

HERCULES TECHNOLOGY GROWTH CAPITAL INC  
Form 10-Q  
August 11, 2008  
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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 June 30, 2008**

**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

**743113410**  
(IRS Employer

**Incorporation or Organization)**

**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 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 6, 2008, there were 32,838,904 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**

(in thousands, except per share data)

	June 30, 2008 (unaudited)	December 31, 2007
<b>Assets</b>		
Investments:		
Non-affiliate investments (cost of \$589,523 and \$513,106)	\$ 597,849	\$ 525,725
Affiliate investments (cost of \$6,344 and \$6,344)	4,247	4,247
Total investments, at value (cost of \$595,867 and \$519,450 respectively)	602,096	529,972
Deferred loan origination revenue	(7,896)	(6,593)
Cash and cash equivalents	13,851	7,856
Interest receivable	7,911	6,387
Other assets	6,604	4,321
Total assets	622,566	541,943
<b>Liabilities</b>		
Accounts payable and accrued liabilities	7,534	6,956
Short-term credit facility	118,900	79,200
Long-term SBA Debentures	95,050	55,050
Total liabilities	221,484	141,206
<b>Net assets</b>	<b>\$ 401,082</b>	<b>\$ 400,737</b>
<b>Net assets consist of:</b>		
Common stock, par value	\$ 33	\$ 33
Capital in excess of par value	397,670	393,530
Deferred stock compensation	(2,341)	(78)
Unrealized appreciation on investments	5,685	10,129
Accumulated realized gains on investments	5,686	819
Distributions in excess of investment income	(5,651)	(3,696)
<b>Total net assets</b>	<b>\$ 401,082</b>	<b>\$ 400,737</b>
<b>Shares of common stock outstanding (\$0.001 par value, 60,000 authorized)</b>	<b>32,837</b>	<b>32,541</b>
<b>Net asset value per share</b>	<b>\$ 12.21</b>	<b>\$ 12.31</b>

See notes to consolidated financial statements (unaudited).

**Table of Contents****HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS****June 30, 2008****(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>
Accelaron Pharmaceuticals, Inc. (0.84%)* <sup>(4)</sup>	Drug Discovery	Senior Debt Matures June 2009 Interest rate 10.25%	\$ 2,588	\$ 2,549	\$ 2,549
		Preferred Stock Warrants		69	702
		Preferred Stock Warrants		35	127
Accelaron Pharmaceuticals, Inc. (0.45%)		Preferred Stock		1,243	1,805
<b>Total Accelaron Pharmaceuticals, Inc.</b>				<b>3,896</b>	<b>5,183</b>
Aveo Pharmaceuticals, Inc. (1.99%) <sup>(4)</sup>	Drug Discovery	Senior Debt Matures November 2011 Interest rate 11.13%	\$ 7,857	7,741	7,741
		Preferred Stock Warrants		144	130
		Preferred Stock Warrants		46	46
		Preferred Stock Warrants		104	53
<b>Total Aveo Pharmaceuticals, Inc.</b>				<b>8,035</b>	<b>7,970</b>
Elixir Pharmaceuticals, Inc. (3.05%) <sup>(4)</sup>	Drug Discovery	Senior Debt Matures December 2010 Interest rate Prime + 2.45%	\$ 11,908	11,780	11,780
		Preferred Stock Warrants		217	438
<b>Total Elixir Pharmaceuticals, Inc.</b>				<b>11,997</b>	<b>12,218</b>
EpiCept Corporation (1.02%) <sup>(4)</sup>	Drug Discovery	Senior Debt Matures April 2009 Interest rate 15.00%	\$ 3,876	3,573	2,573
		Senior Debt Matures June 2009 Interest rate 15.000%	\$ 1,000	1,000	1,000
		Common Stock Warrants		423	332
		Common Stock Warrants		161	139
		Common Stock Warrants		40	35
<b>Total EpiCept Corporation</b>				<b>5,197</b>	<b>4,079</b>
Horizon Therapeutics, Inc. (0.91%) <sup>(4)</sup>	Drug Discovery	Senior Debt Matures May 2011 Interest rate 8.75%	\$ 1,200	1,059	1,059
		Senior Debt Matures April 2011 Interest rate 6.50%	\$ 2,400	2,400	2,400
		Preferred Stock Warrants		178	178
<b>Total Horizon Therapeutics, Inc.</b>				<b>3,637</b>	<b>3,637</b>
Inotek Pharmaceuticals Corp. (0.37%)	Drug Discovery	Preferred Stock		1,500	1,500
<b>Total Inotek Pharmaceuticals Corp.</b>				<b>1,500</b>	<b>1,500</b>
Memory Pharmaceuticals Corp. (3.39%) <sup>(4)</sup>	Drug Discovery		\$ 14,569	13,422	13,422

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		Senior Debt		
		Matures December 2010		
		Interest rate 11.45%		
		Common Stock Warrants	1,751	156
Total Memory Pharmaceuticals Corp.			15,173	13,578
Merrimack Pharmaceuticals, Inc. (0.22%)(4)	Drug Discovery	Convertible Senior Debt		
		Matures October 2008		
		Interest rate 11.15%	\$ 342	334
		Preferred Stock Warrants	155	549
Merrimack Pharmaceuticals, Inc. (0.69%)		Preferred Stock	2,000	2,787
Total Merrimack Pharmaceuticals, Inc.			2,489	3,670
Neosil, Inc. (0.00%)	Drug Discovery	Preferred Stock Warrants		83
Total Neosil, Inc.				83
	See notes to consolidated financial statements (unaudited)			

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Paratek Pharmaceuticals, Inc. (0.12%) <sup>(4)</sup>	Drug Discovery	Senior Debt Matures June 2008 Interest rate 11.10%	\$ 378	378	378
		Preferred Stock Warrants		137	122
Paratek Pharmaceuticals, Inc. (0.25%)		Preferred Stock		1,000	1,000
Total Paratek Pharmaceuticals, Inc.				1,515	1,500
Portola Pharmaceuticals, Inc. (3.58%) <sup>(4)</sup>	Drug Discovery	Senior Debt Matures September 2010 Interest rate Prime + 1.75%	\$ 14,167	14,080	14,080
		Preferred Stock Warrants		152	291
Total Portola Pharmaceuticals, Inc.				14,232	14,371
Recoly, N.V. (0.74%) <sup>(5)</sup>	Drug Discovery	Senior Debt Matures May 2012 Interest rate Prime + 4.25%	\$ 3,000	3,000	3,000
Total Recoly, N.V.				3,000	3,000
<b>Total Drug Discovery (17.62%)</b>				<b>70,754</b>	<b>70,706</b>
Affinity Videonet, Inc. (1.62%) <sup>(4)</sup>	Communications & Networking	Senior Debt Matures June 2012 Interest rate Prime + 4.50%	\$ 4,000	3,927	3,927
		Senior Debt Matures June 2012 Interest rate Prime + 5.50%	\$ 2,000	2,000	2,000
		Revolving Line of Credit Matures June 2012 Interest rate Prime + 3.50%	\$ 500	500	500
		Preferred Stock Warrants		74	71
Total Affinity Videonet, Inc.				6,501	6,498
E-band Communications, Inc. (0.50%) <sup>(6)</sup>	Communications & Networking	Preferred Stock		2,000	2,000
Total E-Band Communications, Inc.				2,000	2,000
IKANO Communications, Inc. (4.26%) <sup>(4)</sup>	Communications & Networking	Senior Debt Matures March 2011 Interest rate 11.00%	\$ 16,657	16,657	16,657
		Preferred Stock Warrants		46	175
		Preferred Stock Warrants		72	264
Total IKANO Communications, Inc.				16,775	17,096
Kadoink, Inc. (0.06%)	Communications & Networking	Senior Debt Matures April 2011	\$ 250	178	178



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		Interest rate Prime + 2.00%			
		Preferred Stock Warrants		73	68
Kadoink, Inc. (0.06%)		Preferred Stock		250	250
<b>Total Kadoink, Inc.</b>				<b>501</b>	<b>496</b>
Neonova Holding Company (2.24%)	Communications & Networking	Senior Debt			
		Matures September 2012			
		Interest rate Prime + 3.25%	\$ 9,000	8,916	8,916
		Preferred Stock Warrants		94	77
Neonova Holding Company (0.06%)		Preferred Stock		250	250
<b>Total Neonova Holding Company</b>				<b>9,260</b>	<b>9,243</b>

See notes to consolidated financial statements (unaudited)

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Peerless Network, Inc. (0.37%) <sup>(4)</sup>	Communications & Networking	Senior Debt			
		Matures June 2011			
		Interest rate Prime + 3.25%	\$ 1,500	1,415	1,415
		Preferred Stock Warrants		95	75
Peerless Network, Inc. (0.25%)		Preferred Stock		1,000	1,000
Total Peerless Network, Inc.				2,510	2,490
Ping Identity Corporation (0.28%) <sup>(4)</sup>	Communications & Networking				

See Item 4.

ITEM 7.

IDENTIFICATION AND CLASSIFICATION OF THE SUBSIDIARY WHICH ACQUIRED THE SECURITY BEING REPORTED ON BY THE PARENT HOLDING COMPANY.

Not applicable.

ITEM 8.

IDENTIFICATION AND CLASSIFICATION OF MEMBERS OF THE GROUP.

See Item 4.

ITEM 9.

NOTICE OF DISSOLUTION OF GROUP.

Not applicable.

ITEM 10.

CERTIFICATIONS. (if filing pursuant to Rule 13d-1(c))

Each of the Reporting Persons hereby make the following certification:

By signing below each Reporting Person certifies that, to the best of its knowledge and belief, the securities referred to above were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

CUSIP No. 426927109

SIGNATURES

After reasonable inquiry and to the best of our knowledge and belief, the undersigned certify that the information set forth in this statement is true, complete and correct.

DATED: February 14, 2011

/s/ Daniel S. Och  
OZ MANAGEMENT LP  
By Och-Ziff Holding Corporation

its general partner;  
By Daniel S. Och  
Chief Executive Officer

/s/ Daniel S. Och  
Och-Ziff Holding Corporation  
By Daniel S. Och  
Chief Executive Officer

/s/ Daniel S. Och  
Och-Ziff Capital Management Group LLC  
By Daniel S. Och  
Chief Executive Officer and  
Executive Managing Director

/s/ Daniel S. Och  
Daniel S. Och

/s/ Daniel S. Och  
OZ MASTER FUND, LTD.  
By Daniel S. Och  
Director