

HERCULES TECHNOLOGY GROWTH CAPITAL INC

Form 10-Q

May 08, 2012

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, DC 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 March 31, 2012

OR

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

Commission File Number: 814-00702

**HERCULES TECHNOLOGY GROWTH**  
**CAPITAL, INC.**

(Exact Name of Registrant as Specified in its Charter)

<b>Maryland</b> (State or Jurisdiction of Incorporation or Organization)	<b>743113410</b> (IRS Employer Identification No.)
<b>400 Hamilton Ave., Suite 310</b>  <b>Palo Alto, California</b> (Address of Principal Executive Offices)	<b>94301</b> (Zip Code)
<b>(650) 289-3060</b>  (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 periods 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, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

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Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

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

On May 7, 2012, there were 49,715,269 shares outstanding of the Registrant's common stock, \$0.001 par value.

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In this Quarterly Report, the Company, Hercules, we, us and our refer to Hercules Technology Growth Capital, Inc. and its wholly owned subsidiaries and its affiliated securitization trusts unless the context otherwise requires.

**ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS**  
**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.**

**CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES****(unaudited)****(dollars in thousands, except per share data)**

	<b>March 31, 2012 (unaudited)</b>	<b>December 31, 2011</b>
<b>Assets</b>		
Investments:		
Non-control/Non-affiliate investments (cost of \$681,242 and \$642,038, respectively)	\$ 692,695	\$ 651,843
Affiliate investments (cost of \$3,254 and \$3,236, respectively)	1,094	
Control investments (cost of \$10,889 and \$11,266, respectively)	675	1,027
Total investments, at value (cost of \$695,385 and \$656,540, respectively)	694,464	652,870
Cash and cash equivalents	48,433	64,474
Interest receivable	5,962	5,820
Other assets	14,507	24,230
Total assets	\$ 763,366	\$ 747,394
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 6,545	\$ 10,813
Wells Fargo Loan		10,187
Long-term Liabilities (Convertible Debt)	70,624	70,353
Long-term SBA Debentures	200,750	225,000
Total liabilities	277,919	316,353
Commitments and Contingencies (Note 10)		
<b>Net assets consist of:</b>		
Common stock, par value	50	44
Capital in excess of par value	532,951	484,244
Unrealized depreciation on investments	(578)	(3,431)
Accumulated realized losses on investments	(40,165)	(43,042)
Distributions in excess of investment income	(6,811)	(6,774)
Total net assets	485,447	431,041
Total liabilities and net assets	\$ 763,366	\$ 747,394
Shares of common stock outstanding (\$0.001 par value, 100,000,000 authorized)	49,721	43,853

<b>Net asset value per share</b>		\$	9.76	\$	9.83
	See notes to consolidated financial statements (unaudited)				

Table of Contents**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS****March 31, 2012****(unaudited)****(dollars in thousands)**

<b>Portfolio Company</b>	<b>Industry</b>	<b>Type of Investment<sup>(1)</sup></b>	<b>Principal Amount</b>	<b>Cost<sup>(2)</sup></b>	<b>Value<sup>(3)</sup></b>
Anthera Pharmaceuticals Inc. <sup>(3)</sup>	Drug Discovery & Development	Senior Debt Matures December 2014 Interest rate Prime + 7.30% or Floor rate of 10.55%	\$ 25,000	\$ 24,645	\$ 24,645
Aveo Pharmaceuticals, Inc. <sup>(3)</sup>	Drug Discovery & Development	Senior Debt Matures September 2015 Interest rate Prime + 7.15% or Floor rate of 11.90%	\$ 26,500	26,500	27,295
Cempra, Inc. <sup>(3)</sup>	Drug Discovery & Development	Senior Debt Matures December 2015 Interest rate Prime + 7.05% or Floor rate of 10.30%	\$ 10,000	9,757	9,757
Chroma Therapeutics, Ltd. <sup>(5)</sup>	Drug Discovery & Development	Senior Debt Matures November 2013 Interest rate Prime + 7.75% or Floor rate of 12.00%	\$ 6,693	7,131	7,271
Concert Pharmaceuticals, Inc.	Drug Discovery & Development	Senior Debt Matures October 2015 Interest rate Prime + 3.25% or Floor rate of 8.50%	\$ 20,000	19,478	19,478
Dicerna Pharmaceuticals, Inc.	Drug Discovery & Development	Senior Debt Matures January 2015 Interest rate Prime + 4.40% or Floor rate of 10.15%	\$ 12,000	11,706	11,806

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NeurogesX, Inc. <sup>(3)</sup>	Drug Discovery & Development	Senior Debt			
		Matures February 2015			
		Interest rate Prime + 6.25% or			
		Floor rate of 9.50%	\$ 15,000	14,691	14,800
NextWave Pharmaceuticals, Inc.	Drug Discovery & Development	Senior Debt			
		Matures June 2015			
		Interest rate Prime + 4.30% or			
		Floor rate of 9.55%	\$ 6,000	5,940	5,940
Paratek Pharmaceuticals, Inc.	Drug Discovery & Development	Senior Debt			
		Matures upon liquidation			
		Interest rate Fixed 10.00%	\$ 45	45	45
PolyMedix, Inc. <sup>(3)</sup>	Drug Discovery & Development	Senior Debt			
		Matures September 2013			
		Interest rate Prime + 7.10% or			
		Floor rate of 12.35%	\$ 5,889	5,762	5,762
<b>Total Debt Drug Discovery &amp; Development (26.12%)*</b>				125,655	126,799

See notes to consolidated financial statements (unaudited)



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<b>Portfolio Company</b>	<b>Industry</b>	<b>Type of Investment<sup>(1)</sup></b>	<b>Principal Amount</b>	<b>Cost<sup>(2)</sup></b>	<b>Value<sup>(3)</sup></b>
Intelepeer, Inc.	Communications & Networking	Senior Debt			
		Matures May 2013			
		Interest rate Prime + 8.12%	\$ 4,146	\$ 4,014	\$ 4,097
		Senior Debt			
		Matures December 2012			
		Interest rate Prime + 4.25%	\$ 1,100	1,100	1,058
Total Intelepeer, Inc.				5,114	5,155
OpenPeak, Inc.	Communications & Networking	Senior Debt			
		Matures July 2015			
		Interest rate Prime + 8.75%	\$ 7,685	7,498	7,498
Pac-West Telecomm, Inc.	Communications & Networking	Senior Debt			
		Matures October 2013			
		Interest rate Prime + 7.50% or			
PeerApp, Inc. <sup>(4)</sup>	Communications & Networking	Floor rate of 12.00%	\$ 4,074	3,943	3,885
		Senior Debt			
PointOne, Inc.	Communications & Networking	Matures April 2013			
		Interest rate Prime + 7.50% or			
		Floor rate of 11.50%	\$ 1,471	1,526	1,526
		Senior Debt			
		Matures April 2015			
		Interest rate Libor + 9.00% or			
		Floor rate of 11.50%	\$ 7,733	7,559	7,375
		Senior Debt	\$ 375	369	355
		Matures September 2015			

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Interest rate Libor + 9.00% or

Floor rate of 11.50%

Total PointOne, Inc. Stoke, Inc. <sup>(4)</sup>	Communications & Networking	Senior Debt		7,928	7,730
		Matures May 2013			
		Interest rate Prime + 7.00% or			
		Floor rate of 10.25%	\$ 2,192	2,164	2,186
<b>Total Debt Communications &amp; Networking (5.76%)*</b>				<b>28,173</b>	<b>27,980</b>

See notes to consolidated financial statements (unaudited)

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<b>Portfolio Company</b>	<b>Industry</b>	<b>Type of Investment<sup>(1)</sup></b>	<b>Principal Amount</b>	<b>Cost<sup>(2)</sup></b>	<b>Value<sup>(3)</sup></b>
Central Desktop, Inc.	Software	Senior Debt			
		Matures April 2014			
		Interest rate Prime + 6.75% or			
		Floor rate of 10.50%	\$ 2,713	\$ 2,628	\$ 2,669
Box.net, Inc. <sup>(4)</sup>	Software	Senior Debt			
		Matures March 2015			
		Interest rate Prime + 3.75% or			
		Floor rate of 7.50%	\$ 9,647	9,477	9,190
		Senior Debt			
		Matures July 2014			
		Interest rate Prime + 5.25% or			
		Floor rate of 8.50%	\$ 1,451	1,484	1,484
		Senior Debt			
		Matures July 2016			
		Interest rate Prime + 5.13% or			
		Floor rate of 8.88%	\$ 5,000	4,994	4,994
<b>Total Box.net, Inc.</b>				<b>15,955</b>	<b>15,668</b>
Clickfox, Inc.	Software	Senior Debt			
		Matures July 2013			
		Interest rate Prime + 6.00% or			
		Floor rate of 11.25%	\$ 3,416	3,359	3,387
Kxen, Inc. <sup>(4)</sup>	Software	Senior Debt	\$ 3,000	2,978	2,841
		Matures January 2015			
		Interest rate Prime + 5.08% or			

