

Horizon Technology Finance Corp  
Form 10-Q  
August 05, 2014

**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  
p ACT OF 1934**

**FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2014**

**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**

**27-2114934**

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*(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)*

**312 Farmington Avenue**

**Farmington, CT**

**06032**

*(Address of principal executive offices) (Zip Code)*

**Registrant's telephone number, including area code (860) 676-8654**

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer" and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller Reporting Company   
(Do not check if a smaller reporting company)

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

As of August 5, 2014, the Registrant had 9,622,420 shares of common stock, \$0.001 par value, outstanding.

**HORIZON TECHNOLOGY FINANCE CORPORATION**

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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)****(In thousands, except share data)**

	June 30, 2014	December 31, 2013
<b>Assets</b>		
Non-affiliate investments at fair value (cost of \$222,495 and \$234,310, respectively) (Note 4)	\$ 219,295	\$ 221,284
Cash	6,268	25,341
Investments in money market funds	9,582	1,188
Restricted investments in money market funds	4,840	5,951
Interest receivable	5,732	4,240
Other assets	4,128	5,733
<b>Total assets</b>	<b>\$ 249,845</b>	<b>\$ 263,737</b>
<b>Liabilities</b>		
Borrowings (Note 6)	\$ 107,536	\$ 122,343
Distributions payable	3,319	3,315
Base management fee payable (Note 3)	286	439
Incentive fee payable (Note 3)	—	852
Other accrued expenses	1,769	953
<b>Total liabilities</b>	<b>112,910</b>	<b>127,902</b>
<b>Commitments and Contingencies (Notes 7 and 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 June 30, 2014 and December 31, 2013	—	—
Common stock, par value \$0.001 per share, 100,000,000 shares authorized, 9,621,636 and 9,608,949 shares outstanding as of June 30, 2014 and December 31, 2013	10	10
Paid-in capital in excess of par	155,149	154,975
Accumulated (distributions in excess of) undistributed net investment income	(856 )	1,463
Net unrealized depreciation on investments	(3,267 )	(13,026 )
Net realized loss on investments	(14,101 )	(7,587 )

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Total net assets	136,935	135,835
Total liabilities and net assets	\$249,845	\$ 263,737
Net asset value per common share	\$14.23	\$ 14.14

See Notes to Consolidated Financial Statements

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

	For the Three Months Ended		For the Six Months Ended	
	June 30,	2013	June 30,	2013
	2014		2014	2013
Investment income				
Interest income on non-affiliate investments	\$ 7,747	\$ 8,407	\$ 14,928	\$ 15,754
Fee income on non-affiliate investments	950	380	1,304	402
Total investment income	8,697	8,787	16,232	16,156
Expenses				
Interest expense	3,760	1,924	5,831	3,697
Base management fee <sup>1</sup> (Note 3)	1,137	1,329	2,342	2,570
Performance based incentive fee <sup>1</sup> (Note 3)	—	900	406	1,593
Administrative fee (Note 3)	293	317	537	602
Professional fees	1,280	311	2,114	693
General and administrative	351	325	602	546
Total expenses	6,821	5,106	11,832	9,701
Net investment income before excise tax	1,876	3,681	4,400	6,455
Provision for excise tax	(40	) (80	) (80	) (80
Net investment income	1,836	3,601	4,320	6,375
Net realized and unrealized gain (loss) on investments				
Net realized loss on investments	(630	) (62	) (6,514	) (272
Net unrealized appreciation (depreciation) on investments	1,229	(2,391	) 9,759	(1,972
Net realized and unrealized gain (loss) on investments	599	(2,453	) 3,245	(2,244
Net increase in net assets resulting from operations	\$ 2,435	\$ 1,148	\$ 7,565	\$ 4,131
Net investment income per common share	\$ 0.19	\$ 0.38	\$ 0.45	\$ 0.67
Net increase in net assets per common share	\$ 0.25	\$ 0.12	\$ 0.78	\$ 0.43
Distributions declared per share	\$ 0.345	\$ 0.345	\$ 0.69	\$ 0.69
Weighted average shares outstanding	9,620,027	9,578,421	9,616,930	9,574,626

During the three and six months ended June 30, 2014, the Advisor waived \$131 and \$238 of base management fee, respectively. During the six months ended June 30, 2014, the Advisor waived \$107 of performance based incentive (1) fee. Had these expenses not been waived, the base management fee for three and six months ended June 30, 2014 would have been \$1,268 and \$2,580, respectively. The performance based incentive fee for six months ended June 30, 2014 would have been \$513.

See Notes to Consolidated Financial Statements

**Horizon Technology Finance Corporation and Subsidiaries****Consolidated Statements of Changes in Net Assets (Unaudited)****(In thousands, except share data)**

	Shares	Stock	Paid-In Common Capital in Excess of Par	Accumulated (Distribution in Excess of) Undistributed Net Investment Income	Net Unrealized Depreciation on Investments	Net Realized Loss on Investments	Total Net Assets
Balance at December 31, 2012	9,567,225	\$ 10	\$ 154,384	\$ 1,428	\$ (10,772 )	\$ (78 )	\$ 144,972
Net increase in net assets resulting from operations	—	—	—	6,375	(1,972 )	(272 )	4,131
Issuance of common stock under dividend reinvestment plan	13,221	—	193	—	—	—	193
Distributions declared	—	—	—	(6,609 )	—	—	(6,609 )
Balance at June 30, 2013	9,580,446	\$ 10	\$ 154,577	\$ 1,194	\$ (12,744 )	\$ (350 )	\$ 142,687
Balance at December 31, 2013	9,608,949	\$ 10	\$ 154,975	\$ 1,463	\$ (13,026 )	\$ (7,587 )	\$ 135,835
Net increase in net assets resulting from operations	—	—	—	4,320	9,759	(6,514 )	7,565
Issuance of common stock under dividend reinvestment plan	12,687	—	174	—	—	—	174
Distributions declared	—	—	—	(6,639 )	—	—	(6,639 )
Balance at June 30, 2014	9,621,636	\$ 10	\$ 155,149	\$ (856 )	\$ (3,267 )	\$ (14,101 )	\$ 136,935

See Notes to Consolidated Financial Statements



**Horizon Technology Finance Corporation and Subsidiaries****Consolidated Statements of Cash Flows (Unaudited)****(In thousands)**

	For the Six Months Ended June 30,	
	2014	2013
Cash flows from operating activities:		
Net increase in net assets resulting from operations	\$ 7,565	\$ 4,131
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by (used in) operating activities:		
Amortization of debt issuance costs	2,022	406
Net realized loss on investments	7,651	62
Net unrealized (appreciation) depreciation on investments	(9,726 )	1,972
Purchase of investments	(43,990 )	(57,643 )
Principal payments received on investments	47,489	37,935
Proceeds from sale of investments	1,123	39
Changes in assets and liabilities:		
Increase in investments in money market funds	(8,394 )	(240 )
Decrease in restricted investments in money market funds	1,111	—
Increase in interest receivable	(955 )	(100 )
Increase in end-of-term payments	(537 )	(956 )
Decrease in unearned loan income	(558 )	(613 )
(Increase) decrease in other assets	(418 )	23
Increase in other accrued expenses	816	251
(Decrease) increase in base management fee payable	(153 )	68
(Decrease) increase in incentive fee payable	(852 )	45
Net cash provided by (used in) operating activities	2,194	(14,620 )
Cash flows from financing activities:		
Proceeds from issuance of Asset-Backed Notes	—	90,000
Distributions paid	(6,460 )	(6,412 )
Net decrease in borrowings	(14,807 )	(46,020 )
Debt issuance costs	—	(2,125 )
Net cash (used in) provided by financing activities	(21,267 )	35,443
Net (decrease) increase in cash	(19,073 )	20,823
Cash:		
Beginning of period	25,341	1,048
End of period	\$ 6,268	\$ 21,871

Supplemental disclosure of cash flow information:

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Cash paid for interest	\$ 3,817	\$ 3,286
Supplemental non-cash investing and financing activities:		
Warrant investments received & recorded as unearned loan income	\$ 260	\$ 426
Distributions payable	\$ 3,319	\$ 3,305
Net assets received in settlement of debt investment	\$ 985	\$ —
Receivable resulting from sale of investment	\$ 209	\$ —

See Notes to Consolidated Financial Statements

**Horizon Technology Finance Corporation and Subsidiaries**

**Consolidated Schedule of Investments (Unaudited)**

**June 30, 2014**