

HERCULES TECHNOLOGY GROWTH CAPITAL INC  
Form 10-Q  
August 07, 2014

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 June 30, 2014

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)

Maryland  
(State or Jurisdiction of  
Incorporation or Organization)

743113410  
(IRS Employer  
Identification No.)  
94301

400 Hamilton Ave., Suite 310 (Zip Code)

Palo Alto, California

(Address of Principal Executive Offices)

(650) 289-3060

(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.

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 August 4, 2014, there were 63,252,132 shares outstanding of the Registrant's common stock, \$0.001 par value.

HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

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## PART I: FINANCIAL INFORMATION

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)

	June 30, 2014	December 31, 2013
<b>Assets</b>		
Investments:		
Non-control/Non-affiliate investments (cost of \$980,524 and \$891,059, respectively)	\$983,952	\$899,314
Affiliate investments (cost of \$15,053 and \$15,238, respectively)	7,393	10,981
Total investments, at value (cost of \$995,577 and \$906,297, respectively)	991,345	910,295
Cash and cash equivalents	116,008	268,368
Restricted cash	3,491	6,271
Interest receivable	8,700	8,962
Other assets	29,929	27,819
Total assets	\$1,149,473	\$1,221,715
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$10,393	\$14,268
Long-term Liabilities (Convertible Senior Notes)	73,060	72,519
Asset-Backed Notes	46,547	89,557
2019 Notes	170,364	170,364
Long-term SBA Debentures	190,200	225,000
Total liabilities	\$490,564	\$571,708
Commitments and Contingencies (Note 10)		
Net assets consist of:		
Common stock, par value	64	62
Capital in excess of par value	668,673	656,594
Unrealized appreciation (depreciation) on investments	(5,224 )	3,598
Accumulated realized losses on investments	(7,897 )	(15,240 )
Undistributed net investment income	3,293	4,993
Total net assets	\$658,909	\$650,007
Total liabilities and net assets	\$1,149,473	\$1,221,715
Shares of common stock outstanding (\$0.001 par value, 100,000,000 authorized)	63,251	61,837
Net asset value per share	\$10.42	\$10.51

See notes to consolidated financial statements.

The following table presents the assets and liabilities of our consolidated securitization trust for asset-backed notes (see Note 4), which is a variable interest entity (“VIE”). The assets of our securitization VIE can only be used to settle obligations of our consolidated securitization VIE, these liabilities are only the obligations of our consolidated securitization VIE, and the creditors (or beneficial interest holders) do not have recourse to our general credit. These assets and liabilities are included in the Consolidated Statements of Assets and Liabilities above.

(Dollars in thousands)	June 30, 2014	December 31, 2013
<b>ASSETS</b>		
Restricted Cash	\$3,491	\$6,271
Total investments, at value (cost of \$102,927 and \$166,513, respectively)	100,773	165,445
Total assets	\$104,264	\$171,716
<b>LIABILITIES</b>		
Asset-Backed Notes	\$46,547	\$89,557
Total liabilities	\$46,547	\$89,557

See notes to consolidated financial statements.

## HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

## CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)

(in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
<b>Investment income:</b>				
Interest Income				
Non-Control/Non-Affiliate investments	\$ 30,384	\$ 29,780	\$ 59,766	\$ 58,099
Affiliate investments	152	514	1,616	1,124
Total interest income	30,536	30,294	61,382	59,223
Fees				
Non-Control/Non-Affiliate investments	3,454	4,227	8,366	6,255
Affiliate investments	11	4	23	4
Total fees	3,465	4,231	8,389	6,259
Total investment income	34,001	34,525	69,771	65,482
<b>Operating expenses:</b>				
Interest	6,534	7,570	13,682	15,202
Loan fees	1,091	1,191	3,167	2,269
General and administrative	2,126	2,403	4,587	4,655
<b>Employee Compensation:</b>				
Compensation and benefits	3,233	4,164	7,454	7,962
Stock-based compensation	2,466	1,587	4,026	2,753
Total employee compensation	5,699	5,751	11,480	10,715
Total operating expenses	15,450	16,915	32,916	32,841
Net investment income	18,551	17,610		