

Horizon Technology Finance Corp
Form 497
July 18, 2012

Filed pursuant to Rule 497
Securities Act Registration No. 333-178516

PROSPECTUS SUPPLEMENT
(to Prospectus dated May 7, 2012)

1,660,000 Shares

Horizon Technology Finance Corporation

Common Stock

We are offering for sale 1,660,000 shares of our common stock. These shares are being offered at a discount from our most recently determined net asset value per share of \$16.89 pursuant to the authority granted by our common stockholders at a special meeting of stockholders held on June 11, 2012.

We cannot issue shares of our common stock below net asset value unless our Board of Directors determines that it would be in our and our stockholders' best interests to do so. Sales of common stock at prices below net asset value per share dilute the interests of existing stockholders, have the effect of reducing our net asset value per share and may reduce our market price per share. See **Risk Factors** beginning on page S-12 and **Sales of Common Stock Below Net Asset Value** on page S-15 of this prospectus supplement.

We are a non-diversified closed-end management investment company that has elected to be regulated as a business development company under the Investment Company Act of 1940. We are externally managed by Horizon Technology Finance Management LLC, a registered investment adviser under the Investment Advisers Act of 1940, as amended. Our investment objective is to maximize our investment portfolio's return by generating current income from the loans we make and capital appreciation from the warrants we receive when making such loans. We make secured loans to development-stage companies in the technology, life science, healthcare information and services and cleantech industries.

Our common stock is listed on the NASDAQ Global Select Market under the symbol **HRZN**. The net asset value per share of our common stock at March 31, 2012 (the last date prior to the date of this prospectus supplement on which we determined net asset value) was \$16.89.

Shares of closed-end investment companies such as ours frequently trade at a discount to their net asset value. This risk is separate and distinct from the risk that our net asset value per share may decline. We cannot predict whether our common stock will trade above, at or below net asset value. **Investing in our common stock involves a high degree of risk, and should be considered highly speculative. See Risk Factors beginning on page S-12 of this prospectus supplement and page 17 of the accompanying prospectus to read about factors you should consider, including the risk of leverage and dilution, before investing in our common stock.**

This prospectus supplement and the accompanying prospectus contain important information you should know before investing in our common stock. Please read it before you invest and keep it for future reference. We file annual, quarterly and current reports, proxy statements and other information about us with the Securities and Exchange Commission (the SEC). This information is available free of charge by contacting us at 312 Farmington Avenue, Farmington, Connecticut 06032, Attention: Investor Relations, or by calling us collect at (860) 676-8654. The SEC also maintains a website at <http://www.sec.gov> that contains such information.

	Per share	Total
Public offering price	\$ 16.200	\$26,892,000
Underwriting discounts and commissions	\$0.648	\$1,075,680
Proceeds, before expenses, to us ⁽¹⁾	\$ 15.552	\$25,816,320

(1) Before deducting offering expenses payable by us related to this offering, which we estimate will be approximately \$100,000.

The underwriters have the option to purchase up to an additional 249,000 shares of common stock at the public offering price, less the underwriting discounts and commissions, within 30 days from the date of this prospectus supplement. If the option to purchase additional shares is exercised in full, the total public offering price will be \$30,925,800, the total underwriting discounts and commissions (4.0%) will be \$1,237,032, and the total proceeds to us, before deducting estimated expenses payable by us of \$100,000, will be \$29,688,768.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares on or about July 23, 2012.

Joint Book-Running Managers

Wells Fargo Securities
Co-Managers

Stifel Nicolaus Weisel

BB&T Capital Markets
Prospectus supplement dated July 18, 2012.

Sterne Agee

JMP Securities

Gilford Securities Incorporated

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ABOUT THIS PROSPECTUS SUPPLEMENT

You should rely only on the information contained in this prospectus supplement and the accompanying prospectus. Neither we nor the underwriters have authorized any other person to provide you with different information from that contained in this prospectus supplement or the accompanying prospectus. If anyone provides you with different or inconsistent information, you should not rely on it. This prospectus supplement and the accompanying prospectus do not constitute an offer to sell, or a solicitation of an offer to buy, any shares of our common stock by any person in any jurisdiction where it is unlawful for that person to make such an offer or solicitation or to any person in any jurisdiction to whom it is unlawful to make such an offer or solicitation. The information contained in this prospectus supplement and the accompanying prospectus is complete and accurate only as of their respective dates, regardless of the time of their delivery or sale of our common stock. This prospectus supplement supersedes the accompanying prospectus to the extent it contains information different from or additional to the information in that prospectus.

This document is in two parts. The first part is this prospectus supplement, which describes the terms of this offering of common stock and also adds to and updates information contained in the accompanying prospectus. The second part is the accompanying prospectus, which provides more information about the common stock we may offer from time to time. To the extent the information contained in this prospectus supplement differs from the information contained in the accompanying prospectus, the information in this prospectus supplement shall control. You should read this prospectus supplement and the accompanying prospectus together with the additional information described under the heading **Available Information** before investing in our common stock.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

In addition to factors identified elsewhere in this prospectus supplement and the accompanying prospectus, including the **Risk Factors** section of this prospectus supplement and the accompanying prospectus, the following factors, among others, could cause actual results to differ materially from forward-looking statements or historical performance:

- our future operating results, including the performance of our existing loans and warrants;
- the introduction, withdrawal, success and timing of business initiatives and strategies;
- changes in political, economic or industry conditions, the interest rate environment or financial and capital markets, which could result in changes in the value of our assets;
- the relative and absolute investment performance and operations of our Advisor;
- the impact of increased competition;
- the impact of investments we intend to make and future acquisitions and divestitures;
- the unfavorable resolution of legal proceedings;
- our business prospects and the prospects of our portfolio companies;
- the projected performance of other funds managed by our Advisor;
- the impact, extent and timing of technological changes and the adequacy of intellectual property protection;
- our regulatory structure and tax status;
- the adequacy of our cash resources and working capital;
- the timing of cash flows, if any, from the operations of our portfolio companies;
- the impact of interest rate volatility on our results, particularly if we use leverage as part of our investment strategy;
- the ability of our portfolio companies to achieve their objectives;

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our ability to cause a subsidiary to become a licensed Small Business Investment Company;
the impact of legislative and regulatory actions and reforms and regulatory, supervisory or enforcement
actions of government agencies relating to us or our Advisor;

our contractual arrangements and relationships with third parties;

our ability to access capital and any future financings by us;

the ability of our Advisor to attract and retain highly talented professionals; and

the impact of changes to tax legislation and, generally, our tax position.

This prospectus supplement, the accompanying prospectus and other statements that we may make, may contain forward-looking statements with respect to future financial or business performance, strategies or expectations.

Forward-looking statements are typically identified by words or phrases such as trend, opportunity, pipeline, believe, comfortable, expect, anticipate, current, intention, estimate, position, assume, plan, potential, pr, continue, remain, maintain, sustain, seek, achieve and similar expressions, or future or conditional verbs such as would, should, could, may and similar expressions.

Forward-looking statements are subject to numerous assumptions, risks and uncertainties, which change over time. Forward-looking statements speak only as of the date they are made, and we assume no duty to and do not undertake to update forward-looking statements. These forward-looking statements do not meet the safe harbor for forward-looking statements pursuant to Section 27A of the Securities Act of 1933, as amended (Securities Act), or Section 21E of the Securities Exchange Act of 1934, as amended (Exchange Act). Actual results could differ materially from those anticipated in forward-looking statements and future results could differ materially from historical performance. You should understand that, under Sections 27A(b)(2)(B) of the Securities Act and Section 21E(b)(2)(B) of the Exchange Act, the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 do not apply to statements made in connection with any offering of securities pursuant to this prospectus supplement, the accompanying prospectus or in periodic reports we file under the Exchange Act.

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PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights some of the information in this prospectus supplement and the accompanying prospectus. It is not complete and may not contain all of the information that you may want to consider before investing in our common stock. You should read this prospectus supplement and the accompanying prospectus carefully, including Risk Factors, Selected Consolidated Financial and Other Data, Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements contained in this prospectus supplement and/or the accompanying prospectus.

Horizon Technology Finance Corporation, a Delaware corporation, was formed on March 16, 2010 for the purpose of acquiring, continuing and expanding the business of its wholly-owned subsidiary, Compass Horizon Funding Company LLC, a Delaware limited liability company, which we refer to as Compass Horizon, raising capital in its initial public offering, or IPO, and operating as an externally managed business development company (BDC) under the Investment Company Act of 1940 (1940 Act). Except where the context suggests otherwise, the terms we, us, our and Company refer to Horizon Technology Finance Corporation and its consolidated subsidiaries. In addition, we refer to Horizon Technology Finance Management LLC, a Delaware limited liability company, as HTFM, our Advisor or our Administrator.

Our Company

We are a specialty finance company that lends to and invests in development-stage companies in the technology, life science, healthcare information and services and cleantech industries (collectively, our Target Industries). Our investment objective is to generate current income from the loans we make and capital appreciation from the warrants we receive when making such loans. We make secured loans (Venture Loans) to companies backed by established venture capital and private equity firms in our Target Industries whereby the equity capital investment supports the loan by initially providing a source of cash to fund the portfolio company's debt service obligations (Venture Lending).

We also selectively lend to publicly traded companies in our Target Industries. Venture Lending is typically characterized by, among other things, (i) the making of a secured loan after a venture capital or equity investment in the portfolio company has been made, which investment provides a source of cash to fund the portfolio company's debt service obligations under the Venture Loan, (ii) the senior priority of the Venture Loan which requires repayment of the Venture Loan prior to the equity investors realizing a return on their capital, (iii) the relatively rapid amortization of the Venture Loan, and (iv) the lender's receipt of warrants or other success fees with the making of the Venture Loan.

We are an externally managed, closed-end, non-diversified management investment company that has elected to be regulated as a BDC under the 1940 Act. As a BDC, we are required to comply with regulatory requirements, including limitations on our use of debt. We are permitted to, and expect to, finance our investments through borrowings. However, as a BDC, we are only generally allowed to borrow amounts such that our asset coverage, as defined in the 1940 Act, equals at least 200% after such borrowing. The amount of leverage that we employ will depend on our assessment of market conditions and other factors at the time of any proposed borrowing.

We have elected to be treated for federal income tax purposes as a regulated investment company (RIC) under Subchapter M of the Internal Revenue Code (the Code). As a RIC, we generally will not have to pay corporate-level federal income taxes on any net ordinary income or capital gains that we distribute to our stockholders if we meet

certain source-of-income, distribution, asset diversification and other requirements.

We are externally managed and advised by our Advisor. Our Advisor manages our day-to-day operations and also provides all administrative services necessary for us to operate.

Since our inception and through March 31, 2012, we have funded 67 portfolio companies and have invested \$367.0 million in loans (including 32 loans that have been repaid). As of March 31, 2012, our total investment portfolio consisted of 35 loans which totaled \$162.0 million and our net assets were \$129.0 million. All of our existing loans are secured by all or a portion of the tangible and intangible assets of the applicable portfolio company. The loans in our loan portfolio will generally not be rated by any rating agency. If the individual loans in our portfolio companies were rated, they would be rated below

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investment grade because they are subject to many risks, including volatility, intense competition, shortened product life cycles and periodic downturns.

For the three months ended March 31, 2012, our loan portfolio had a dollar-weighted average annualized yield of approximately 15.4% (excluding any yield from warrants). As of March 31, 2012, our loan portfolio had a dollar-weighted average term of approximately 41 months from inception and a dollar-weighted average remaining term of approximately 28 months. In addition, we held warrants to purchase either common stock or preferred stock in 48 portfolio companies. As of March 31, 2012, substantially all of our loans had an original committed principal amount of between \$1 million and \$12 million, repayment terms of between 30 and 48 months and bore current pay interest at annual interest rates of between 9% and 14%.

Our Advisor

Our investment activities are managed by our Advisor and we expect to continue to benefit from our Advisor's ability to identify attractive investment opportunities, conduct diligence on and value prospective investments, negotiate investments and manage our diversified portfolio of investments. In addition to the experience gained from the years that they have worked together both at our Advisor and prior to the formation by our Advisor of the Company, the members of our investment team have broad lending backgrounds, with substantial experience at a variety of commercial finance companies, technology banks and private debt funds, and have developed a broad network of contacts within the venture capital and private equity community. This network of contacts provides a principal source of investment opportunities.

Our Advisor is led by five senior managers, including its two co-founders, Robert D. Pomeroy, Jr., our Chief Executive Officer, and Gerald A. Michaud, our President. The other senior managers include Christopher M. Mathieu, our Senior Vice President and Chief Financial Officer, John C. Bombara, our Senior Vice President, General Counsel and Chief Compliance Officer, and Daniel S. Devorsetz, our Senior Vice President and Chief Credit Officer.

Our Strategy

Our investment objective is to maximize our investment portfolio's total return by generating current income from the loans we make and capital appreciation from the warrants we receive when making such loans. To further implement our business strategy, our Advisor will continue to employ the following core strategies:

Structured Investments in the Venture Capital and Private Equity Markets. We make loans to development-stage companies within our Target Industries typically in the form of secured amortizing loans. The secured amortizing debt structure provides a lower risk strategy, as compared to equity investments, to participate in the emerging technology markets because the debt structures we typically utilize provide collateral against the downside risk of loss, provide return of capital in a much shorter timeframe through current pay interest and amortization of loan principal and have a senior position in the capital structure to equity in the case of insolvency, wind down or bankruptcy. Unlike venture capital and private equity investments, our investment returns and return of our capital do not require equity investment exits such as mergers and acquisitions or initial public offerings. Instead, we receive returns on our loans primarily through regularly scheduled payments of principal and interest and, if necessary, liquidation of the collateral supporting the loan. Only the potential gains from warrants are dependent

upon exits.

Enterprise Value Lending. We and our Advisor take an enterprise value approach to the loan structuring and underwriting process. We secure a senior or subordinated lien position against the enterprise value of a portfolio company.

Creative Products with Attractive Risk-Adjusted Pricing. Each of our existing and prospective portfolio companies has its own unique funding needs for the capital provided from the proceeds of our Venture Loans. These funding needs include, but are not limited to, funds for additional development runways, funds to hire or retain sales staff or funds to invest in research and

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development in order to reach important technical milestones in advance of raising additional equity. Our loans include current pay interest, commitment fees, final payments, pre-payment fees and non-utilization fees. We believe we have developed pricing tools, structuring techniques and valuation metrics that satisfy our portfolio companies requirements while mitigating risk and maximizing returns on our investments.

Opportunity for Enhanced Returns. To enhance our loan portfolio returns, in addition to interest and fees, we obtain warrants to purchase the equity of our portfolio companies as additional consideration for making loans. The warrants we obtain generally include a cashless exercise provision to allow us to exercise these rights without requiring us to make any additional cash investment. Obtaining warrants in our portfolio companies has allowed us to participate in the equity appreciation of our portfolio companies, which we expect will enable us to generate higher returns for our investors.

Direct Origination. We originate transactions directly with technology, life science, healthcare information and services and cleantech companies. These transactions are referred to our Advisor from a number of sources, including referrals from, or direct solicitation of, venture capital and private equity firms, portfolio company management teams, legal firms, accounting firms, investment banks and other lenders that represent companies within our Target Industries. Our Advisor has been the sole or lead originator in substantially all transactions in which the funds it manages have invested.

Disciplined and Balanced Underwriting and Portfolio Management. We use a disciplined underwriting process that includes obtaining information validation from multiple sources, extensive knowledge of our Target Industries, comparable industry valuation metrics and sophisticated financial analysis related to development-stage companies. Our Advisor's due diligence on investment prospects includes obtaining and evaluating information on the prospective portfolio company's technology, market opportunity, management team, fund raising history, investor support, valuation considerations, financial condition and projections. We seek to balance our investment portfolio to reduce the risk of down market cycles associated with any particular industry or sector, development-stage or geographic area. Our Advisor employs a hands on approach to portfolio management requiring private portfolio companies to provide monthly financial information and to participate in regular updates on performance and future plans.

Use of Leverage. We currently use leverage to increase returns on equity through revolving credit facilities provided by WestLB AG (the WestLB Facility) and Wells Fargo Capital Finance, LLC (the Wells Facility) and collectively with the WestLB Facility, the Credit Facilities) and through our 7.375% senior notes due 2019 (the Senior Notes). See Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources in this prospectus supplement and in the accompanying prospectus for additional information about the Credit Facilities and the Senior Notes. In addition, we may incur other debt, including other credit facilities and issuing additional debt securities or preferred stock in the future.

Market Opportunity

We focus our investments primarily in four key industries of the emerging technology market: technology, life science, healthcare information and services and cleantech. The technology sectors we focus on include communications, networking, wireless communications, data storage, software, cloud computing, semiconductor, internet and media and consumer-related technologies. The life science sectors we focus on include biotechnology, drug delivery, bioinformatics and medical devices. The healthcare information and services sectors we focus on include diagnostics, medical record services and software and other healthcare related services and technologies that improve efficiency and quality of administered healthcare. The cleantech sectors we focus on include alternative energy, water purification, energy efficiency, green building materials and waste recycling.

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We believe that Venture Lending has the potential to achieve enhanced returns that are attractive notwithstanding the high degree of risk associated with lending to development-stage companies. Potential benefits include:

interest rates that typically exceed rates that would be available to portfolio companies if they could borrow in traditional commercial financing transactions;
the loan support provided by cash proceeds from equity capital invested by venture capital and private equity firms;
relatively rapid amortization of loans;
senior ranking to equity and collateralization of loans to minimize potential loss of capital; and
potential equity appreciation through warrants.

We believe that Venture Lending also provides an attractive financing source for portfolio companies, their management teams and their equity capital investors, as it:

is typically less dilutive to the equity holders than additional equity financing;
extends the time period during which a portfolio company can operate before seeking additional equity capital or pursuing a sale transaction or other liquidity event; and
allows portfolio companies to better match cash sources with uses.

Competitive Strengths

We believe that we, together with our Advisor, possess significant competitive strengths, which include the following:

Consistently Execute Commitments and Close Transactions. Our Advisor and its senior management and investment professionals have an extensive track record of originating, underwriting and closing Venture Loans. Our Advisor has directly originated, underwritten and managed more than 130 Venture Loans with an aggregate original principal amount over \$850 million since it commenced operations in 2004. In our experience, prospective portfolio companies prefer lenders that have demonstrated their ability to deliver on their commitments.

Robust Direct Origination Capabilities. Our Advisor's managing directors each have significant experience originating Venture Loans in our Target Industries. This experience has given each managing director a deep knowledge of our Target Industries and an extensive base of transaction sources and references. Our Advisor's brand name recognition in our market has resulted in a steady flow of high quality investment opportunities that are consistent with the strategic vision and expectations of our Advisor's senior management.

Highly Experienced and Cohesive Management Team. Our Advisor has had the same senior management team of experienced professionals since its inception. This consistency allows companies, their management teams and their investors to rely on consistent and predictable service, loan products and terms and underwriting standards.

Relationships with Venture Capital and Private Equity Investors. Our Advisor has developed strong relationships with venture capital and private equity firms and their partners. The strength and breadth of our Advisor's venture capital and private equity relationships would take considerable time and expense to develop.

Well-Known Brand Name. Our Advisor has originated Venture Loans to more than 130 companies in our Target Industries under the Horizon Technology Finance brand. Each of these companies is backed by one or more venture capital or private equity firms. We believe that the Horizon Technology Finance brand, as a competent, knowledgeable and active participant in the Venture Lending marketplace, will continue to result in a significant number of referrals and prospective investment opportunities in our Target Industries.

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Recent Developments

Stockholder Meetings

We held our 2012 Annual Meeting of Stockholders (the Annual Meeting) on June 11, 2012. At the Annual Meeting, our stockholders re-elected each of Gerald A. Michaud and Edmund V. Mahoney and elected Elaine A. Sarsynski, to our Board of Directors each for a three-year term.

We held a Special Meeting of Stockholders (the Special Meeting) on June 11, 2012. Our common stockholders voted to authorize us, with the approval of our Board of Directors, to sell shares of our common stock during the next 12 months at a price below the then current net asset value per share in one or more offerings, subject to certain conditions including limitations on the number of shares available for issuance to no more than 25% of our then outstanding common stock, at a price below, but no more than 15% below, its then current net asset value.

Preliminary Estimates of Results for the Three Months Ended June 30, 2012

Set forth below are certain preliminary estimates of our financial condition and results of operations for the three months ended June 30, 2012. These estimates are subject to the completion of our financial closing procedures and are not a comprehensive statement of our financial results for the three months ended June 30, 2012. We advise you that our actual results may differ materially from these estimates as a result of the completion of our financial closing procedures, final adjustments and other developments arising between now and the time that our financial results for the three months ended June 30, 2012 are finalized.

Our net investment income is estimated to have totaled between \$0.29 and \$0.31 per share for the three months ended June 30, 2012.

Our net asset value as of June 30, 2012 is estimated to be between \$16.65 and \$16.75 per share.

We had in excess of \$0.65 per share of undistributed earnings at June 30, 2012 available to augment net investment income for future dividends.

We originated approximately \$60 million in new loan commitments during the three months ended June 30, 2012. Of the new loan commitments, approximately \$37 million funded at close, with the majority of the fundings occurring in June. During the second quarter, there were no loan prepayments prior to their scheduled maturity date. This compares to approximately \$14 million in loan prepayments in the first quarter of 2012, which generated approximately \$0.7 million in fee income. Our portfolio balance, at cost, totaled approximately \$197 million as of June 30, 2012.

As of June 30, 2012, we were in compliance with our asset coverage test.

The preliminary financial data included herein have been prepared by, and is the responsibility of, management and have not been approved by our Board of Directors. McGladrey LLP, our independent registered public accounting firm, has not audited, reviewed, compiled or performed any procedures with respect to these preliminary estimates.

Accordingly, McGladrey LLP does not express an opinion or any other form of assurance with respect thereto.

During April 2012, we expanded our Senior Notes by \$3 million bringing the total amount to \$33 million.

During May 2012, we declared and paid a quarterly dividend of \$0.45 per share.

During the second quarter of 2012, we funded the following loans:

\$6.7 million to Aquion Energy, Inc., a new portfolio company. Aquion is a developer and manufacturer of Aqueous Hybrid Ion batteries and energy storage systems.

\$4.0 million to Avalanche Technology, Inc., a new portfolio company. Avalanche is a developer of next-generation storage products utilizing its proprietary Spin Programmable Memory technology.

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\$2.5 million to Celsion Corporation (Nasdaq: CLSN), a new portfolio company. Celsion is an oncology drug development company.

\$2.5 million to Grab Networks Holdings, Inc., an existing portfolio company. Grab is a premium video distribution company.

\$3.3 million to Luxtera, Inc., a new portfolio company. Luxtera is a developer of integrated silicon CMOS photonics.

\$2.0 million to OraMetrix, Inc., an existing portfolio company. OraMetrix is a provider of 3-D technology solutions for orthodontic care.

\$2.5 million to Sample6 Technologies, Inc., a new portfolio company. Sample6 is a developer of microbial monitoring technology for global food, healthcare and other industries.

\$3.75 million to Semprius, Inc., a new portfolio company. Semprius is a developer of high concentration photovoltaic solar modules.

\$0.5 million to Tigo Energy, Inc., an existing portfolio company. Tigo is a provider of solar optimization technology for photovoltaic solar installations.

\$5.0 million to a new portfolio company which has developed a technology to process biomass into fuel for clean technology applications.

\$3.0 million to an existing portfolio company which develops IT performance management software.

\$1.5 million to an existing portfolio company which develops complex event processing software.

Committed Backlog

As of June 30, 2012, our unfunded loan approvals and commitments (Committed Backlog) increased to \$39.3 million to 13 companies, compared to a Committed Backlog of \$16.0 million to six companies as of March 31, 2012. While our portfolio companies have discretion whether to draw down such commitments, in some cases, the right of a company to draw down its commitment is subject to the portfolio company achieving specific milestones.

Addition to the Russell 3000 Index

We joined the broad-market Russell 3000® Index when Russell Investments reconstituted its comprehensive set of U.S. and global equity indexes on June 25, 2012. Based on our membership in the Russell 3000 Index, which remains in place for one year, we will also automatically be included in the widely followed Russell 2000® Index for U.S. small-cap stocks.

Company Information

Our administrative and executive offices and those of our Advisor are located at 312 Farmington Avenue, Farmington, Connecticut 06032, and our telephone number is (860) 676-8654. Our corporate website is located at www.horizontechnologyfinancecorp.com. Information contained on our website is not incorporated by reference into this prospectus supplement, and you should not consider information contained on our website to be part of this prospectus supplement.

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THE OFFERING

Common stock offered by us	1,660,000 shares
Common stock outstanding prior to this offering	7,642,348 shares
Common stock to be outstanding after this offering 9,302,348 shares (excluding 249,000 shares of common stock issuable pursuant to the option to purchase additional shares granted to the underwriters)	
Option to purchase additional shares	249,000 shares

Use of proceeds

The net proceeds from this offering (excluding the underwriters' option to purchase additional shares and before deducting estimated expenses payable by us of approximately \$100,000) will be approximately \$25.8 million based on a public offering price of \$16.20, which includes underwriting discounts and commissions.

We intend to initially use the net proceeds from this offering to repay outstanding debt borrowed under our Wells Facility. See Underwriting Conflicts of Interest. However, through re-borrowing under our Wells Facility, we intend to use the net proceeds from this offering to make investments in portfolio companies in accordance with our investment objective and strategies and for working capital and general corporate purposes.

Listing

Our common stock is traded on the NASDAQ Global Select Market (NASDAQ) under the symbol HRZN.

Dividend Reinvestment Plan

We have a dividend reinvestment plan for our stockholders. The dividend reinvestment plan is an opt out dividend reinvestment plan. As a result, if we declare a dividend, then stockholders' cash dividends will be automatically reinvested in additional shares of our common stock, unless they specifically opt out of the dividend reinvestment plan so as to receive cash dividends. Stockholders who receive distributions in the form of stock will be subject to the same federal, state and local tax consequences as stockholders who elect to receive their distributions in cash.

Dividends and distributions

We intend to continue making quarterly distributions to our stockholders. These dividends and other distributions, if any, will be determined by our Board of Directors from time to time.

Taxation

We have elected to be treated for federal income tax purposes as a RIC under Subchapter M of the Code.

Accordingly, we generally will not pay corporate-level federal income taxes on any net ordinary income or capital gains that we distribute to our stockholders as dividends. To maintain our RIC tax treatment, we must meet specified source-of-income, distribution, asset diversification and other requirements.

Depending on the level of taxable income earned in a tax year, we may choose to carry forward taxable income in excess of current year distributions into the next tax year and pay a 4% excise tax on such income. Any such carryover taxable income must be distributed through a dividend declared prior to filing the final tax return related to the year which generated such taxable income.

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See Material U.S. Federal Income Tax Considerations in the accompanying prospectus.

Risk factors

See Risk Factors beginning on page S-12 of this prospectus supplement and beginning on page 17 of the accompanying prospectus for a discussion of risks you should carefully consider before deciding to invest in shares of our common stock.

Trading at a discount

Shares of closed-end investment companies, including BDCs, frequently trade at a discount to their net asset value. We are generally able to issue and sell our common stock at a price below our net asset value per share when we have stockholder approval. The risk that our shares may trade at a discount to our net asset value is separate and distinct from the risk that our net asset value per share may decline. We cannot predict whether our shares will trade above, at or below net asset value. See Risk Factors in this prospectus supplement and the accompanying prospectus and see Sales of Common Stock Below Net Asset Value.

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TABLE OF CONTENTS**FEES AND EXPENSES**

The following table is intended to assist you in understanding the costs and expenses that an investor in shares of our common stock will bear directly or indirectly. However, we caution you that some of the percentages indicated in the table below are estimates and may vary. The following table and example should not be considered a representation of our future expenses. Actual expenses may be greater or less than shown. Except where the context suggests otherwise, whenever this prospectus supplement and the accompanying prospectus contain a reference to fees or expenses paid by you or us or that we will pay fees or expenses, stockholders will indirectly bear such fees or expenses as investors in the Company.

Stockholder Transaction Expenses	
Sales Load (as a percentage of offering price)	4.00 % ⁽¹⁾
Offering Expenses (as a percentage of offering price)	0.37 % ⁽²⁾
Dividend Reinvestment Plan Fees	⁽³⁾
Total Stockholder Transaction Expenses (as a percentage of offering price)	4.37 %
Annual Expenses (as a Percentage of Net Assets Attributable to Common Stock) ⁽⁴⁾	
Base Management Fee	2.94 % ⁽⁵⁾
Incentive Fees Payable Under the Investment Management Agreement	1.94 % ⁽⁶⁾
Interest Payments on Borrowed Funds	4.58 % ⁽⁷⁾
Other Expenses (estimated for the current fiscal year)	2.07 % ⁽⁸⁾
Acquired Fund Fees and Expenses	.03 % ⁽⁹⁾
Total Annual Expenses (estimated)	11.56 % ⁽⁵⁾⁽¹⁰⁾

(1) Represents the underwriting discounts and commissions with respect to the shares sold by us in this offering.

The offering expenses of this offering borne by us are estimated to be approximately \$100,000 and is based on 1,660,000 shares offered in this offering at \$16.20 per share. If the underwriters exercise their option to purchase additional shares in full, the offering expenses borne by us (as a percentage of the offering price) will be approximately 0.32%.

(2) The expenses of the dividend reinvestment plan are included in Other Expenses in the table. See Dividend Reinvestment Plan in the accompanying prospectus.

(3) Net Assets Attributable to Common Stock equals estimated average net assets for the current fiscal year and is based on our net assets at March 31, 2012 and includes the net proceeds of the offering estimated to be received by the Company.

(4) Our base management fee under the investment management agreement entered into with our Advisor (the Investment Management Agreement) is based on our gross assets, which includes assets acquired using leverage, and is payable monthly in arrears. The management fee referenced in the table above is based on our gross assets of \$201 million as of March 31, 2012 and the net proceeds of the offering estimated to be received by the Company. See Investment Management and Administration Agreements Investment Management Agreement in the accompanying prospectus.

(5) Our incentive fee payable under the Investment Management Agreement consists of two parts: The first part, which is payable quarterly in arrears, equals 20% of the excess, if any, of our Pre-Incentive Fee Net Investment Income over a 1.75% quarterly (7% annualized) hurdle rate and a catch-up provision measured as of the end of each calendar quarter. Under this provision, in any calendar quarter, our Advisor receives no incentive fee until our net investment income equals the hurdle rate of 1.75% but then receives, as a catch-up, 100% of our Pre-Incentive Fee Net Investment Income with respect to that portion of such Pre-Incentive Fee Net Investment Income, if any, that exceeds the hurdle rate but is less than 2.1875%. The effect of this provision is that, if Pre-Incentive Fee Net

Investment Income exceeds 2.1875% in any calendar quarter, our Advisor will receive 20% of our Pre-Incentive Fee Net Investment Income as if a hurdle rate did not apply. The first part of the incentive fee is computed and paid on income that may include interest that is accrued but not yet received in cash.

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The second part of the incentive fee equals 20% of our Incentive Fee Capital Gains, if any, which will equal our realized capital gains on a cumulative basis from inception through the end of each calendar year, computed net of all realized capital losses and unrealized capital depreciation on a cumulative basis, less the aggregate amount of any previously paid capital gain incentive fees. The second part of the incentive fee is payable, in arrears, at the end of each calendar year (or upon termination of the Investment Management Agreement, as of the termination date). For a more detailed discussion of the calculation of this fee, see Investment Management and Administration Agreements Investment Management Agreement in the accompanying prospectus.

The incentive fee payable to our Advisor represents our estimated annual expense incurred under the first part of the Investment Management Agreement over the next twelve months. As we cannot predict the occurrence of any capital gains from the portfolio, we have assumed no Incentive Fee Capital Gains.

Interest payments on borrowed funds represent our estimated annual interest payments on borrowed funds based on (7) current debt levels as adjusted for projected increases in debt levels over the next twelve months after giving effect to the use of proceeds from this offering.

Includes our overhead expenses, including payments under the administration agreement entered into with our Administrator (the Administration Agreement), based on our allocable portion of overhead and other expenses (8) incurred by the Administrator in performing its obligations under the Administration Agreement. See Investment Management and Administration Agreements Administration Agreement in the accompanying prospectus. Other Expenses are based on estimated amounts to be incurred on an annual basis.

Amount reflects our estimated expenses of the temporary investment of offering proceeds in money market funds (9) pending our investment of such proceeds in portfolio companies in accordance with the investment objective and strategies described in this accompanying prospectus and this prospectus supplement.

Total Annual Expenses as a percentage of consolidated net assets attributable to common stock are higher than the total annual expenses percentage would be for a company that is not leveraged. We borrow money to leverage (10) our net assets and increase our total assets, which borrowing costs are reflected above. The SEC requires that the Total Annual Expenses percentage be calculated as a percentage of net assets (defined as total assets less indebtedness and after taking into account any incentive fees payable during the period), rather than the total assets, including assets that have been funded with borrowed monies.

Example

The following example demonstrates the projected dollar amount of total cumulative expenses that would be incurred over various periods with respect to a hypothetical investment in our common stock. This example and the expenses in the table above should not be considered a representation of our future expenses, and actual expenses (including the cost of debt, if any, and other expenses) may be greater or less than those shown. In calculating the following expense amounts, we have assumed that our annual operating expenses remain at the levels set forth in the table above.

	1 Year	3 Years	5 Years	10 Years
You would pay the following expenses on a \$1,000 investment, assuming a 5% annual return	\$ 110	\$ 308	\$ 479	\$ 810

The example and the expenses in the tables above should not be considered a representation of our future expenses, and actual expenses may be greater or lesser than those shown.

While the example assumes, as required by the applicable rules of the SEC, a 5% annual return, our performance will vary and may result in a return greater or less than 5%. The incentive fee under the Investment Management Agreement is unlikely to be significant assuming a 5% annual return and is not included in the example. If we achieve

sufficient returns on our investments, including through the realization of capital gains, to trigger an incentive fee of a material amount, our distributions to our common stockholders and our expenses would likely be higher. See Investment Management and Administration Agreements – Examples of Incentive Fee Calculation in the accompanying prospectus for additional information regarding the calculation of incentive fees. In addition, while the example assumes

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reinvestment of all dividends and other distributions at net asset value, participants in our dividend reinvestment plan receive a number of shares of our common stock determined by dividing the total dollar amount of the distribution payable to a participant by the market price per share of our common stock at the close of trading on the valuation date for the distribution. This price may be at, above or below net asset value. See "Dividend Reinvestment Plan" in the accompanying prospectus for additional information regarding our dividend reinvestment plan.

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RISK FACTORS

Investing in our common stock involves a number of significant risks. Before you invest in the common stock, you should be aware of various risks, including those described below and those set forth in the accompanying prospectus. You should carefully consider these risk factors, together with all of the other information included in this prospectus supplement and the accompanying prospectus, before you decide whether to make an investment in our common stock. The risks set out below are not the only risks we face. Additional risks and uncertainties not presently known to us or not presently deemed material by us may also impair our operations and performance. If any of the following events occur, our business, financial condition, results of operations and cash flows could be materially and adversely affected. In such case, you may lose all or part of your investment. The risk factors described below, together with those set forth in the accompanying prospectus, are the principal risk factors associated with an investment in our common stock as well as those factors generally associated with an investment company with investment objectives, investment policies, capital structure or trading markets similar to ours.

Stockholders may incur dilution if we sell shares of our common stock in one or more offerings at prices below the then current net asset value per share of our common stock or securities to subscribe for or convertible into shares of our common stock.

At a special meeting of stockholders, our stockholders approved a proposal designed to allow us to access the capital markets in a way that we would otherwise be unable to as a result of restrictions that, absent stockholder approval, apply to BDCs under the 1940 Act. Specifically, our stockholders have authorized us to sell shares of our common stock at any time through June 10, 2013 at a price below the then current net asset value per share in one or more offerings, subject to certain conditions, including limiting the number of shares available for issuance to no more than 25% of our then outstanding common stock and limiting the sales price per share to no more than 15% below the then current net asset value per share. Any decision to sell shares of our common stock below its then current net asset value per share is subject to the determination by our Board of Directors that such issuance is in our and our stockholders' best interests.

The issuance or sale by us of shares of our common stock at a discount to net asset value poses a risk of dilution to our stockholders. In particular, stockholders who do not purchase additional shares at or below the discounted price in proportion to their current ownership will experience an immediate decrease in net asset value per share (as well as in the aggregate net asset value of their shares if they do not participate at all). These stockholders will also experience a disproportionately greater decrease in their participation in our earnings and assets and their voting power than the increase we experience in our assets, potential earning power and voting interests from such issuance or sale. In addition, such sales may adversely affect the price at which our common stock trades.

Further, if our current stockholders do not purchase any shares to maintain their percentage interest, regardless of whether such offering is at, above or below the then current net asset value per share, their voting power will be diluted. For additional information and hypothetical examples of these risks, see **Sales of Common Stock Below Net Asset Value** in this prospectus supplement.

There are material limitations in estimating our results for prior periods before the completion of our and our auditors' normal review procedures for such periods.

The estimated results contained in **Summary Recent Developments** are not a comprehensive statement of financial results for the three months ended June 30, 2012 and have not been reviewed or audited by our independent registered public accounting firm. Our consolidated financial statements for the three months ended June 30, 2012 will not be

available until after this offering is completed, and, consequently, will not be available to you prior to investing in this offering. Our final financial results for the three months ended June 30, 2012 may vary from our expectations and may be materially different from the preliminary financial estimates we have provided due to completion of quarterly closing procedures, reviewing adjustments and other developments that may arise between now and the time the financial results for the quarter are finalized. Accordingly, investors should not place undue reliance on such financial information.

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USE OF PROCEEDS

We estimate that the net proceeds from the sale of 1,660,000 shares of common stock in this offering will be \$25.7 million and \$29.6 million if the underwriter's option to purchase additional shares is exercised in full, after deducting the underwriting discounts and commissions and estimated offering expenses of \$1.2 million payable by us.

We intend to initially use the net proceeds from this offering to repay outstanding debt borrowed under our Wells Facility. However, through re-borrowing under our Wells Facility, we intend to use the net proceeds from this offering to make investments in portfolio companies in accordance with our investment objective and strategies and for working capital and general corporate purposes. We estimate that it will take up to six months for us to substantially invest the net proceeds of any offering made pursuant to this prospectus supplement, depending on the availability of attractive opportunities and market conditions. However, we can offer no assurances that we will be able to achieve this goal. Pending such use, we will invest the remaining net proceeds of this offering primarily in cash, cash equivalents, U.S. Government securities and high-quality debt investments that mature in one year or less from the date of investment. These temporary investments may have lower yields than our other investments and accordingly, may result in lower distributions, if any, during such period. See Regulation Temporary Investments in the accompanying prospectus for additional information about temporary investments we may make while waiting to make longer-term investments in pursuit of our investment objective.

At June 30, 2012, we had approximately \$33 million outstanding under our Wells Facility. Our Wells Facility matures on July 14, 2017, unless extended, and bears interest on a per annum basis equal to the applicable LIBOR rate plus 4.00% with a LIBOR floor of 1.00%. Amounts repaid under our Wells Facility will remain available for future borrowings. As of June 30, 2012, the interest rate on our Wells Facility was 5.00%.

An affiliate of Wells Fargo Securities, LLC, an underwriter in this offering, acts as arranger, administrative agent and lender under our Wells Facility. As described above, we intend to use net proceeds of this offering to repay the outstanding debt under the Wells Facility, and such affiliate therefore will receive a portion of the proceeds from this offering through the repayment of those borrowings. See Underwriting Conflicts of Interest in this prospectus supplement.

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TABLE OF CONTENTS**CAPITALIZATION**

The following table sets forth:

our actual capitalization as of March 31, 2012; and on an as-adjusted basis giving effect to the sale of 1,660,000 shares of our common stock in this offering (assuming no exercise of the underwriters' option to purchase additional shares) based on a public offering price of \$16.20 per share less estimated underwriting discounts and commissions and offering expenses of \$1.2 million payable by us. This table should be read in conjunction with Use of Proceeds, Management's Discussion and Analysis of Financial Condition and Results of Operations and our financial statements and notes thereto included in this prospectus supplement and the accompanying prospectus.

	As of March 31, 2012	
	Actual	As-Adjusted for this Offering
	(dollars in thousands)	
Cash and Investment in money market funds	\$28,641	\$28,641
Credit Facilities ⁽¹⁾	40,236	14,520
Senior Notes due 2019	30,000	30,000
Total Borrowings	\$70,236	\$44,520
Net assets:		
Preferred stock, par value \$0.001 per share; 1,000,000 shares authorized, no shares issued and outstanding		
Common stock, par value \$0.001 per share; 100,000,000 shares authorized, 7,640,049 shares issued and outstanding	8	9
Paid-in capital in excess of par	124,570	150,285
Distributions in excess of net investment income	4,881	4,881
Net unrealized depreciation on investments	(3,472)	(3,472)
Net realized gains on investments	3,058	3,058
Total net assets	\$129,045	\$154,761

As of June 30, 2012 we had approximately \$33 million of borrowings outstanding under our Wells Facility and approximately \$14 million of borrowings under our WestLB Facility. We intend to initially use the net proceeds ⁽¹⁾ from this offering to repay outstanding debt borrowed under our Wells Facility. As of March 31, 2012 we only had approximately \$5 million outstanding under our Wells Facility.

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SALES OF COMMON STOCK BELOW NET ASSET VALUE

At a June 11, 2012 special meeting of stockholders, our stockholders approved our ability, with the approval of our Board of Directors, to sell shares of our common stock at any time through June 10, 2013 at a price below the then current net asset value per share in one or more offerings, subject to certain conditions, including limiting the number of shares available for issuance to no more than 25% of our then outstanding common stock and limiting the sales price per share to no more than 15% below the then current net asset value (the Stockholder Approval). In order to sell shares of common stock pursuant to the Stockholder Approval, a majority of our directors who have no financial interest in the sale and a majority of our independent directors must:

find that the sale is in our best interests and in the best interests of our stockholders; and in consultation with any underwriter or underwriters of the offering, make a good faith determination as of a time either immediately prior to the first solicitation by us or on our behalf of firm commitments to purchase such shares of common stock, or immediately prior to the issuance of such common stock, that the price at which such shares of common stock are to be sold is not less than a price which closely approximates the market value of those shares of common stock, less any distributing commission or discount. The offering of common stock being made pursuant to this prospectus supplement is at a price below our most recently reported net asset value per share of \$16.89 as of March 31, 2012 and is below our estimated book value of between \$16.65 and \$16.75 as of June 30, 2012.

In making a determination that this offering of common stock below its net asset value per share is in our and our stockholders' best interests, our Board of Directors considered a variety of factors including:

the effect that the offering below net asset value per share would have on our stockholders, including the potential dilution they would experience as a result of the offering;

the amount per share by which the offering price per share and the net proceeds per share are less than our most recently determined net asset value per share;

the relationship of recent market prices of par common stock to net asset value per share and the potential impact of the offering on the market price per share of our common stock;

whether the estimated offering price closely approximates the market value of shares of our common stock;

the potential market impact of being able to raise capital during the current financial market difficulties;

the nature of any new investors anticipated to acquire shares of our common stock in the offering;

the anticipated rate of return on and quality, type and availability of investments that we would be able to make as a result of this offering; and

the leverage available to us, both before and after the offering, and the terms thereof.

Our Board of Directors also considered the fact that sales of shares of common stock at a discount will benefit our Advisor, as our Advisor will earn additional investment management fees on the proceeds of such offerings, as it would from the offering of any of our other securities or from the offering of common stock at a premium to net asset value per share.

Sales by us of our common stock at a discount from net asset value per share pose potential risks for our existing stockholders whether or not they participate in the offering, as well as for new investors who participate in the offering. Any sale of common stock at a price below net asset value per share will result in an immediate dilution to many of our existing common stockholders even if they participate in such sale. See Risk Factors Risks Relating to Offerings Under This Prospectus in the accompanying prospectus.

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The following three headings and accompanying tables explain and provide hypothetical examples on the impact of an offering of our common stock at a price less than net asset value per share on three different types of investors:

existing stockholders who do not purchase any shares in this offering;
existing stockholders who purchase a relatively small amount of shares in this offering or a relatively large amount of shares in this offering; and

new investors who become stockholders by purchasing shares in this offering.

Net asset value per share used in the tables below is based on our most recently determined net asset value per share as of March 31, 2012. The net asset value per share used for purposes of providing information in the table below is thus an estimate and does not necessarily reflect actual net asset value per share at the time sales are made. Actual net asset value per share may change based on potential changes in valuations of our portfolio securities, accruals of income, expenses and distributions declared and thus may be different than at the assumed sales prices shown below. See Recent Developments.

The tables below provide hypothetical examples of the impact that an offering at a price less than net asset value per share may have on the net asset value per share of shareholders and investors who do and do not participate in such an offering. However, the tables below do not show and are not intended to show any potential changes in market price that may occur from an offering at a price less than net asset value per share and it is not possible to predict any potential market price change that may occur from such an offering.

Impact On Existing Stockholders Who Do Not Participate in this Offering

Our existing stockholders who do not participate in this offering below net asset value per share or who do not buy additional shares in the secondary market at the same or lower price we obtain in this offering (after expenses and commissions) face the greatest potential risks. These stockholders will experience an immediate dilution in the net asset value of the shares of common stock they hold and their net asset value per share. These stockholders will also experience a disproportionately greater decrease in their participation in our earnings and assets and their voting power than the increase we will experience in our assets, potential earning power and voting interests due to such offering. These stockholders may also experience a decline in the market price of their shares, which often reflects to some degree announced, or potential increases and decreases in net asset value per share. This decrease could be more pronounced as the size of the offering and level of discounts increases. Further, if existing stockholders do not purchase any shares to maintain their percentage interest, their voting power will be diluted.

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The following chart illustrates the level of net asset value dilution that would be experienced by an existing 0.10% stockholder who does not participate in this offering at the public offering price of \$16.20 per share with a 4% underwriting discount and \$100,000 of expenses (\$15.49 per share net). It is not possible to predict the level of market price decline that may occur following this offering.

	Prior to Sale Below NAV	Following Sale	% Change
Offering Price			
Price per Share to Public		\$16.20	
Net Proceeds per Share to Issuer		\$15.49	
Decrease to Net Asset Value			
Total Shares Outstanding	7,640,049 ⁽¹⁾	9,300,049 ⁽²⁾	21.73 %
Net Asset Value per Share	\$16.89	\$16.64	(1.47)%
Dilution to Nonparticipating Stockholder			
Shares Held by Stockholder A	7,640	7,640	
Percentage Held by Stockholder A	0.10 %	0.08 %	(17.85)%
Total Net Asset Value Held by Stockholder A	\$129,040	\$127,138	(1.47)%
Total Investment by Stockholder A (Assumed to Be Net Asset Value per Share)		\$129,040	
Total Dilution to Stockholder A (Total Net Asset Value Less Total Investment)		\$(1,903)	
Investment per Share Held by Stockholder A (Assumed to be Net Asset Value per Share on Shares Held Prior to Sale)	\$16.89	\$16.89	
Net Asset Value per Share Held by Stockholder A		\$16.64	
Dilution per Share Held by Stockholder A (Net Asset Value per Share Less Investment per Share)		\$(0.25)	
Percentage Dilution to Stockholder A (Dilution per Share Divided by Investment per Share)			(1.47)%

(1) Reflects actual shares outstanding at March 31, 2012.

(2) Excludes underwriters' option to purchase 249,000 shares.

Impact On Existing Stockholders Who Do Participate in this Offering

Our existing stockholders who participate in this offering or who buy additional shares in the secondary market at the same or lower price as we obtain in this offering (after expenses and commissions) will experience the same types of net asset value dilution as the nonparticipating stockholders, although at a lower level, to the extent they purchase less than the same percentage of the discounted offering as their interest in our shares of our common stock immediately prior to the offering. The level of net asset value dilution will decrease as the number of shares such stockholders purchase increases. Existing stockholders who buy more than such percentage will experience net asset value dilution but will, in contrast to existing stockholders who purchase less than their proportionate share of the offering, experience accretion in net asset value per share over their investment per share and will also experience a disproportionately greater increase in their participation in our earnings and assets and their voting power than our increase in assets, potential earning power and voting interests due to such offering. The level of accretion will increase as the excess number of shares such stockholder purchases increases. Even a stockholder who over participates will, however, be subject to the risk that we may make additional discounted offerings in which such

stockholder does not participate, in which case such a stockholder will experience net asset value dilution as described above in such subsequent offerings. These stockholders may also experience a decline in the market price of their shares, which often reflects to some degree announced or potential increases and decreases in net asset value per share. This decrease could be more pronounced as the size of the offering and the level of discounts increase.

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The following chart illustrates the level of dilution and accretion in this offering for a current 0.10% stockholder that acquires shares equal to (1) 50% of its proportionate share of the offering (*i.e.*, 830 shares, which is 0.05% of an offering of 1,660,000 shares) rather than its 0.10% proportionate share and (2) 150% of such percentage (*i.e.*, 2,490 shares, which is 0.15% of an offering of 1,660,000 shares rather than its 0.10% proportionate share) at the public offering price of \$16.20 per share with a 4% underwriting discount and \$100,000 of expenses (\$15.49 per share net). It is not possible to predict the level of market price decline that may occur following this offering.

	Prior to Sale Below NAV	50% Participation		150% Participation	
		Following Sale	% Change	Following Sale	% Change
Offering Price					
Price per Share to Public		16.20		16.20	
Net Proceeds per Share to Issuer		15.49		15.49	
Decrease/Increase to Net Asset Value					
Total Shares Outstanding	7,640,049 ⁽¹⁾	9,300,049 ⁽²⁾	21.73 %	9,300,049 ⁽²⁾	21.73 %
Net Asset Value per Share	\$ 16.89	\$ 16.64	(1.47)%	16.64	(1.47)%
Dilution/Accretion to Participating Stockholder					
Shares Held by Stockholder A	7,640	8,470	10.86 %	10,130	32.59 %
Percentage Held by Stockholder A	0.10 %	0.09 %	(8.92)%	0.11 %	8.92 %
Total Net Asset Value Held by Stockholder A	129,040	140,950	9.23 %	168,574	30.64 %
Total Investment by Stockholder A (Assumed to be Net Asset Value per Share on Shares Held Prior to Sale)		\$ 142,486		\$ 169,379	
Total Dilution to Stockholder A (Total Net Asset Value Less Total Investment)		\$(1,537)		\$(805)	
Investment per Share Held by Stockholder A (assumed to Be Net Asset Value per Share on Shares Held Prior to Sale)	\$ 16.89	\$ 16.82		\$ 16.72	
Net Asset Value per Share Held by Stockholder A		16.64		16.64	
Dilution per Share Held by Stockholder A (Net Asset Value per Share Less Investment per Share)		\$(0.18)		\$(0.08)	
Percentage Dilution to Stockholder A (Dilution per Share Divided by Investment per Share)			(1.07)%		(0.47)%

(1)

Reflects actual shares outstanding at March 31, 2012.

(2)

Excludes underwriters option to purchase 249,000 shares.

Impact On New Investors

Investors who are not currently stockholders and who participate in this offering and whose investment per share is greater than the resulting net asset value per share due to selling compensation and expenses paid by us will experience an immediate decrease, although small, in the net asset value of their shares and their net asset value per share compared to the price they pay for their shares. Investors who are not currently stockholders and who participate in this offering and whose investment per share is also less than the resulting net asset value per share will experience an immediate increase in the net asset value of their shares and their net asset value per share compared to the price they pay for their shares. These latter investors will experience a disproportionately greater participation in our earnings and assets and their voting power than our increase in assets, potential earning power and voting interests due to such offering. These investors will, however, be subject to the risk that we may make additional discounted offerings in which such new stockholder does not participate, in which case such new stockholder will experience dilution as described above in such subsequent offerings. These investors may also experience a decline in

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the market price of their shares, which often reflects to some degree announced or potential decreases in net asset value per share. This decrease could be more pronounced as the size of the offering and level of discounts increases.

The following chart illustrates the level of dilution or accretion for new investors that will be experienced by a new investor who purchases the same percentage (0.10%) of the shares in the offering as the stockholder in the prior examples at the public offering price of \$16.20 per share with a 4% underwriting discount and \$100,000 of expenses (\$15.49 per share net).

	Prior to Sale Below NAV	Following Sale	% Change
Offering Price			
Price per Share to Public		\$16.20	
Net Proceeds per Share to Issuer		\$15.49	
Decrease to Net Asset Value			
Total Shares Outstanding	7,640,049 ⁽¹⁾	9,300,049 ⁽²⁾	21.73 %
Net Asset Value per Share	\$16.89	\$16.64	(1.47)%
Accretion to New Stockholder A			
Shares Held by Stockholder A		1,660	
Percentage Held by Stockholder A	0.00	%	0.02 %
Total Net Asset Value Held by Stockholder A		\$27,624	
Total Investment by Stockholder A (At Price to Public)		\$26,892	
Total Accretion to Stockholder A (Total Net Asset Value Less Total Investment)		\$732	
Investment per Share Held by Stockholder A		\$16.20	
Net Asset Value per Share Held by Stockholder A		\$16.64	
Accretion Share Held by Stockholder A (Net Asset Value per Share Less Investment per Share)		\$0.44	
Percentage Accretion to Stockholder A (Accretion per Share Divided by Investment per Share)			2.72 %

(1) Reflects actual shares outstanding at March 31, 2012.

(2) Excludes underwriters option to purchase 249,000 shares.

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Our common stock is traded on NASDAQ, under the symbol HRZN. The following table sets forth, for each fiscal quarter since our IPO, the range of high and low sales prices of our common stock as reported on NASDAQ, the sales price as a percentage of our net asset value and the distributions declared by us for each fiscal quarter.

	Net Asset Value ⁽¹⁾	Closing Sales Price	High	Low	Premium/Discount of High Sales Price to Net Asset Value ⁽²⁾	Premium/Discount of Low Sales Price to Net Asset Value ⁽²⁾	Cash Distributions per Share ⁽³⁾
Year ended December 31, 2012							
Third Quarter ⁽⁴⁾	\$ *	\$ 16.77	\$ 16.15		*/%	*/%	\$ *
Second Quarter	\$ *	\$ 17.12	\$ 15.03		*/%	*/%	\$ *
First Quarter	\$ 16.89	\$ 17.05	\$ 16.05		101 %	95 %	\$ 0.45
Year ended December 31, 2011							
Fourth Quarter	\$ 17.01	\$ 16.32	\$ 14.40		96 %	85 %	\$ 0.45
Third Quarter	\$ 17.36	\$ 16.25	\$ 13.88		94 %	80 %	\$ 0.45
Second Quarter	\$ 17.40	\$ 16.17	\$ 15.21		93 %	87 %	\$ 0.40
First Quarter	\$ 17.23	\$ 16.25	\$ 14.90		94 %	86 %	\$ 0.33
Year ended December 31, 2010							
Fourth Quarter ⁽⁵⁾	\$ 16.75	\$ 15.59	\$ 13.83		93 %	83 %	\$ 0.22

Net asset value per share is determined as of the last day in the relevant quarter and therefore may not reflect the (1) net asset value per share on the date of the high and low sales prices. The net asset values shown are based on outstanding shares at the end of each period.

(2) Calculated as the respective high or low sales price divided by net asset value.

Represents the distribution declared for the specified quarter. We have adopted an opt out dividend reinvestment plan for our common stockholders. As a result, if we declare a distribution, then stockholders' cash distributions are (3) automatically reinvested in additional shares of our common stock, unless they specifically opt out of the dividend reinvestment plan so as to receive cash distributions. See Dividend Reinvestment Plan in the accompanying prospectus.

(4) From July 1, 2012 to July 16, 2012.

(5) From October 29, 2010 (initial public offering) to December 31, 2010.

* Not yet determined at the time of filing.

The last reported price for our common stock on July 16, 2012 was \$16.74 per share. As of July 16, 2012, we had four stockholders of record, which does not include stockholders for whom shares are held in nominee or street name.

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SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The following selected consolidated financial data of Horizon Technology Finance Corporation as of December 31, 2011, 2010, 2009 and 2008, and for the year ended December 31, 2011, the period from October 29, 2010 to December 31, 2010, the period from January 1, 2010 to October 28, 2010, the year ended December 31, 2009, and the period from March 4, 2008 (Inception) to December 31, 2008 is derived from the consolidated financial statements that have been audited by McGladrey LLP, an independent registered public accounting firm, and should be read in conjunction with our financial statements and related notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations in the accompanying prospectus. Interim financial information for the three months ended March 31, 2012 and 2011 is derived from our unaudited consolidated financial statements, and in the opinion of management, reflects all adjustments (consisting only of normal recurring adjustments) that are necessary to present fairly the results of such interim period. This interim selected financial data should be read in conjunction with our financial statements and related notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations. For the periods prior to October 29, 2010, the financial data refers to Compass Horizon Funding Company LLC.