

HERCULES TECHNOLOGY GROWTH CAPITAL INC

Form 10-Q

May 07, 2010

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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, 2010

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.)
400 Hamilton Ave., Suite 310 Palo Alto, California 94301 (Address of Principal Executive Offices)	94301 (Zip Code)
(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 as 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 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
Non-Accelerated Filer

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 5, 2010, there were 36,248,195 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

(dollars in thousands, except per share data)

	March 31, 2010 (unaudited)	December 31, 2009
Assets		
Investments:		
Non-Control/Non-Affiliate investments (cost of \$342,218 and \$353,648, respectively)	\$ 332,728	\$ 335,979
Affiliate investments (cost of \$2,880 and \$2,880, respectively)	2,222	2,274
Control investments (cost of \$44,806 and \$23,823, respectively)	45,023	32,184
Total investments, at value (cost of \$389,904 and \$380,351 respectively)	379,973	370,437
Deferred loan origination revenue	(3,210)	(2,425)
Cash and cash equivalents	106,138	124,828
Interest receivable	11,369	10,309
Other assets	6,687	5,818
Total assets	500,957	508,967
Liabilities		
Accounts payable and accrued liabilities	3,945	11,852
Short-term credit facility		
Long-term SBA debentures	130,600	130,600
Total liabilities	134,545	142,452
Net assets	\$ 366,412	\$ 366,515
Net assets consist of:		
Common stock, par value	\$ 35	\$ 35
Capital in excess of par value	410,349	409,036
Unrealized appreciation (depreciation) on investments	(10,288)	(10,028)
Accumulated realized gains (losses) on investments	(27,767)	(28,129)
Distributions in excess of investment income	(5,917)	(4,399)
Total net assets	\$ 366,412	\$ 366,515
Shares of common stock outstanding (\$0.001 par value, 60,000 authorized)	36,248	35,634
Net asset value per share	\$ 10.11	\$ 10.29

See Notes to Consolidated Financial Statements (unaudited)

Table of Contents**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS****March 31, 2010****(unaudited)****(dollars in thousands)**

Portfolio Company	Industry	Type of Investment	Principal Amount	Cost⁽²⁾	Value⁽³⁾
Acceleron Pharmaceuticals, Inc.	Drug Discovery	Preferred Stock Warrants		\$ 69	\$ 1,100
		Preferred Stock Warrants		35	226
		Preferred Stock		1,243	2,464
Total Acceleron Pharmaceuticals, Inc.				1,347	3,790
Aveo Pharmaceuticals, Inc.	Drug Discovery	Senior Debt			
		Matures May 2012			
		Interest rate 11.13%	\$ 13,232	13,187	13,187
		Preferred Stock Warrants		190	279
		Preferred Stock Warrants		104	67
		Preferred Stock Warrants		24	26
Total Aveo Pharmaceuticals, Inc.				13,505	13,559
Dicerna Pharmaceuticals, Inc.	Drug Discovery	Senior Debt			
		Matures April 2012			
		Interest rate Prime + 9.20% or			
		Floor rate of 12.95%	\$ 5,987	5,851	5,851
		Preferred Stock Warrants		206	154
Preferred Stock Warrants		31	27		
Total Dicerna Pharmaceuticals, Inc.				6,088	6,032
Elixir Pharmaceuticals, Inc.	Drug Discovery	Senior Debt			
		Matures October 2011			
		Interest rate Prime + 9.25% or			
		Floor rate of 12.5%	\$ 6,967	6,967	1,967
		Preferred Stock Warrants		217	
Total Elixir Pharmaceuticals, Inc.				7,184	1,967
EpiCept Corporation	Drug Discovery	Common Stock Warrants		4	22
		Common Stock Warrants		40	255
Total EpiCept Corporation				44	277

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Horizon Therapeutics, Inc.	Drug Discovery	Senior Debt		
		Matures July 2011		
		Interest rate Prime + 1.50%	\$ 3,989	3,945
		Preferred Stock Warrants		231
Total Horizon Therapeutics, Inc.				4,176
				3,945
Inotek Pharmaceuticals Corp.	Drug Discovery	Preferred Stock		1,500
				353
Total Inotek Pharmaceuticals Corp.				1,500
				353
Merrimack Pharmaceuticals, Inc.	Drug Discovery	Preferred Stock Warrants		155
		Preferred Stock		2,000
				2,459
Total Merrimack Pharmaceuticals, Inc.				2,155
				2,523

See Notes to Consolidated Financial Statements (unaudited)

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Portfolio Company	Industry	Type of Investment	Principal Amount	Cost⁽²⁾	Value⁽³⁾
Paratek Pharmaceuticals, Inc.	Drug Discovery	Preferred Stock Warrants		\$ 137	\$ 117
		Preferred Stock		1,000	1,000
Total Paratek Pharmaceuticals, Inc.				1,137	1,117
PolyMedix, Inc.	Drug Discovery	Senior Debt			
		Matures September 2013			
		Interest rate Prime + 7.1%	\$ 10,000	9,679	9,679
		Preferred Stock Warrants		321	321
Total PolyMedix, Inc.				10,000	10,000
Portola Pharmaceuticals, Inc.	Drug Discovery	Senior Debt			
		Matures April 2011			
		Interest rate Prime + 2.16%	\$ 5,416	5,416	5,416
		Preferred Stock Warrants		152	370
Total Portola Pharmaceuticals, Inc.				5,568	5,786
Total Drug Discovery (13.47%)*				52,704	49,349
Affinity Videonet, Inc. ⁽⁴⁾	Communications & Networking	Senior Debt			
		Matures June 2012			
		Interest rate Prime + 8.75% or			
		Floor rate of 12.00%	\$ 2,117	2,139	2,139
		Senior Debt			
		Matures June 2012			
		Interest rate Prime + 14.75% or			
		Floor rate of 18.00%	\$ 2,000	2,063	2,063
		Revolving Line of Credit			
		Matures June 2012	\$ 500	500	500
		Interest rate Prime + 9.75% or			

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		Floor rate of 13.00%		
		Preferred Stock Warrants	101	99
Total Affinity Videonet, Inc.			4,803	4,801
E-band Communications, Inc. ⁽⁶⁾	Communications & Networking	Preferred Stock	2,880	2,222
Total E-Band Communications, Inc.			2,880	2,222
IKANO Communications, Inc.	Communications & Networking	Senior Debt		
		Matures August 2011		
		Interest rate 12.00%	\$ 5,156	5,156
		Preferred Stock Warrants	45	5,156
		Preferred Stock Warrants	72	
Total IKANO Communications, Inc.			5,273	5,156
Neonova Holding Company	Communications & Networking	Preferred Stock Warrants	94	44
		Preferred Stock	250	247
Total Neonova Holding Company			344	291

See Notes to Consolidated Financial Statements

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Portfolio Company	Industry	Type of Investment	Principal Amount	Cost⁽²⁾	Value⁽³⁾
Peerless Network, Inc.	Communications & Networking	Preferred Stock Warrants		\$ 95	\$
		Preferred Stock		1,000	820
Total Peerless Network, Inc.				1,095	820
Ping Identity Corporation	Communications & Networking	Preferred Stock Warrants		52	199
Total Ping Identity Corporation				52	199
Purcell Systems, Inc.	Communications & Networking	Preferred Stock Warrants		123	402
Total Purcell Systems, Inc.				123	402
Seven Networks, Inc.	Communications & Networking	Preferred Stock Warrants		174	2
Total Seven Networks, Inc.				174	2
Stoke, Inc.	Communications & Networking	Preferred Stock Warrants		53	60
Total Stoke, Inc.				53	60
Tectura Corporation	Communications & Networking	Senior Debt			
		Matures September 2010			
		Interest rate Prime + 10.75% or			
		Floor rate of 14.00%	\$ 1,250	1,250	1,250
		Revolving Line of Credit			
		Matures July 2011			
		Interest rate Prime + 10.75% or			
		Floor rate of 14.00%	\$ 9,908	10,367	10,367
		Revolving Line of Credit	\$ 5,000	5,220	5,220
		Matures July 2011			
		Interest rate Prime + 10.75% or			

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		Floor rate of 14.00%		
		Preferred Stock Warrants	51	
Total Tectura Corporation			16,888	16,837
Total Communications & Networking (8.40%)*			31,685	30,790
Atrenta, Inc.	Software	Preferred Stock Warrants	102	225
		Preferred Stock Warrants	34	74
		Preferred Stock Warrants	95	174
		Preferred Stock	250	375
Total Atrenta, Inc.			481	848
Blurb, Inc.	Software	Senior Debt		
		Matures June 2011		
		Interest rate Prime + 3.50% or		
		Floor rate of 8.5%	\$ 2,804	2,737
		Preferred Stock Warrants	25	308
		Preferred Stock Warrants	299	190
Total Blurb, Inc.			3,061	3,235

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Portfolio Company	Industry	Type of Investment	Principal Amount	Cost⁽²⁾	Value⁽³⁾
Braxton Technologies, LLC.	Software	Preferred Stock Warrants		\$ 188	\$ 119
Total Braxton Technologies, LLC.				188	119
Bullhorn, Inc.	Software	Preferred Stock Warrants		43	247
Total Bullhorn, Inc.				43	247
Clickfox, Inc.	Software	Senior Debt Matures September 2011 Interest rate Prime + 5.00% or Floor rate of 10.25% Revolving Line of Credit Matures July 2010 Interest rate Prime + 8.50% or Floor rate of 13.5%	\$ 3,259	3,213	3,213
		Preferred Stock Warrants	\$ 2,000	1,996	1,996
				177	299
Total Clickfox, Inc.				5,386	5,508
Forescout Technologies, Inc.	Software	Preferred Stock Warrants		99	127
Total Forescout Technologies, Inc.				99	127
GameLogic, Inc.	Software	Preferred Stock Warrants		92	2
Total GameLogic, Inc.				92	2
HighJump Acquisition, LLC.	Software	Senior Debt Matures May 2013 Interest rate Libor + 8.75% or Floor rate of 12.00%	\$ 15,000	15,000	15,000
Total HighJump Acquisition, LLC.				15,000	15,000
HighRoads, Inc.	Software	Preferred Stock Warrants		44	44
Total HighRoads, Inc.				44	44
Infologix, Inc. ^{(4),(7)}	Software	Senior Debt			

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Matures November 2013

Interest rate 12.00%	\$ 5,500	5,500	5,500
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Convertible Senior Debt
Matures November 2014

Interest rate 12.00%	\$ 5,000	5,035	9,563
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Revolving Line of Credit
Matures May 2011

Interest rate 12.00%	\$ 8,909	8,909	8,909
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Senior Debt
Matures December 2010

Interest rate 18.00%	\$ 2,250	2,250	2,250
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Preferred Stock Warrants		725	1,073
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Common Stock		5,036	5,414
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Total Infologix, Inc.

27,455	32,709
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Portfolio Company	Industry	Type of Investment	Principal Amount	Cost⁽²⁾	Value⁽³⁾
PSS Systems, Inc.	Software	Preferred Stock Warrants		\$ 51	\$ 94
Total PSS Systems, Inc.				51	94
Rockyou, Inc.	Software	Preferred Stock Warrants		117	132
Total Rockyou, Inc.				117	132
Sportvision, Inc.	Software	Preferred Stock Warrants		39	36
Total Sportvision, Inc.				39	36
WildTangent, Inc.	Software	Preferred Stock Warrants		239	46
Total WildTangent, Inc.				239	46
Total Software (15.87%)*				52,295	58,147
Luminus Devices, Inc.	Electronics & Computer Hardware	Senior Debt Matures December 2011			
		Interest rate 11.875%	\$ 1,290	1,290	1,290
		Preferred Stock Warrants		183	
		Preferred Stock Warrants		84	
		Preferred Stock Warrants		334	
Total Luminus Devices, Inc.				1,891	1,290
Maxvision Holding, LLC.	Electronics & Computer Hardware	Senior Debt Matures October 2012			
		Interest rate Prime + 5.50%	\$ 5,000	5,255	5,255
		Senior Debt Matures April 2012			
		Interest rate Prime + 2.25%	\$ 4,159	4,159	4,159
		Revolving Line of Credit Matures April 2012			
		Interest rate Prime + 2.25%	\$ 2,500	2,580	2,580
		Common Stock		81	170

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Total Maxvision Holding, LLC			12,075	12,164
Shocking Technologies, Inc.	Electronics &	Senior Debt		
	Computer Hardware	Matures December 2010		
		Interest rate Prime + 2.50%	\$ 1,414	1,409
		Preferred Stock Warrants	63	108
Total Shocking Technologies, Inc.			1,472	1,517

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Portfolio Company	Industry	Type of Investment	Principal Amount	Cost⁽²⁾	Value⁽³⁾
Spatial Photonics, Inc.	Electronics & Computer Hardware	Senior Debt Matures April 2011			
		Interest rate 10.07%	\$ 1,651	\$ 1,635	\$ 1,635
		Senior Debt Mature April 2011			
		Interest rate 9.22%	\$ 164	164	165
		Preferred Stock Warrants		130	
		Preferred Stock		500	129
Total Spatial Photonics Inc.				2,429	1,929
VeriWave, Inc.	Electronics & Computer Hardware	Preferred Stock Warrants		54	
		Preferred Stock Warrants		46	
Total VeriWave, Inc.				100	
Total Electronics & Computer Hardware (4.61%)*				17,967	16,900
Aegerion Pharmaceuticals, Inc. ⁽⁴⁾	Specialty Pharmaceuticals	Senior Debt Matures September 2011			
		Interest rate Prime + 2.50% or			
		Floor rate of 11.00%	\$ 4,763	4,763	4,763
		Convertible Senior Debt Matures December 2010	\$ 340	340	340
		Preferred Stock Warrants		69	142
		Preferred Stock		1,000	710
Total Aegerion Pharmaceuticals, Inc.				6,172	5,955
QuatRx Pharmaceuticals Company	Specialty Pharmaceuticals	Senior Debt Matures October 2011			
		Interest rate Prime + 8.90% or			
		Floor rate of 12.15%	\$ 14,306	14,212	14,212
		Convertible Senior Debt			

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	Matures March 2012	\$ 1,888	1,888	2,861
	Preferred Stock Warrants		220	
	Preferred Stock Warrants		308	
	Preferred Stock		750	
Total Quatrx Pharmaceuticals Company			17,378	17,073
Total Specialty Pharmaceuticals (6.28%)*			23,550	23,028

Annie's, Inc.	Consumer & Business Products	Senior Debt - Second Lien		
		Matures April 2011		
		Interest rate LIBOR + 6.50%		
		or Floor rate of 10.00%	\$ 6,000	6,119
		Preferred Stock Warrants		321
				85
Total Annie's, Inc.			6,440	6,204

See Notes to Consolidated Financial Statements

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Portfolio Company	Industry	Type of Investment	Principal Amount	Cost⁽²⁾	Value⁽³⁾
IPA Holdings, LLC. ⁽⁴⁾	Consumer & Business Products	Senior Debt			
		Matures November 2012			
		Interest rate Prime + 8.25% or			
		Floor rate of 12.5%	\$ 9,250	\$ 9,442	\$ 9,442
		Senior Debt			
		Matures May 2013			
		Interest rate Prime + 11.25%			
		or Floor rate of 15.5%	\$ 6,500	6,709	6,709
		Revolving Line of Credit			
		Matures November 2012			
		Interest rate Prime + 7.75% or			
		Floor rate of 12.00%	\$ 1,356	1,356	1,356
		Preferred Stock Warrants		275	
		Common Stock		500	120
Total IPA Holding, LLC.				18,282	17,627
Market Force Information, Inc.	Consumer & Business Products	Preferred Stock Warrants		24	42
		Preferred Stock		500	500
Total Market Force Information, Inc.				524	542
OnTech Operations, Inc.	Consumer & Business Products	Senior Debt			
		Matures June 2010			
		Interest rate 16.00%	\$ 106	106	
		Preferred Stock Warrants		452	
		Preferred Stock Warrants		218	
		Preferred Stock		1,000	
Total OnTech Operations, Inc.				1,776	
Velocity Technology Solutions	Consumer & Business Products	Senior Debt	\$ 16,667	16,667	16,667
		Matures February 2015			

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		Interest rate LIBOR + 8%			
		Senior Debt			
		Matures February 2015			
		Interest rate LIBOR + 8%	\$ 8,333	8,339	8,339
Total Velocity Technology Solutions				25,006	25,006
Wageworks, Inc.	Consumer & Business Products	Preferred Stock Warrants		252	1,371
		Preferred Stock		250	368
Total Wageworks, Inc.				502	1,739
Total Consumer & Business Products (13.95%)*				52,530	51,118
Enpirion, Inc.	Semiconductors	Senior Debt			
		Matures August 2011			
		Interest rate Prime + 2.00% or			
		Floor rate of 7.625%	\$ 4,341	4,313	4,313
		Preferred Stock Warrants		157	0
Total Enpirion, Inc.				4,470	4,313

See Notes to Consolidated Financial Statements

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Portfolio Company	Industry	Type of Investment	Principal Amount	Cost⁽²⁾	Value⁽³⁾
iWatt Inc.	Semiconductors	Preferred Stock Warrants		\$ 46	\$
		Preferred Stock Warrants		51	
		Preferred Stock Warrants		73	
		Preferred Stock Warrants		458	
		Preferred Stock		490	950
Total iWatt Inc.				1,118	950
NEXX Systems, Inc. ⁽⁴⁾	Semiconductors	Revolving Line of Credit Matures June 2010			
		Interest rate Prime + 8.00% or			
		Floor rate of 13.25%	\$ 3,000	2,923	2,923
		Revolving Line of Credit Matures June 2010			
		Interest rate Prime + 8.00% or			
		Floor rate of 17.50%	\$ 2,500	2,500	2,500
		Preferred Stock Warrants		297	489
		Preferred Stock		277	733
Total NEXX Systems, Inc.				5,997	6,645
Quartics, Inc.	Semiconductors	Senior Debt Matures May 2010			
		Interest rate 10.00%	\$ 55	55	55
		Preferred Stock Warrants		53	
Total Quartics, Inc.				108	55
Solarflare Communications, Inc.	Semiconductors	Senior Debt Matures August 2010			
		Interest rate 11.75%	\$ 125	116	116
		Preferred Stock Warrants		83	
		Common Stock		641	
Total Solarflare Communications, Inc.				840	116
Total Semiconductors (3.30%)*				12,533	12,079

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Labopharm USA, Inc. ⁽⁵⁾	Drug Delivery	Senior Debt Matures June 2012			
		Interest rate 10.95%	\$ 20,000	19,765	19,765
		Common Stock Warrants		635	710
Total Labopharm USA, Inc.				20,400	20,475
Transcept Pharmaceuticals, Inc.	Drug Delivery	Common Stock Warrants		36	52
		Common Stock Warrants		51	45
		Common Stock		500	331
Total Transcept Pharmaceuticals, Inc.				587	428
Total Drug Delivery (5.70%)*				20,987	20,903

See Notes to Consolidated Financial Statements

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Portfolio Company	Industry	Type of Investment	Principal Amount	Cost⁽²⁾	Value⁽³⁾
BARRX Medical, Inc.	Therapeutic	Senior Debt Mature December 2011			
		Interest rate 11.00%	\$ 4,861	\$ 4,855	\$ 4,855
		Revolving Line of Credit Matures May 2010			
		Interest rate 10.00%	\$ 1,000	1,000	1,000
		Preferred Stock Warrants		76	86
		Preferred Stock		1,500	2,318
Total BARRX Medical, Inc.				7,431	8,259
EKOS Corporation	Therapeutic	Senior Debt Matures November 2010			
		Interest rate Prime + 2.00%	\$ 1,959	1,932	1,932
		Preferred Stock Warrants		174	
		Preferred Stock Warrants		153	
Total EKOS Corporation					