

HERCULES TECHNOLOGY GROWTH CAPITAL INC

Form 10-Q

November 04, 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 September 30, 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 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 November 4, 2010, there were 36,170,811 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)

	September 30, 2010 (unaudited)	December 31, 2009
<b>Assets</b>		
Investments:		
Non-affiliate investments (cost of \$397,925 and \$353,648, respectively)	\$ 370,720	\$ 335,979
Affiliate investments (cost of \$2,880 and \$2,880, respectively)	2,846	2,274
Control investments (cost of \$26,992 and \$23,823, respectively)	33,935	32,184
Total investments, at value (cost of \$427,796 and \$380,351 respectively)	407,501	370,437
Deferred loan origination revenue	(5,033)	(2,425)
Cash and cash equivalents	83,011	124,828
Interest receivable	11,512	10,309
Other assets	7,291	5,818
<b>Total assets</b>	<b>504,282</b>	<b>508,967</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	5,733	11,852
Long-term SBA Debentures	160,000	130,600
<b>Total liabilities</b>	<b>165,733</b>	<b>142,452</b>
<b>Net assets</b>	<b>\$ 338,549</b>	<b>\$ 366,515</b>
<b>Net assets consist of:</b>		
Common stock, par value	\$ 36	\$ 35
Capital in excess of par value	409,389	409,036
Unrealized appreciation (depreciation) on investments	(22,247)	(10,028)
Accumulated realized gains (losses) on investments	(43,273)	(28,129)
Distributions in excess of investment income	(5,356)	(4,399)
<b>Total net assets</b>	<b>\$ 338,549</b>	<b>\$ 366,515</b>
<b>Shares of common stock outstanding (\$0.001 par value, 60,000 authorized)</b>	<b>36,158</b>	<b>35,634</b>
<b>Net asset value per share</b>	<b>\$ 9.36</b>	<b>\$ 10.29</b>

See Notes to Consolidated Financial Statements (unaudited)

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## HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

## CONSOLIDATED SCHEDULE OF INVESTMENTS

September 30, 2010

(unaudited)

(dollars in thousands)

Portfolio Company	Industry	Type of Investment <sup>(1)</sup>	Principal Amount	Cost <sup>(2)</sup>	Value <sup>(3)</sup>
Accelaron Pharmaceuticals, Inc.	Drug Discovery	Preferred Stock Warrants		\$ 69	\$ 920
		Preferred Stock Warrants		35	181
		Preferred Stock Warrants		39	95
		Preferred Stock		1,341	2,316
Total Accelaron Pharmaceuticals, Inc.				1,484	3,512
Aveo Pharmaceuticals, Inc.	Drug Discovery	Senior Debt			
		Matures September 2013			
		Interest rate Prime + 7.15% or			
		Floor rate of 11.9%	\$ 25,000	24,517	24,517
		Preferred Stock Warrants		190	426
		Preferred Stock Warrants		104	103
		Preferred Stock Warrants		24	37
Total Aveo Pharmaceuticals, Inc.				25,411	25,879
Dicerna Pharmaceuticals, Inc.	Drug Discovery	Senior Debt			
		Matures July 2012			
		Interest rate Prime + 9.20% or			
		Floor rate of 12.95%	\$ 5,355	5,259	5,259
		Preferred Stock Warrants		206	164
		Preferred Stock Warrants		31	29
Total Dicerna Pharmaceuticals, Inc.				6,027	5,977
Elixir Pharmaceuticals, Inc <sup>(8)</sup>	Drug Discovery	Senior Debt	\$ 6,531	6,531	
		Matures October 2011			
		Interest rate Prime + 9.25% or			

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		Floor rate of 12.5%		
		Preferred Stock Warrants	217	
Total Elixir Pharmaceuticals, Inc.			6,748	
EpiCept Corporation	Drug Discovery	Common Stock Warrants	4	42
		Common Stock Warrants	40	4
Total EpiCept Corporation			44	46
Horizon Therapeutics, Inc.	Drug Discovery	Preferred Stock Warrants	231	
Total Horizon Therapeutics, Inc.			231	
Inotek Pharmaceuticals Corp.	Drug Discovery	Preferred Stock	1,500	
Total Inotek Pharmaceuticals Corp.			1,500	
Merrimack Pharmaceuticals, Inc.	Drug Discovery	Preferred Stock Warrants	155	113
		Preferred Stock	2,000	1,470
Total Merrimack Pharmaceuticals, Inc.			2,155	1,583
Paratek Pharmaceuticals, Inc.	Drug Discovery	Preferred Stock Warrants	137	122
		Preferred Stock	1,000	999
Total Paratek Pharmaceuticals, Inc.			1,137	1,121
See Notes to Consolidated Financial Statements				

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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>
PolyMedix, Inc.	Drug Discovery	Senior Debt			
		Matures September 2013			
		Interest rate Prime + 7.1% or			
		Floor rate of 12.35%	\$ 10,000	\$ 9,618	\$ 9,618
		Preferred Stock Warrants		480	268
<b>Total PolyMedix, Inc.</b>				<b>10,098</b>	<b>9,886</b>
Portola Pharmaceuticals, Inc.	Drug Discovery	Senior Debt			
		Matures April 2011			
		Interest rate Prime + 2.16%	\$ 2,916	2,916	2,916
		Preferred Stock Warrants		152	441
<b>Total Portola Pharmaceuticals, Inc.</b>				<b>3,068</b>	<b>3,357</b>
<b>Total Drug Discovery (15.17%)*</b>				<b>57,903</b>	<b>51,361</b>
Affinity Videonet, Inc <sup>(4)</sup>	Communications & Networking	Senior Debt			
		Matures June 2012			
		Interest rate Prime + 8.75% or			