share at period end[2]	$ 12.09	$ 12.44	$ 13.27	$ 13.62

(1) Based on weighted average shares outstanding for the respective period.
(2) Based on shares outstanding at the end of the respective period.

TABLE OF CONTENTS

$250,000,000

Horizon Technology Finance Corporation

Common Stock

Preferred Stock

Subscription Rights

Debt Securities

And

Warrants

PRELIMINARY PROSPECTUS

TABLE OF CONTENTS

Part C

OTHER INFORMATION

Item 25. ***Financial Statements and Exhibits***

1. *Financial Statements*

The following financial statements of Horizon Technology Finance Corporation (the Registrant or the Company) in Part A of this registration statement (this Registration Statement):

UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS	
Consolidated Statements of Assets and Liabilities as of March 31, 2018 and December 31, 2017 (unaudited)	F-2
Consolidated Statements of Operations for the three months ended March 31, 2018 and 2017 (unaudited)	F-3
Consolidated Statements of Changes in Net Assets for the three months ended March 31, 2018 and 2017 (unaudited)	F-4
Consolidated Statements of Cash Flows for the three months ended March 31, 2018 and 2017 (unaudited)	F-5
Consolidated Schedules of Investments as of March 31, 2018 and December 31, 2017 (unaudited)	F-6
Notes to the Consolidated Financial Statements (unaudited)	F-18
AUDITED FINANCIAL STATEMENTS	
Management s Report on Internal Control over Financial Reporting	F-38
Report of Independent Registered Public Accounting Firm	F-39
Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting	F-40
Consolidated Statements of Assets and Liabilities as of December 31, 2017 and 2016	F-42
Consolidated Statements of Operations for the Years Ended December 31, 2017, 2016 and 2015	F-43
Consolidated Statements of Changes in Net Assets for the Years Ended December 31, 2017, 2016 and 2015	F-44
Consolidated Statements of Cash Flows for the Years Ended December 31, 2017, 2016 and 2015	F-45
Consolidated Schedules of Investments as of December 31, 2017 and 2016	F-46
Notes to the Consolidated Financial Statements	F-58

C-1

TABLE OF CONTENTS

2. *Exhibits*

Exhibit No.	Description
(a)	Amended and Restated Certificate of Incorporation (Incorporated by reference to exhibit (a) of the Company s Pre-effective Amendment No. 2 to the Registration Statement on Form N-2, File No. 333-165570, filed on July 2, 2010)
(b)	Amended and Restated Bylaws (Incorporated by reference to exhibit (b) of the Company s Pre-effective Amendment No. 2 to the Registration Statement on Form N-2, File No. 333-165570, filed on July 2, 2010)
(c)	Not applicable
(d)(1)	Form of Stock Certificate (Incorporated by reference to exhibit (d) of the Company s Pre-effective Amendment No. 3 to the Registration Statement on Form N-2, File No. 333-165570, filed on July 19, 2010)
(d)(2)	Form of Certificate of Designation for Preferred Stock (Incorporated by reference to Exhibit (d)(2) of the Company s Registration Statement on Form N-2, File No. 333-178516, filed on December 15, 2011)
(d)(3)	Form of Subscription Certificate (Incorporated by reference to Exhibit (d)(3) of the Company s Registration Statement on Form N-2, File No. 333-178516, filed on December 15, 2011)
(d)(4)	Form of Subscription Agent Agreement (Incorporated by reference to Exhibit (d)(5) of the Company s Registration Statement on Form N-2, File No. 333-178516, filed on December 15, 2011)
(d)(5)	Form of Warrant Agreement (Incorporated by reference to Exhibit (d)(6) of the Company s Registration Statement on Form N-2, File No. 333-178516, filed on December 15, 2011)
(d)(6)	Indenture, dated as of March 23, 2012, between the Company and U.S. Bank National Association. (Incorporated by reference to Exhibit (d)(7) of the Company s Post-Effective Amendment No. 2 to the Registration Statement on Form N-2, File No. 333-178516, filed on March 23, 2012)
(d)(7)*	Statement of Eligibility on Form T-1
(d)(8)	Second Supplemental Indenture, dated as of September 29, 2017, between the Company and U.S. Bank National Association (Incorporated by reference to Exhibit (d)(12) of the Company s Post-Effective Amendment No. 5 to the Registration Statement on Form N-2, File No. 333-201886, filed on September 29, 2017)
(d)(9)	Form of 6.25% 2022 Notes due 2022 (included as part of Exhibit (d)(8))
(e)	Form of Dividend Reinvestment Plan (Incorporated by reference to exhibit (e) of the Company s Pre-effective Amendment No. 2 to the Registration Statement on Form N-2, File No. 333-165570, filed on July 2, 2010)
(g)	Amended and Restated Investment Management Agreement (Incorporated by reference to Exhibit 10.1 of the Company s Current Report on Form 8-K, File No. 814-00802, filed on August 5, 2014)
(h)(1)	Form of Underwriting Agreement for equity securities (Incorporated by reference to Exhibit (h)(1) of the Company s Registration Statement on Form N-2, File No. 333-178516, filed on December 15, 2011)
(h)(2)	Form of Underwriting Agreement for debt securities (Incorporated by reference to Exhibit (h)(2) of the Company s Registration Statement on Form N-2, File No. 333-178516, filed on December 15, 2011)
(i)	Not Applicable
(j)	Form of Custodial Agreement (Incorporated by reference to exhibit (j) of the Company s Pre-effective Amendment No. 3 to the Registration Statement on Form N-2, File No. 333-165570, filed on July 19, 2010)

TABLE OF CONTENTS

Exhibit No.	Description
(k)(1)	Form of Administration Agreement (Incorporated by reference to exhibit (k)(1) of the Company s Pre-effective Amendment No. 2 to the Registration Statement on Form N-2, File No. 333-165570, filed on July 2, 2010)
(k)(2)	Form of Trademark License Agreement by and between the Company and Horizon Technology Finance, LLC (Incorporated by reference to exhibit (k)(2) of the Company s Pre-effective Amendment No. 2 to the Registration Statement on Form N-2, File No. 333-165570, filed on July 2, 2010)
(k)(3)	Amended and Restated Loan and Security Agreement, dated as of November 4, 2013, by and among Horizon Credit II LLC, as the borrower, the Lenders that are signatories thereto, as the lenders, and Key Equipment Finance Inc,. as the arranger and the agent (Incorporated by reference to Exhibit 10.14 of the Company s Annual Report on Form 10-K, File No. 814-00802, filed on March 11, 2014)
(k)(4)	Amended and Restated Sale and Servicing Agreement, dated as of November 4, 2013, by and among Horizon Credit II LLC, as the buyer, Horizon Technology Finance Corporation, as the originator and the servicer, Horizon Technology Finance Management LLC, as the sub-servicer, U.S. Bank National Association, as the collateral custodian and backup servicer, and Key Equipment Finance Inc., as the agent (Incorporated by reference to Exhibit 10.15 of the Company s Annual Report on Form 10-K, File No. 814-00802, filed on March 11, 2014)
(k)(5)	Agreement Regarding Loan Assignment and Related Matters, dated as of November 4, 2013, by and among Horizon Credit II LLC, Wells Fargo Capital Finance, LLC and Key Equipment Finance Inc. (Incorporated by reference to Exhibit 10.16 of the Company s Annual Report on Form 10-K, File No. 814-00802, filed on March 11, 2014)
(k)(6)	Amendment No. 1 to Amended and Restated Loan Agreement, dated as of August 12, 2015, by and among Horizon Credit II LLC, as the borrower, the Lenders that are signatory thereto, as the lenders, and KeyBank National Association, as the arranger and agent (Incorporated by reference to Exhibit (k)(13) of the Company s Pre-effective Amendment No. 3 to the Registration Statement on Form N-2, File No. 333-201886, filed on August 19, 2015)
(k)(7)	Joinder Agreement, dated April 27, 2016, by and among MUFG, N.A., as lender, KeyBank National Association as agent, Horizon Credit II, as borrower, and the Company, as servicer (Incorporated by reference to Exhibit (k)(11) of the company s Post-effective Amendment No. 2 to the Registration Statement on Form N-2, File No. 333-201886, filed on June 10, 2016)
(k)(8)	Amendment No. 2 to Amended and Restated Loan Agreement, dated as of April 6, 2018, by and among Horizon Credit II LLC, as borrower, State Bank and Trust Company, as lender, MUFG Union Bank N.A., as lender and KeyBank National Association, as lender and as arranger and agent (Incorporated by reference to Exhibit 10.1 of the Company s Quarterly Report on Form 10-Q, File No. 814-00802, filed on May 1, 2018)
(k)(9)*	Horizon Secured Loan Fund I LLC Limited Liability Company Agreement dated June 1, 2018, by and between the Registrant and Arena Sunset SPV, LLC
(l)*	Opinion and Consent of Dechert LLP
(m)	not applicable
(n)(1)*	Consent of independent registered public accounting firm
(o)	not applicable
(p)	not applicable
(q)	not applicable
(r)(1)	Code of Ethics of the Company (Incorporated by reference to Exhibit 14.1 of the Company s Annual Report on Form 10-K, File No. 814-000802, filed on March 7, 2017)
(r)(2)	Code of Ethics of the Advisor (Incorporated by reference to Exhibit 14.1 of the Company s Annual Report on Form 10-K, File No. 814-000802, filed on March 7, 2017)

C-3

TABLE OF CONTENTS

Exhibit No.	Description
(s)(1)	Form of prospectus supplement for Common Stock Offerings (Incorporated by reference to Exhibit (s)(1) of the Company s Pre-Effective Amendment No. 2 to the Registration Statement on Form N-2, File No. 333-178516, filed on February 6, 2012)
(s)(2)	Form of prospectus supplement for Preferred Stock Offerings (Incorporated by reference to Exhibit (s)(2) of the Company s Pre-Effective Amendment No. 1 to the Registration Statement on Form N-2, File No. 333-178516, filed on January 24, 2012)
(s)(3)	Form of prospectus supplement for Subscription Rights Offerings (Incorporated by reference to Exhibit (s)(3) of the Company s Pre-Effective Amendment No. 2 to the Registration Statement on Form N-2, File No. 333-178516, filed on February 6, 2012)
(s)(4)	Form of prospectus supplement for Debt Securities Offerings (Incorporated by reference to Exhibit (s)(4) of the Company s Pre-Effective Amendment No. 1 to the Registration Statement on Form N-2, File No. 333-201886, filed on June 17, 2015)
(s)(5)	Form of prospectus supplement for Warrant Offerings (Incorporated by reference to Exhibit (s)(5) of the Company s Pre-Effective Amendment No. 2 to the Registration Statement on Form N-2, File No. 333-178516, filed on February 6, 2012)
(t)(1)	Power of Attorney (included on the signature page hereto)

* Filed herewith

Item 26. ***Marketing Arrangements***

The information contained under the heading Plan of Distribution in this Registration Statement is incorporated here reference.

Item 27. ***Other Expenses of Issuance and Distribution***

The following table sets forth the estimated expenses to be incurred in connection with the offering described in this Registration Statement:

SEC registration fee	$ 29,167
FINRA filing fee	$ 38,000
Nasdaq listing fee	$ 125,000*
Printing expenses	$ 100,000*
Accounting fees and expenses	$ 200,000*
Legal fees and expenses	$ 400,000*
Miscellaneous fees and expenses	$ 50,000*
Total	$ 942,167

* Estimated for filing purposes.

All of the expenses set forth above shall be borne by the Registrant.

Item 28. ***Persons Controlled by or Under Common Control***

Compass Horizon Funding Company LLC, a Delaware limited liability company and wholly owned subsidiary of the Registrant

Horizon Credit II LLC, a Delaware limited liability company and wholly owned subsidiary of the Registrant

HSBG LLC, a Delaware limited liability company and wholly owned subsidiary of the Registrant

All subsidiaries listed above are included in the Registrant s consolidated financial statements as of March 31, 2018 ar December 31, 2017.

C-4

TABLE OF CONTENTS

Item 29. ***Number of Holders of Securities***

The following table sets forth the approximate number of record holders of the Company s securities as of June 13, 20

Title of Class	Number of Record Holders
Common Stock, $0.001 par value	12
6.25% notes due 2022	1

Item 30. ***Indemnification***

The information contained under the heading Description of Common Stock That We May Issue Limitations of liab indemnification is incorporated herein by reference.

Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended (the Securities Act), m permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherw the Registrant has been advised that in the opinion of the Securities and Exchange Commission (the SEC) such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is as by such director, officer or controlling person in connection with the securities being registered, the Registrant will, un the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdict question whether such indemnification by it is again public policy as expressed in the Securities Act and will be govern the final adjudication of such issue.

The investment management agreement (the Investment Management Agreement) provides that, absent willful misf bad faith or gross negligence in the performance of its duties or by reason of the reckless disregard of its duties and obligations, Horizon Technology Finance Management LLC (the Advisor) and its officers, managers, partners, agen employees, controlling persons, members and any other person or entity affiliated with it are entitled to indemnification the Registrant for any damages, liabilities, costs and expenses (including reasonable attorneys fees and amounts reaso paid in settlement) arising from the rendering of the Advisor s services under the Investment Management Agreement otherwise as an investment adviser of the Registrant.

The administration agreement (the Administration Agreement) provides that, absent willful misfeasance, bad faith o negligence in the performance of its duties or by reason of the reckless disregard of its duties and obligations, Horizon Technology Finance Management LLC (in such capacity, the Administrator) and its officers, managers, partners, ag employees, controlling persons, members and any other person or entity affiliated with it are entitled to indemnification the Registrant for any damages, liabilities, costs and expenses (including reasonable attorneys fees and amounts reaso paid in settlement) arising from the rendering of the Administrator s services under the Administration Agreement or otherwise as administrator for the Registrant.

Each of the underwriting agreement relating to equity securities and the underwriting agreement relating to debt securit (each, an Underwriting Agreement) provides that each of the Registrant, the Advisor and the Administrator jointly a severally agrees to indemnify and hold harmless the underwriters listed on Schedule A to the applicable Underwriting Agreement (each an Underwriter), its affiliates, as such term is defined in Rule 501(b) under the Securities Act, its s agents and each person, if any, who controls any Underwriter within the meaning of Section 15 of the Securities Act or Section 20 of the Securities Exchange Act of 1934, as amended (the Exchange Act), against specified liabilities for a taken in their capacity as such, including liabilities under the Securities Act. The Underwriting Agreement also provide each Underwriter severally agrees to indemnify and hold harmless the Registrant, its directors, its officers, each person any, who controls the Registrant, the Advisor or the Administrator within the meaning of Section 15 of the Securities A Section 20 of the Exchange Act, the Advisor and the Administrator against specified liabilities for actions taken in thei capacity as such.

C-5

TABLE OF CONTENTS

The Registrant carries liability insurance for the benefit of its directors and officers (other than with respect to claims resulting from the willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the co of his or her office) on a claims-made basis.

Item 31. ***Business and Other Connections of Investment Advisor***

A description of any other business, profession, vocation or employment of a substantial nature in which our Advisor a each managing director, director or executive officer of our Advisor, is or has been during the past two fiscal years, eng in for his or her own account or in the capacity of director, officer, employee, partner or trustee, is set forth in Part A of Registration Statement in the sections entitled Management and Our Advisor. Additional information regarding o and its executive officers and directors is set forth in its Form ADV, as filed with the SEC (SEC File No. 801-71141), a incorporated herein by reference.

Item 32. ***Location of Accounts and Records***

All accounts, books and other documents required to be maintained by Section 31(a) of the Investment Company Act o and the rules thereunder are maintained at the offices of:

(1) the Registrant, Horizon Technology Finance Corporation, 312 Farmington Avenue, Farmington, Connecticut 06032;
(2) the Transfer Agent, Computershare Shareowner Services LLC (formerly known as BNY Mellon Shareowner Services), 250 Royall Street, Canton, Massachuset
(3) the Custodian, US Bank, N.A., 1133 Rankin Street, St. Paul, Minnesota 55116; and
(4) the Advisor, Horizon Technology Finance Management LLC, 312 Farmington Avenue, Farmington, Connecticut 06032.

Item 33. ***Management Services***

Not applicable.

Item 34. ***Undertakings***

(1) The Registrant hereby undertakes to suspend the offering of its common stock until it amends its prospectus if (a) subsequent to the effective date of its Registra Statement, the net asset value declines more than 10% from its net asset value as of the effective date of the Registration Statement or (b) the net asset value incr an amount greater than its net proceeds as stated in the prospectus.

(2) Not applicable.

(3) The Registrant hereby undertakes, in the event that the securities being registered are to be offered to existing stockholders pursuant to warrants or rights, and an securities not taken by stockholders are to be reoffered to the public, to supplement the prospectus, after the expiration of the subscription period, to set forth the of the subscription offer, the transactions by underwriters during the subscription period, the amount of unsubscribed securities to be purchased by underwriters, terms of any subsequent reoffering thereof; and further, if any public offering by the underwriters of the securities being registered is to be made on terms differ those set forth on the cover page of the prospectus, to file a post-effective amendment to set forth the terms of such offering.

(4) The Registrant hereby undertakes:

(a) to file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement: (i) to include any prospectus requir Section 10(a)(3) of the Securities Act; (ii) to reflect in the prospectus any facts or events after the effective date of this Registration Statement (or the most recen post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in this Registration Stater (iii) to include any material information with respect to the

TABLE OF CONTENTS

plan of distribution not previously disclosed in this Registration Statement or any material change to such information in this Registration Statement;

(b) that, for the purpose of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statemen to the securities offered herein, and the offering of those securities at that time shall be deemed to be the initial bona fide offering thereof;

(c) to remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offerin

(d) that, for the purpose of determining liability under the Securities Act to any purchaser, if the Registrant is subject to Rule 430C under the Securities Act: Each pr filed pursuant to Rule 497(b), (c), (d) or (e) under the Securities Act as part of a registration statement relating to an offering, other than prospectuses filed in rel Rule 430A under the Securities Act, shall be deemed to be part of and included in this Registration Statement as of the date it is first used after effectiveness; pro however, that no statement made in a registration statement or prospectus that is part of this Registration Statement or made in a document incorporated or deem incorporated by reference into this Registration Statement or prospectus that is part of this Registration Statement will, as to a purchaser with a time of contract o prior to such first use, supersede or modify any statement that was made in this Registration Statement or prospectus that was part of this Registration Statement in any such document immediately prior to such date of first use; and

(e) that, for the purpose of determining liability of the Registrant under the Securities Act to any purchaser in the initial distribution of securities, the undersigned Re undertakes that in a primary offering of securities of the undersigned Registrant pursuant to this Registration Statement, regardless of the underwriting method u sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned Reg will be a seller to the purchaser and will be considered to offer or sell such securities to the purchaser: (i) any preliminary prospectus or prospectus of the unders Registrant relating to the offering required to be filed pursuant to Rule 497 under the Securities Act; (ii) the portion of any advertisement pursuant to Rule 482 u Securities Act relating to the offering containing material information about the undersigned Registrant or its securities provided by or on behalf of the undersign Registrant; and (iii) any other communication that is an offer in the offering made by the undersigned Registrant to the purchaser.

(5) The Registrant hereby undertakes:

(a) for the purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this Registration State reliance upon Rule 430A under the Securities Act and contained in a form of prospectus filed by the Registrant under Rule 497(h) under the Securities Act shall deemed to be part of this Registration Statement as of the time it was declared effective; and

(b) for the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a n registration statement relating to the securities offered therein, and the offering of the securities at that time shall be deemed to be the initial bona fide offering th

(6) Not applicable.

C-7

TABLE OF CONTENTS

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this Registratio
Statement on Form N-2 to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Farming
the State of Connecticut, on the 18th day of June, 2018.

HORIZON TECHNOLOGY FINANCE CORPORATION

By:	/s/ Robert D. Pomeroy, Jr. Robert D. Pomeroy, Jr. Chief Executive Officer

KNOW ALL MEN BY THESE PRESENT, each person whose signature appears below hereby constitutes and appoin
of Robert D. Pomeroy, Jr. and Gerald A. Michaud as his or her true and lawful attorney-in-fact and agent, with full pov
substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign a
and all amendments to this Registration Statement on Form N-2 and any registration statement filed pursuant to Rule 4
under the Securities Act, and to file the same, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing
requisite and necessary to be done in and about the premises, as fully and to all intents and purposes as he or she might
could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them or their substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement on Form N-2 has b
signed by the following persons on behalf of the Registrant, and in the capacities indicated, on the 18th day of June, 20

Signature	Title
/s/ Robert D. Pomeroy, Jr. Robert D. Pomeroy, Jr.	Chief Executive Officer and Chairman of the Board of Directors (Principal Executive Officer)
/s/ Daniel R. Trolio Daniel R. Trolio	Senior Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
/s/ Gerald A. Michaud Gerald A. Michaud	President and Director
/s/ James J. Bottiglieri James J. Bottiglieri	Director
/s/ Edmund V. Mahoney Edmund V. Mahoney	Director
/s/ Elaine A. Sarsynski Elaine A. Sarsynski	Director
/s/ Joseph J. Savage Joseph J. Savage	Director

C-8