

Horizon Technology Finance Corp  
Form 10-Q  
October 30, 2018

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**Form 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934**

**FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2018**

**OR**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934**

**FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO**

**COMMISSION FILE NUMBER: 814-00802**

**HORIZON TECHNOLOGY FINANCE CORPORATION**

*(Exact name of registrant as specified in its charter)*

**DELAWARE**

*(State or other jurisdiction of incorporation or organization)*

**27-2114934**

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

**312 Farmington Avenue**

**Farmington, CT**

*(Address of principal executive offices)*

**06032**

*(Zip Code)*

**(860) 676-8654**

**(Registrant's telephone number, including area code)**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer

Non-accelerated filer  Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  
Yes  No

The number of shares of the registrant's common stock, \$0.001 par value per share, outstanding as of October 30, 2018 was 11,532,652.

**HORIZON TECHNOLOGY FINANCE CORPORATION**

**FORM 10-Q**

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**PART I: FINANCIAL INFORMATION****Item 1. Consolidated Financial Statements****Horizon Technology Finance Corporation and Subsidiaries****Consolidated Statements of Assets and Liabilities (Unaudited)****(Dollars in thousands, except share and per share data)**

	September 30, 2018	December 31, 2017
<b>Assets</b>		
Non-affiliate investments at fair value (cost of \$228,313 and \$219,303, respectively)	\$ 227,813	\$ 218,600
Non-controlled affiliate investments at fair value (cost of \$7,882 and \$3,774, respectively) (Note 5)	7,531	3,499
Controlled affiliate investments at fair value (cost of \$4,413 and \$0, respectively) (Note 5)	4,413	—
Total investments at fair value (cost of \$240,608 and \$223,077, respectively) (Note 4)	239,757	222,099
Cash	5,909	6,594
Interest receivable	4,765	3,986
Other assets	1,731	1,467
Total assets	\$ 252,162	\$ 234,146
<b>Liabilities</b>		
Borrowings (Note 7)	\$ 112,284	\$ 94,075
Distributions payable	3,459	3,456
Base management fee payable (Note 3)	410	379
Incentive fee payable (Note 3)	851	541
Other accrued expenses	702	620
Total liabilities	117,706	99,071
<b>Commitments and Contingencies (Note 8)</b>		
<b>Net assets</b>		
Preferred stock, par value \$0.001 per share, 1,000,000 shares authorized, zero shares issued and outstanding as of September 30, 2018 and December 31, 2017	—	—
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Common stock, par value \$0.001 per share, 100,000,000 shares authorized,  
11,698,864 and 11,687,871 shares issued and 11,531,399 and 11,520,406 shares  
outstanding as of September 30, 2018 and December 31, 2017, respectively

Paid-in capital in excess of par	179,606		179,641	
Distributions in excess of net investment income	(2,372	)	(1,898	)
Net unrealized depreciation on investments	(851	)	(978	)
Net realized loss on investments	(41,939	)	(41,702	)
Total net assets	134,456		135,075	
Total liabilities and net assets	\$ 252,162		\$ 234,146	
Net asset value per common share	\$ 11.66		\$ 11.72	

See Notes to Consolidated Financial Statements

**Horizon Technology Finance Corporation and Subsidiaries****Consolidated Statements of Operations (Unaudited)****(Dollars in thousands, except share and per share data)**

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2018	2017	2018	2017
Investment income				
Interest income on investments				
Interest income on non-affiliate investments	\$ 7,094	\$ 6,164	\$ 20,385	\$ 17,861
Interest income on non-controlled affiliate investments	193	81	528	81
Total interest income on investments	7,287	6,245	20,913	17,942
Fee income				
Prepayment fee income on non-affiliate investments	102	399	414	1,187
Fee income on non-affiliate investments	325	130	875	485
Total fee income	427	529	1,289	1,672
Dividend income				
Dividend income on affiliate investments	83	—	83	—
Total dividend income	83	—	83	—
Total investment income	7,797	6,774	22,285	19,614
Expenses				
Interest expense	1,681	1,140	4,616	3,540
Base management fee (Note 3)	1,197	921	3,399	2,783
Performance based incentive fee (Note 3)	1,297	258	2,823	1,094
Administrative fee (Note 3)	162	194	517	575
Professional fees	289	275	997	1,105
General and administrative	215	189	636	600
Total expenses	4,841	2,977	12,988	9,697
Performance based incentive fee waived (Note 3)	(446	) —	(605	) —
Net expenses	4,395	2,977	12,383	9,697
Net investment income	3,402	3,797	9,902	9,917
Net realized and unrealized gain (loss) on investments				
Net realized gain (loss) on non-affiliate investments	66	(429	) (237	) (11,098
Net realized gain (loss) on investments	66	(429	) (237	) (11,098
Net unrealized appreciation (depreciation) on non-affiliate investments	761	(640	) 202	8,295
Net unrealized appreciation (depreciation) on non-controlled affiliate investments	30	(19	) (75	) (19
Net unrealized appreciation (depreciation) on investments	791	(659	) 127	8,276
Net realized and unrealized gain (loss) on investments	857	(1,088	) (110	) (2,822
Net increase in net assets resulting from operations	\$ 4,259	\$ 2,709	\$ 9,792	\$ 7,095



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Net investment income per common share	\$0.30	\$0.33	\$0.86	\$0.86
Net increase in net assets per common share	\$0.37	\$0.24	\$0.85	\$0.62
Distributions declared per share	\$0.30	\$0.30	\$0.90	\$0.90
Weighted average shares outstanding	11,529,611	11,518,552	11,525,906	11,516,246

See Notes to Consolidated Financial Statements

**Horizon Technology Finance Corporation and Subsidiaries****Consolidated Statements of Changes in Net Assets (Unaudited)**

(Dollars in thousands, except share data)

	Common Stock		Paid-In Capital in Excess of	Distributions in Excess of Net Investment Income	Net Unrealized Depreciation on Investments	Net Realized Loss on Investments	Total Net Assets
	Shares	AmountPar					
Balance at December 31, 2016	11,510,424	\$ 12	\$ 179,551	\$ (397 )	\$ (19,463 )	\$ (20,511 )	\$ 139,192
Net increase in net assets resulting from operations	—	—	—	9,917	8,276	(11,098 )	7,095
Issuance of common stock under dividend reinvestment plan	12,278	—	134	—	—	—	