

HERCULES TECHNOLOGY GROWTH CAPITAL INC
Form 10-Q
August 01, 2013
Table of Contents

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, 2013

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)

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Maryland (State or Jurisdiction of Incorporation or Organization)	743113410 (IRS Employer Identification No.)
400 Hamilton Ave., Suite 310 Palo Alto, California (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 July 30, 2013, there were 61,631,201 shares outstanding of the Registrant's common stock, \$0.001 par value.

Table of Contents

HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

FORM 10-Q TABLE OF CONTENTS

<u>PART I. FINANCIAL INFORMATION</u>	3
Item 1. <u>Consolidated Financial Statements</u>	3
<u>Consolidated Statement of Assets and Liabilities as of June 30, 2013 (unaudited) and December 31, 2012</u>	3
<u>Consolidated Statement of Operations for the three and six month periods ended June 30, 2013 and 2012 (unaudited)</u>	5
<u>Consolidated Statement of Changes in Net Assets for the three and six month periods ended June 30, 2013 and 2012 (unaudited)</u>	6
<u>Consolidated Statement of Cash Flows for the three and six month periods ended June 30, 2013 and 2012 (unaudited)</u>	7
<u>Consolidated Schedule of Investments as of June 30, 2013 (unaudited)</u>	8
<u>Consolidated Schedule of Investments as of December 31, 2012</u>	26
<u>Notes to Consolidated Financial Statements (unaudited)</u>	41
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	65
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	94
Item 4. <u>Controls and Procedures</u>	95
<u>PART II. OTHER INFORMATION</u>	96
Item 1. <u>Legal Proceedings</u>	96
Item 1A. <u>Risk Factors</u>	96
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	100
Item 3. <u>Defaults Upon Senior Securities</u>	100
Item 4. <u>Mine Safety Disclosures</u>	100
Item 5. <u>Other Information</u>	100
Item 6. <u>Exhibits</u>	100
<u>SIGNATURES</u>	101

Table of Contents**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, 2013	December 31, 2012
Assets		
Investments:		
Non-control/Non-affiliate investments (cost of \$1,032,780 and \$896,031, respectively)	\$ 1,027,555	\$ 894,428
Affiliate investments (cost of \$17,222 and \$18,307, respectively)	13,565	11,872
Total investments, at value (cost of \$1,050,002 and \$914,338, respectively)	1,041,120	906,300
Cash and cash equivalents	133,944	182,994
Restricted Cash	1,658	
Interest receivable	10,245	9,635
Other assets	23,886	24,714
Total assets	\$ 1,210,853	\$ 1,123,643
Liabilities		
Accounts payable and accrued liabilities	\$ 11,402	\$ 11,575
Long-term Liabilities (Convertible Senior Note)	71,977	71,436
Asset-Backed Notes	110,270	129,300
2019 Notes	170,364	170,364
Long-term SBA Debentures	225,000	225,000
Total liabilities	\$ 589,013	\$ 607,675
Commitments and Contingencies (Note 9)		
Net assets consist of:		
Common stock, par value	62	53
Capital in excess of par value	662,818	564,508
Unrealized depreciation on investments and other assets	(7,204)	(7,947)
Accumulated realized losses on investments	(32,732)	(36,916)
Distributions in excess of investment income	(1,104)	(3,730)
Total net assets	\$ 621,840	\$ 515,968
Total liabilities and net assets	\$ 1,210,853	\$ 1,123,643
Shares of common stock outstanding (\$0.001 par value, 100,000,000 authorized)	61,637	52,925

Net asset value per share

See notes to consolidated financial statements.

\$ 10.09 \$ 9.75

Table of Contents

The following table presents the assets and liabilities of our consolidated variable interest entity (VIE). The assets of the VIE can only be used to settle obligations of the consolidated 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, 2013	December 31, 2012
ASSETS		
Restricted Cash	\$ 1,658	\$
Total investments, at value (cost of \$206,594 and \$0, respectively)	203,869	226,997
Total assets	\$ 205,527	\$ 226,997
LIABILITIES		
Asset-Backed Notes	\$ 110,270	\$ 129,300
Total liabilities	\$ 110,270	\$ 129,300

See notes to consolidated financial statements.

Table of Contents**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,	
	2013	2012	2013	2012
Investment income:				
Interest Income				
Non-Control/Non-Affiliate investments	\$ 29,780	\$ 20,934	\$ 58,099	\$ 40,989
Affiliate investments	514	205	1,124	450
Total interest income	30,294	21,139	59,223	41,439
Fees				
Non-Control/Non-Affiliate investments	4,227	2,706	6,255	4,760
Affiliate investments	4		4	
Control investments		13		26
Total fees	4,231	2,719	6,259	4,786
Total investment income	34,525	23,858	65,482	46,225
Operating expenses:				
Interest	7,570	4,507	15,202	8,403
Loan fees	1,191	731	2,269	1,808
General and administrative	2,403	1,864	4,655	3,681
Employee Compensation:				
Compensation and benefits	4,164	3,251	7,962	6,647
Stock-based compensation	1,587	1,195	2,753	2,002
Total employee compensation	5,751	4,446	10,715	8,649
Total operating expenses	16,915	11,548	32,841	22,541
Net investment income	17,610	12,310	32,641	23,684
Net realized gain on investments				
Non-Control/Non-Affiliate investments	2,192	8,263	4,184	11,140
Total net realized gain on investments	2,192	8,263	4,184	11,140
Net unrealized appreciation (depreciation) on investments and other assets				
Non-Control/Non-Affiliate investments	1,987	(21,295)	2,087	(19,761)
Affiliate investments	(910)	1,083	(1,344)	2,377
Control investments		(313)		(287)
Total net unrealized appreciation (depreciation) on investments and other assets	1,077	(20,525)	743	(17,671)
Total net realized (unrealized) gain (loss)	3,269	(12,262)	4,927	(6,531)

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Net increase in net assets resulting from operations	\$ 20,879	\$ 48	\$ 37,568	17,153
Net investment income before investment gains and losses per common share:				
Basic	\$ 0.29	\$ 0.25	\$ 0.56	&nb