# HERCULES TECHNOLOGY GROWTH CAPITAL INC

## FORM 10-Q
(Quarterly Report)

Filed 08/09/10 for the Period Ending 06/30/10

| | |
|---|---|
| Address | 400 HAMILTON AVE<br>SUITE 310<br>PALO ALTO, CA 94301 |
| Telephone | 650-289-3060 |
| CIK | 0001280784 |
| Symbol | HTGC |
| Industry | Consumer Financial Services |
| Sector | Financial |
| Fiscal Year | 12/31 |

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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, 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**<br>**(State or Jurisdiction of Incorporation or Organization)** | **743113410**<br>**(IRS Employer Identification No.)** |
| **400 Hamilton Ave., Suite 310 Palo Alto, California 94301**<br>**(Address of Principal Executive Offices)** | **94301**<br>**(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 ☐ | 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 5, 2010, there were 35,987,292 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, 2010 (unaudited) | December 31, 2009 |
|---|---|---|
| **Assets** | | |
| Investments: | | |
| Non-Control/Non-Affiliate investments (cost of $408,570 and $353,648, respectively) | $ 390,399 | $ 335,979 |
| Affiliate investments (cost of $2,880 and $2,880, respectively) | 3,218 | 2,274 |
| Control investments (cost of $44,583 and $23,823, respectively) | 37,904 | 32,184 |
| Total investments, at value (cost of $456,033 and $380,351, respectively) | 431,521 | 370,437 |
| Deferred loan origination revenue | (4,893) | (2,425) |
| Cash and cash equivalents | 52,751 | 124,828 |
| Interest receivable | 11,114 | 10,309 |
| Other assets | 6,948 | 5,818 |
| Total assets | 497,441 | 508,967 |
| **Liabilities** | | |
| Accounts payable and accrued liabilities | 7,658 | 11,852 |
| Long-term SBA Debentures | 137,100 | 130,600 |
| Total liabilities | 144,758 | 142,452 |
| **Net assets** | $ 352,683 | $ 366,515 |
| **Net assets consist of:** | | |
| Common stock, par value | $ 36 | $ 35 |
| Capital in excess of par value | 408,502 | 409,036 |
| Unrealized appreciation (depreciation) on investments | (25,141) | (10,028) |
| Accumulated realized gains (losses) on investments | (24,408) | (28,129) |
| Distributions in excess of investment income | (6,306) | (4,399) |
| **Total net assets** | $ 352,683 | $ 366,515 |
| **Shares of common stock outstanding ($0.001 par value, 60,000 authorized)** | 35,972 | 35,634 |
| **Net asset value per share** | $ 9.80 | $ 10.29 |

See Notes to Consolidated Financial Statements (unaudited)

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## HERCULES TECHNOLOGY GROWTH CAPITAL, INC.
## CONSOLIDATED SCHEDULE OF INVESTMENTS
### June 30, 2010
### (unaudited)
### (dollars in thousands)

| Portfolio Company | Industry | Type of Investment [1] | Principal Amount | Cost [2] | Value [3] |
|---|---|---|---|---|---|
| Acceleron Pharmaceuticals, Inc. | Drug Discovery | Preferred Stock Warrants | | $ 69 | $ 866 |
| | | Preferred Stock Warrants | | 35 | 204 |
| | | Preferred Stock | | 1,243 | 1,978 |
| Total Acceleron Pharmaceuticals, Inc. | | | | 1,347 | 3,048 |
| Aveo Pharmaceuticals, Inc. | Drug Discovery | Senior Debt Matures September 2013 Interest rate Prime + 7.15% or Floor rate of 11.9% | $ 25,000 | 24,448 | 24,448 |
| | | Preferred Stock Warrants | | 190 | 312 |
| | | Preferred Stock Warrants | | 104 | 76 |
| | | Preferred Stock Warrants | | 24 | 28 |
| | | Preferred Stock Warrants | | 288 | 296 |
| | | Preferred Stock Warrants | | 288 | 296 |
| Total Aveo Pharmaceuticals, Inc. | | | | 25,342 | 25,456 |
| Dicerna Pharmaceuticals, Inc. | Drug Discovery | Senior Debt Matures July 2012 Interest rate Prime + 9.20% or Floor rate of 12.95% | $ 5,567 | 5,454 | 5,454 |
| | | Preferred Stock Warrants | | 206 | 202 |
| | | Preferred Stock Warrants | | 31 | 35 |
| Total Dicerna Pharmaceuticals, Inc. | | | | 5,691 | 5,691 |
| Elixir Pharmaceuticals, Inc. [8] | Drug Discovery | Senior Debt Matures October 2011 Interest rate Prime + 9.25% or Floor rate of 12.5% | $ 6,531 | 6,531 | — |
| | | Preferred Stock Warrants | | 217 | — |
| Total Elixir Pharmaceuticals, Inc. | | | | 6,748 | — |
| EpiCept Corporation. | Drug Discovery | Common Stock Warrants | | 4 | 9 |
| | | Common Stock Warrants | | 40 | 108 |
| Total EpiCept Corporation. | | | | 44 | 117 |
| 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 | 23 |
| | | Preferred Stock | | 2,000 | 2,459 |
| Total Merrimack Pharmaceuticals, Inc. | | | | 2,155 | 2,482 |
| Paratek Pharmaceuticals, Inc. | Drug Discovery | Preferred Stock Warrants | | 137 | 97 |
| | | Preferred Stock | | 1,000 | 1,000 |
| Total Paratek Pharmaceuticals, Inc. | | | | 1,137 | 1,097 |

See Notes to Consolidated Financial Statements

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## HERCULES TECHNOLOGY GROWTH CAPITAL, INC.
## CONSOLIDATED SCHEDULE OF INVESTMENTS—(Continued)
### June 30, 2010
### (unaudited)
### (dollars in thousands)

| Portfolio Company | Industry | Type of Investment [1] | Principal Amount | Cost [2] | Value [3] |
|---|---|---|---|---|---|
| PolyMedix, Inc. | Drug Discovery | Senior Debt<br>Matures September 2013<br>Interest rate Prime + 7.1% or<br>Floor rate of 12.35% | $ 10,000 | $ 9,562 | $ 9,562 |
| | | Preferred Stock Warrants | | 480 | 446 |
| Total PolyMedix, Inc. | | | | 10,042 | 10,008 |
| Portola Pharmaceuticals, Inc. | Drug Discovery | Senior Debt<br>Matures April 2011<br>Interest rate Prime + 2.16% | $ 4,166 | 4,166 | 4,166 |
| | | Preferred Stock Warrants | | 153 | 506 |
| Total Portola Pharmaceuticals, Inc. | | | | 4,319 | 4,672 |
| **Total Drug Discovery (14.91%)*** | | | | 58,556 | 52,571 |
| Affinity Videonet, Inc. [4] | Communications & Networking | Senior Debt<br>Matures June 2012<br>Interest rate Prime + 8.75% or<br>Floor rate of 12.00% | $ 1,899 | 1,934 | 1,934 |
| | | Senior Debt<br>Matures June 2012<br>Interest rate Prime + 14.75% or<br>Floor rate of 18.00% | $ 2,000 | 2,073 | 2,073 |
| | | Revolving Line of Credit<br>Matures June 2012<br>Interest rate Prime + 9.75% or<br>Floor rate of 13.00% | $ 500 | 500 | 500 |
| | | Preferred Stock Warrants | | 102 | 99 |
| Total Affinity Videonet, Inc. | | | | 4,609 | 4,606 |
| E-band Communications, Inc. [6] | Communications & Networking | Preferred Stock | | 2,880 | 3,218 |
| Total E-Band Communications, Inc. | | | | 2,880 | 3,218 |
| IKANO Communications, Inc. | Communications & Networking | Senior Debt<br>Matures August 2011<br>Interest rate 12.00% | $ 3,908 | 3,908 | 3,908 |
| | | Preferred Stock Warrants | | 44 | — |
| | | Preferred Stock Warrants | | 71 | — |
| Total IKANO Communications, Inc. | | | | 4,023 | 3,908 |
| Intelepeer, Inc. | Communications & Networking | Senior Debt<br>Matures May 2011<br>Interest rate Prime + 8.125% | $ 2,017 | 1,930 | 1,930 |
| | | Preferred Stock Warrants | | 102 | 102 |
| Total Intelepeer, Inc. | | | | 2,032 | 2,032 |
| Neonova Holding Company | Communications & Networking | Preferred Stock Warrants | | 94 | 46 |
| | | Preferred Stock | | 250 | 247 |
| Total Neonova Holding Company | | | | 344 | 293 |
| Opsource, Inc. [4] | Communications & Networking | Senior Debt<br>Matures June 2013<br>Interest rate Prime + 7.75% or<br>Floor rate of 11.00% | $ 5,000 | 4,781 | 4,781 |
| | | Revolving Line of Credit<br>Matures June 2011<br>Interest rate Prime + 5.25% or<br>Floor rate of 8.50% | $ 1,500 | 1,500 | 1,500 |
| | | Preferred Stock Warrants | | 223 | 230 |
| Total Opsource, Inc. | | | | 6,504 | 6,511 |

See Notes to Consolidated Financial Statements

## HERCULES TECHNOLOGY GROWTH CAPITAL, INC.
## CONSOLIDATED SCHEDULE OF INVESTMENTS—(Continued)
### June 30, 2010
### (unaudited)
### (dollars in thousands)

| Portfolio Company | Industry | Type of Investment [1] | Principal Amount | Cost [2] | Value [3] |
|---|---|---|---|---|---|
| PeerApp, Inc. | Communications & Networking | Senior Debt<br>Matures April 2013<br>Interest rate Prime + 7.5% or Floor rate of 11.50% | $ 3,000 | $ 2,942 | $ 2,942 |
| | | Preferred Stock Warrants | | 61 | 61 |
| Total PeerApp, Inc. | | | | 3,003 | 3,003 |
| Peerless Network, Inc. | Communications & Networking | Preferred Stock Warrants | | 95 | 11 |
| | | Preferred Stock | | 1,000 | 1,000 |
| Total Peerless Network, Inc. | | | | 1,095 | 1,011 |
| Ping Identity Corporation. | Communications & Networking | Preferred Stock Warrants | | 52 | 236 |
| Total Ping Identity Corporation. | | | | 52 | 236 |
| Purcell Systems, Inc. | Communications & Networking | Preferred Stock Warrants | | 123 | 371 |
| Total Purcell Systems, Inc. | | | | 123 | 371 |
| Seven Networks, Inc. | Communications & Networking | Preferred Stock Warrants | | 174 | 1 |
| Total Seven Networks, Inc. | | | | 174 | 1 |
| Stoke, Inc. [4] | Communications & Networking | Senior Debt<br>Matures May 2013<br>Interest rate Prime + 7.0% or Floor rate of 10.25% | $ 4,000 | 3,939 | 3,939 |
| | | Preferred Stock Warrants | | 53 | 71 |
| | | Preferred Stock Warrants | | 65 | 66 |
| Total Stoke, Inc. | | | | 4,057 | 4,076 |
| Tectura Corporation | Communications & Networking | Senior Debt<br>Matures September 2010<br>Interest rate 11% | $ 833 | 833 | 833 |
| | | Revolving Line of Credit<br>Matures March 2011<br>Interest rate 11% | $ 17,005 | 17,875 | 17,875 |
| | | Preferred Stock Warrants | | 51 | — |
| Total Tectura Corporation | | | | 18,759 | 18,708 |
| Trilliant, Inc. | Communications & Networking | Senior Debt<br>Matures May 2013<br>Interest rate 10% | $ 10,000 | 9,915 | 9,915 |
| | | Preferred Stock Warrants | | 89 | 91 |
| | | Preferred Stock Warrants | | 73 | 74 |
| Total Trilliant, Inc. | | | | 10,077 | 10,080 |
| **Total Communications & Networking (16.46%)*** | | | | 57,732 | 58,054 |
| Atrenta, Inc. | Software | Preferred Stock Warrants | | 103 | 263 |
| | | Preferred Stock Warrants | | 34 | 86 |
| | | Preferred Stock Warrants | | 95 | 195 |
| | | Preferred Stock | | 250 | 375 |
| Total Atrenta, Inc. | | | | 482 | 919 |
| Blurb, Inc. | Software | Senior Debt<br>Matures June 2011<br>Interest rate Prime + 3.50% or Floor rate of 8.5% | $ 2,268 | 2,225 | 2,225 |
| | | Preferred Stock Warrants | | 25 | 324 |
| | | Preferred Stock Warrants | | 299 | 234 |
| Total Blurb, Inc. | | | | 2,549 | 2,783 |

See Notes to Consolidated Financial Statements

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## HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

## CONSOLIDATED SCHEDULE OF INVESTMENTS—(Continued)

### June 30, 2010
### (unaudited)
### (dollars in thousands)

| Portfolio Company | Industry | Type of Investment [1] | Principal Amount | Cost [2] | Value [3] |
|---|---|---|---|---|---|
| Braxton Technologies, LLC. | Software | Preferred Stock Warrants | | $ 188 | $ 127 |
| Total Braxton Technologies, LLC. | | | | 188 | 127 |
| Bullhorn, Inc. | Software | Preferred Stock Warrants | | 43 | 247 |
| Total Bullhorn, Inc. | | | | 43 | 247 |
| Clickfox, Inc. | Software | Senior Debt<br>Matures September 2011<br>Interest rate Prime + 5.00% or<br>Floor rate of 10.25% | $ 2,753 | 2,720 | 2,720 |
| | | Revolving Line of Credit<br>Matures July 2010<br>Interest rate Prime + 8.50% or<br>Floor rate of 13.5% | $ 2,000 | 1,999 | 1,999 |
| | | Preferred Stock Warrants | | 178 | 295 |
| Total Clickfox, Inc. | | | | 4,897 | 5,014 |
| Forescout Technologies, Inc. | Software | Preferred Stock Warrants | | 99 | 135 |
| Total Forescout Technologies, Inc. | | | | 99 | 135 |
| GameLogic, Inc. | Software | Preferred Stock Warrants | | 92 | 18 |
| Total GameLogic, Inc. | | | | 92 | 18 |
| HighJump Acquisition, LLC. | Software | Senior Debt<br>Matures May 2013<br>Interest rate Libor + 8.75% or<br>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 | 64 |
| Total HighRoads, Inc. | | | | 44 | 64 |
| InfoLogix, Inc. [4] [7] | Software | Senior Debt<br>Matures November 2013<br>Interest rate 12.00% | $ 5,500 | 5,500 | 5,500 |
| | | Convertible Senior Debt<br>Matures November 2014<br>Interest rate 12.00% | $ 5,000 | 5,382 | 9,295 |
| | | Revolving Line of Credit<br>Matures May 2011<br>Interest rate 12.00% | $ 8,097 | 8,097 | 8,097 |
| | | Senior Debt<br>Matures December 2010<br>Interest rate 18.00% | $ 2,250 | 2,250 | 2,250 |
| | | Senior Debt<br>Matures April 2013<br>Interest rate 8.00% | $ 1,350 | 1,350 | 1,364 |
| | | Preferred Stock Warrants | | 725 | 2,754 |
| | | Common Stock | | 3,391 | 8,643 |
| Total InfoLogix, Inc. | | | | 26,695 | 37,903 |
| PSS Systems, Inc. | Software | Preferred Stock Warrants | | 51 | 124 |
| Total PSS Systems, Inc. | | | | 51 | 124 |
| Rockyou, Inc. | Software | Preferred Stock Warrants | | 117 | 134 |
| Total Rockyou, Inc. | | | | 117 | 134 |
| Sportvision, Inc. | Software | Preferred Stock Warrants | | 39 | 50 |
| Total Sportvision, Inc. | | | | 39 | 50 |

See Notes to Consolidated Financial Statements

## HERCULES TECHNOLOGY GROWTH CAPITAL, INC.
## CONSOLIDATED SCHEDULE OF INVESTMENTS—(Continued)
### June 30, 2010
### (unaudited)
### (dollars in thousands)

| Portfolio Company | Industry | Type of Investment [1] | Principal Amount | Cost [2] | Value [3] |
|---|---|---|---|---|---|
| Unify Corporation. | Software | Senior Debt<br>Matures June 2015<br>Interest rate Libor + 8.25% or<br>Floor rate of 10.25% | $ 24,000 | $22,568 | $ 22,568 |
| | | Revolving Line of Credit<br>Matures June 2015<br>Interest rate Libor + 7.25% or<br>Floor rate of 9.25% | $ 4,000 | 4,000 | 4,000 |
| | | Preferred Stock Warrants | | 1,434 | 1,430 |
| Total Unify Corporation | | | | 28,002 | 27,999 |
| WildTangent, Inc. | Software | Preferred Stock Warrants | | 238 | 63 |
| Total WildTangent, Inc. | | | | 238 | 63 |
| **Total Software (25.68%)*** | | | | 78,536 | 90,580 |
| Luminus Devices, Inc. | Electronics & Computer Hardware | Senior Debt<br>Matures December 2011<br>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<br>Matures October 2012<br>Interest rate Prime + 7.25% or<br>Floor rate of 10.75% | $ 5,000 | 5,282 | 5,282 |
| | | Senior Debt<br>Matures April 2012<br>Interest rate Prime + 5.0% or<br>Floor rate of 8.5% | $ 3,909 | 3,909 | 3,909 |
| | | Revolving Line of Credit<br>Matures April 2012<br>Interest rate Prime + 5.0% or<br>Floor rate of 8.5% | $ 2,500 | 2,580 | 2,580 |
| | | Common Stock | | 81 | 170 |
| Total Maxvision Holding, LLC | | | | 11,852 | 11,941 |
| Shocking Technologies, Inc. | Electronics & Computer Hardware | Senior Debt<br>Matures December 2010<br>Interest rate Prime + 2.50% | $ 954 | 951 | 951 |
| | | Preferred Stock Warrants | | 64 | 136 |
| Total Shocking Technologies, Inc. | | | | 1,015 | 1,087 |
| Spatial Photonics, Inc. | Electronics & Computer Hardware | Senior Debt<br>Matures April 2011<br>Interest rate 10.07% | $ 1,314 | 1,305 | 583 |
| | | Senior Debt<br>Mature April 2011<br>Interest rate 9.22% | $ 130 | 130 | 130 |
| | | Preferred Stock Warrants | | 130 | — |
| | | Preferred Stock | | 500 | — |
| Total Spatial Photonics Inc. | | | | 2,065 | 713 |
| VeriWave, Inc. | Electronics & Computer Hardware | Preferred Stock Warrants | | 54 | — |
| | | Preferred Stock Warrants | | 46 | — |
| Total VeriWave, Inc. | | | | 100 | — |
| **Total Electronics & Computer Hardware (4.26%)*** | | | | 16,923 | 15,031 |

See Notes to Consolidated Financial Statements

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## HERCULES TECHNOLOGY GROWTH CAPITAL, INC.
## CONSOLIDATED SCHEDULE OF INVESTMENTS—(Continued)
### June 30, 2010
### (unaudited)
### (dollars in thousands)

| Portfolio Company | Industry | Type of Investment [1] | Principal Amount | Cost [2] | Value [3] |
|---|---|---|---|---|---|
| Aegerion Pharmaceuticals, Inc. [4] | Specialty Pharmaceuticals | Senior Debt<br>Matures September 2011<br>Interest rate Prime + 2.50% or<br>Floor rate of 11.00% | $ 4,026 | $ 4,026 | $ 4,026 |
| | | Convertible Senior Debt<br>Matures December 2011 | $ 370 | 370 | 370 |
| | | Preferred Stock Warrants | | 69 | 277 |
| | | Preferred Stock | | 1,000 | 500 |
| Total Aegerion Pharmaceuticals, Inc. | | | | 5,465 | 5,173 |
| Chroma Therapeutics, Ltd. [5] | Specialty Pharmaceuticals | Senior Debt<br>Matures September 2013<br>Interest rate Prime + 7.75% or<br>Floor rate of 12.00% | $ 10,000 | 9,552 | 9,552 |
| | | Preferred Stock Warrants | | 490 | 580 |
| Total Chroma Therapeutics, Ltd. | | | | 10,042 | 10,132 |
| QuatRx Pharmaceuticals Company | Specialty Pharmaceuticals | Senior Debt<br>Matures October 2011<br>Interest rate Prime + 8.90% or<br>Floor rate of 12.15% | $ 12,639 | 12,568 | 12,568 |
| | | Convertible Senior Debt<br>Matures March 2012 | $ 1,888 | 1,888 | 2,861 |
| | | Preferred Stock Warrants | | 220 | — |
| | | Preferred Stock Warrants | | 308 | — |
| | | Preferred Stock | | 750 | — |
| Total Quatrx Pharmaceuticals Company | | | | 15,734 | 15,429 |
| **Total Specialty Pharmaceuticals (8.71%)*** | | | | 31,241 | 30,734 |
| Annie's, Inc. | Consumer & Business Products | Senior Debt - Second Lien<br>Matures April 2011<br>Interest rate LIBOR + 6.50% or<br>Floor rate of 10.00% | $ 6,000 | 6,178 | 6,178 |
| | | Preferred Stock Warrants | | 321 | 149 |
| Total Annie's, Inc. | | | | 6,499 | 6,327 |
| IPA Holdings, LLC. [4] | Consumer & Business Products | Senior Debt<br>Matures November 2012<br>Interest rate Prime + 8.25% or<br>Floor rate of 12.5% | $ 9,000 | 9,252 | 9,252 |
| | | Senior Debt<br>Matures May 2013<br>Interest rate Prime + 11.25% or<br>Floor rate of 15.5% | $ 6,500 | 6,795 | 6,795 |
| | | Revolving Line of Credit<br>Matures November 2012<br>Interest rate Prime + 7.75% or<br>Floor rate of 12.00% | $ 856 | 856 | 856 |
| | | Preferred Stock Warrants | | 276 | — |
| | | Common Stock | | 500 | 75 |
| Total IPA Holding, LLC. | | | | 17,679 | 16,978 |
| Market Force Information, Inc. | Consumer & Business Products | Preferred Stock Warrants | | 24 | — |
| | | Preferred Stock | | 500 | 500 |
| Total Market Force Information, Inc. | | | | 524 | 500 |
| OnTech Operations, Inc. | Consumer & Business Products | Preferred Stock Warrants | | 452 | — |
| | | Preferred Stock Warrants | | 218 | — |
| | | Preferred Stock | | 1,000 | — |
| Total OnTech Operations, Inc. | | | | 1,670 | — |

See Notes to Consolidated Financial Statements

## HERCULES TECHNOLOGY GROWTH CAPITAL, INC.
## CONSOLIDATED SCHEDULE OF INVESTMENTS—(Continued)
### June 30, 2010
### (unaudited)
### (dollars in thousands)

| Portfolio Company | Industry | Type of Investment [1] | Principal Amount | Cost [2] | Value [3] |
|---|---|---|---|---|---|
| Trading Machines, Inc. | Consumer & Business Products | Preferred Stock Warrants | | $ 878 | $ 880 |
| Total Trading Machines, Inc. | | | | 878 | 880 |
| Velocity Technology Solutions | Consumer & Business Products | Senior Debt Matures February 2015 Interest rate LIBOR + 8% or Floor rate of 11.00% | $ 16,250 | 16,250 | 16,250 |
| | | Senior Debt Matures February 2015 Interest rate LIBOR + 10% or Floor rate of 13.00% | $ 8,333 | 8,393 | 8,393 |
| Total Velocity Technology Solutions | | | | 24,643 | 24,643 |
| Wageworks, Inc. | Consumer & Business Products | Preferred Stock Warrants | | 252 | 2,445 |
| | | Preferred Stock | | 250 | 440 |
| Total Wageworks, Inc. | | | | 502 | 2,885 |
| **Total Consumer & Business Products (14.80%)*** | | | | 52,395 | 52,213 |
| Enpirion, Inc. | Semiconductors | Senior Debt Matures August 2011 Interest rate Prime + 2.00% or Floor rate of 7.625% | $ 3,575 | 3,556 | 3,556 |
| | | Preferred Stock Warrants | | 157 | 1 |
| Total Enpirion, Inc. | | | | 3,713 | 3,557 |
| 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. | Semiconductors | Preferred Stock Warrants | | 297 | 931 |
| | | Preferred Stock | | 277 | 662 |
| Total NEXX Systems, Inc. | | | | 574 | 1,593 |
| Quartics, Inc. | Semiconductors | Preferred Stock Warrants | | 53 | — |
| Total Quartics, Inc. | | | | 53 | — |
| Solarflare Communications, Inc. | Semiconductors | Preferred Stock Warrants | | 84 | — |
| | | Common Stock | | 641 | — |
| Total Solarflare Communications, Inc. | | | | 725 | — |
| **Total Semiconductors (1.73%)*** | | | | 6,183 | 6,100 |
| Alexza Pharmaceuticals [4] | Drug Delivery | Senior Debt Matures October 2013 Interest rate Prime + 6.5% or Floor rate of 10.75% | $ 15,000 | 14,389 | 14,389 |
| | | Preferred Stock Warrants | | 645 | 467 |
| Total Alexza Pharmaceuticals | | | | 15,034 | 14,856 |
| Labopharm USA, Inc. | Drug Delivery | Senior Debt Matures December 2012 Interest rate 10.95% | $ 20,000 | 19,740 | 19,740 |
| | | Common Stock Warrants | | 635 | 310 |
| Total Labopharm USA, Inc. | | | | 20,375 | 20,050 |
| Transcept Pharmaceuticals, Inc. | Drug Delivery | Common Stock Warrants | | 36 | 108 |
| | | Common Stock Warrants | | 51 | 91 |
| | | Common Stock | | 500 | 346 |
| Total Transcept Pharmaceuticals, Inc. | | | | 587 | 545 |
| **Total Drug Delivery (10.05%)*** | | | | 35,996 | 35,451 |

See Notes to Consolidated Financial Statements

## HERCULES TECHNOLOGY GROWTH CAPITAL, INC.
## CONSOLIDATED SCHEDULE OF INVESTMENTS—(Continued)
### June 30, 2010
### (unaudited)
### (dollars in thousands)

| Portfolio Company | Industry | Type of Investment [1] | Principal Amount | Cost [2] | Value [3] |
|---|---|---|---|---|---|
| BARRX Medical, Inc. | Therapeutic | Senior Debt<br>Mature December 2011<br>Interest rate 11.00% | $ 4,226 | $ 4,222 | $ 4,222 |
| | | Revolving Line of Credit<br>Matures May 2011<br>Interest rate 10.00% | $ 1,000 | 1,000 | 1,000 |
| | | Preferred Stock Warrants | | 76 | 95 |
| | | Preferred Stock | | 1,500 | 2,378 |
| Total BARRX Medical, Inc. | | | | 6,798 | 7,695 |
| EKOS Corporation | Therapeutic | Senior Debt<br>Matures November 2010<br>Interest rate Prime + 2.00% | $ 1,233 | 1,223 | 1,223 |
| | | Preferred Stock Warrants | | 175 | — |
| | | Preferred Stock Warrants | | 153 | — |
| Total EKOS Corporation | | | | 1,551 | 1,223 |
| Gelesis, Inc. [8] | Therapeutic | Senior Debt<br>Matures May 2012<br>Interest rate Prime + 7.5% or<br>Floor rate of 10.75% | $ 2,847 | 2,820 | 27 |
| | | Preferred Stock Warrants | | 58 | — |
| Total Gelesis, Inc. | | | | 2,878 | 27 |
| Gynesonics, Inc. | Therapeutic | Preferred Stock Warrants | | 18 | — |
| | | Preferred Stock | | 531 | 496 |
| Total Gynesonics, Inc. | | | | 549 | 496 |
| Light Science Oncology, Inc. | Therapeutic | Preferred Stock Warrants | | 99 | 26 |
| Total Light Science Oncology, Inc. | | | | 99 | 26 |
| Novasys Medical, Inc. | Therapeutic | Preferred Stock Warrants | | 71 | — |
| | | Preferred Stock Warrants | | 54 | — |
| | | Preferred Stock | | 1,000 | 1,002 |
| Total Novasys Medical, Inc. | | | | 1,125 | 1,002 |
| Pacific Child & Family Associates, LLC | Therapeutic | Senior Debt<br>Matures January 2015<br>Interest rate LIBOR + 8.0% or<br>Floor rate of 10.50% | $ 6,750 | 6,750 | 6,750 |
| | | Senior Debt<br>Matures January 2015<br>Interest rate LIBOR + 10.50% or<br>Floor rate of 13.0% | $ 5,900 | 5,985 | 5,985 |
| Total Pacific Child & Family Associates, LLC | | | | 12,735 | 12,735 |
| **Total Therapeutic (6.58%)*** | | | | 25,735 | 23,204 |
| Cozi Group, Inc. | Internet Consumer & Business Services | Preferred Stock Warrants | | 147 | — |
| | | Preferred Stock | | 177 | 7 |
| Total Cozi Group, Inc. | | | | 324 | 7 |
| Invoke Solutions, Inc. | Internet Consumer & Business Services | Preferred Stock Warrants | | 56 | 139 |
| | | Preferred Stock Warrants | | 26 | 31 |
| Total Invoke Solutions, Inc. | | | | 82 | 170 |
| Prism Education Group Inc. | Internet Consumer & Business Services | Preferred Stock Warrants | | 43 | 105 |
| Total Prism Education Group Inc. | | | | 43 | 105 |

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## HERCULES TECHNOLOGY GROWTH CAPITAL, INC.
## CONSOLIDATED SCHEDULE OF INVESTMENTS
### June 30, 2010
### (unaudited)
### (dollars in thousands)

| Portfolio Company | Industry | Type of Investment [1] | Principal Amount | Cost [2] | Value [3] |
|---|---|---|---|---|---|
| RazorGator Interactive Group, Inc. [4] | Internet Consumer & Business Services | Revolving Line of Credit Matures October 2011 Interest rate Prime + 9.50% or Floor rate of 14.00% | $ 9,158 | $ 8,276 | $ 8,276 |
| | | Preferred Stock Warrants | | 13 | — |
| | | Preferred Stock Warrants | | 28 | — |
| | | Preferred Stock Warrants | | 1,183 | — |
| | | Preferred Stock | | 1,000 | — |
| Total RazorGator Interactive Group, Inc. | | | | 10,500 | 8,276 |
| Reply! Inc. [4] | Internet Consumer & Business Services | Senior Debt Matures June 2013 Interest rate Prime + 6.5% or Floor rate of 9.75% | $ 4,000 | 4,000 | 4,000 |
| Total Reply! Inc | | | | 4,000 | 4,000 |
| Spa Chakra Acquisition Corporation [7] | Internet Consumer & Business Services | Revolving Line of Credit Matures April 2011 Interest rate Prime + 9.00% or Floor rate of 12.50% | $ 2,851 | 2,851 | — |
| | | Preferred Stock | | 15,038 | — |
| Total Spa Chakra Acquisition Corporation | | | | 17,889 | — |
| **Total Internet Consumer & Business Services (3.56%)*** | | | | 32,838 | $ 12,558 |
| Lilliputian Systems, Inc. | Energy | Preferred Stock Warrants | | 106 | 92 |
| | | Common Stock Warrants | | 48 | — |
| Total Lilliputian Systems, Inc. | | | | 154 | 92 |
| Propel Biofuels, Inc. | Energy | Senior Debt Matures September 2013 Interest rate 11.0% | $ 1,116 | 920 | 920 |
| | | Preferred Stock Warrants | | 211 | 273 |
| Total Propel Biofuels, Inc. | | | | 1,131 | 1,193 |
| **Total Energy (0.36%)*** | | | | 1,285 | 1,285 |
| Box.net, Inc. | Information Services | Senior Debt Matures May 2011 Interest rate Prime + 1.50% | $ 449 | 442 | 442 |
| | | Senior Debt Matures September 2011 Interest rate Prime + 0.50% | $ 209 | 209 | 209 |
| | | Preferred Stock Warrants | | 72 | 208 |
| | | Preferred Stock | | 500 | 746 |
| Total Box.net, Inc. | | | | 1,223 | 1,605 |
| Buzznet, Inc. | Information Services | Preferred Stock Warrants | | 9 | 4 |
| | | Preferred Stock | | 250 | 74 |
| Total Buzznet, Inc. | | | | 259 | 78 |
| XL Education Corp. | Information Services | Common Stock | | 880 | 880 |
| Total XL Education Corp. | | | | 880 | 880 |
| hi5 Networks, Inc. | Information Services | Preferred Stock Warrants | | 213 | — |
| | | Preferred Stock | | 250 | 250 |
| Total hi5 Networks, Inc. | | | | 463 | 250 |

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## HERCULES TECHNOLOGY GROWTH CAPITAL, INC.
## CONSOLIDATED SCHEDULE OF INVESTMENTS—(Continued)
### June 30, 2010
### (unaudited)
### (dollars in thousands)

| Portfolio Company | Industry | Type of Investment [1] | Principal Amount | Cost [2] | Value [3] |
|---|---|---|---|---|---|
| Jab Wireless, Inc. | Information Services | Senior Debt<br>Matures November 2012<br>Interest rate Prime + 3.50% or<br>Floor rate of 9.5% | $ 14,000 | $14,315 | $ 14,315 |
| | | Revolving Line of Credit<br>Matures October 2010<br>Interest rate Prime + 3.50% or<br>Floor rate of 9.5% | $ 2,500 | 2,530 | 2,530 |
| | | Preferred Stock Warrants | | 265 | — |
| Total Jab Wireless, Inc. | | | | 17,110 | 16,845 |
| Solutionary, Inc. | Information Services | Preferred Stock Warrants | | 94 | — |
| | | Preferred Stock Warrants | | 2 | — |
| | | Preferred Stock | | 250 | 50 |
| Total Solutionary, Inc. | | | | 346 | 50 |
| Intelligent Beauty, Inc. | Information Services | Senior Debt<br>Matures March 2013<br>Interest rate Prime + 8.0% or<br>Floor rate of 11.25% | $ 6,000 | 6,000 | 6,000 |
| Total Intelligent Beauty, Inc. | | | | 6,000 | 6,000 |
| Good Technologies, Inc.(Visto Corporation) | Information Services | Common Stock | | 603 | 165 |
| Total Visto Corporation | | | | 603 | 165 |
| Coveroo, Inc. | Information Services | Preferred Stock Warrants | | 7 | — |
| Total Coveroo, Inc. | | | | 7 | — |
| Zeta Interactive Corporation | Information Services | Preferred Stock Warrants | | 172 | — |
| | | Preferred Stock | | 500 | 310 |
| Total Zeta Interactive Corporation | | | | 672 | 310 |
| **Total Information Services (7.42%)*** | | | | 27,563 | 26,183 |
| Novadaq Technologies, Inc. [5] | Diagnostic | Common Stock | | 1,415 | 706 |
| Total Novadaq Technologies, Inc. | | | | 1,415 | 706 |
| Optiscan Biomedical, Corp. | Diagnostic | Senior Debt<br>Matures June 2011<br>Interest rate 10.25% | $ 5,680 | 5,584 | 5,584 |
| | | Preferred Stock Warrants | | 760 | — |
| | | Preferred Stock | | 3,656 | 3,322 |
| Total Optiscan Biomedical, Corp. | | | | 10,000 | 8,906 |
| **Total Diagnostic (2.73%)*** | | | | 11,415 | 9,612 |
| Kamada, LTD. [5] | Biotechnology Tools | Preferred Stock Warrants | | 159 | 145 |
| | | Common Stock | | 752 | 1,628 |
| Total Kamada, LTD. | | | | 911 | 1,773 |
| Labcyte, Inc. | Biotechnology Tools | Senior Debt<br>Matures May 2013<br>Interest rate Prime + 8.6% or<br>Floor rate of 11.85% | $ 4,000 | 3,856 | 3,856 |
| | | Common Stock Warrants | | 192 | — |
| Total Labcyte, Inc. | | | | 4,048 | 3,856 |
| NuGEN Technologies, Inc. | Biotechnology Tools | Preferred Stock Warrants | | 45 | 361 |
| | | Preferred Stock Warrants | | 33 | 34 |
| | | Preferred Stock | | 500 | 500 |
| Total NuGEN Technologies, Inc. | | | | 578 | 895 |

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## HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

## CONSOLIDATED SCHEDULE OF INVESTMENTS—(Continued)

### June 30, 2010
### (unaudited)
### (dollars in thousands)

| Portfolio Company | Industry | Type of Investment [1] | Principal Amount | Cost [2] | Value [3] |
|---|---|---|---|---|---|
| Solace Pharmaceuticals, Inc. [4] [8] | Biotechnology Tools | Senior Debt Matures August 2012 Interest rate Prime + 4.25% or Floor rate of 9.85% | $ 2,313 | $ 2,307 | $ 32 |
| | | Senior Debt Matures August 2012 Interest rate 8.0% | $ 250 | 250 | — |
| | | Preferred Stock Warrants | | 42 | — |
| | | Preferred Stock Warrants | | 54 | — |
| Total Solace Pharmaceuticals, Inc. | | | | 2,653 | 32 |
| **Total Biotechnology Tools (1.86%)*** | | | | 8,190 | 6,556 |
| Crux Biomedical, Inc. | Surgical Devices | Preferred Stock Warrants | | 37 | — |
| | | Preferred Stock | | 250 | 26 |
| Total Crux Biomedical, Inc. | | | | 287 | 26 |
| Transmedics, Inc. [4] | Surgical Devices | Senior Debt Matures February 2014 Interest rate Prime + 9.70% or Floor rate of 12.95% | $ 8,375 | 8,291 | 8,291 |
| | | Preferred Stock Warrants | | 225 | — |
| | | Preferred Stock | | 1,100 | 1,100 |
| Total Transmedics, Inc. | | | | 9,616 | 9,391 |
| **Total Surgical Devices (2.67%)*** | | | | 9,903 | 9,417 |
| Glam Media, Inc. | Media/Content/ Info | Preferred Stock Warrants | | 482 | 283 |
| Total Glam Media, Inc. | | | | 482 | 283 |
| Waterfront Media Inc. (Everyday Health) | Media/Content/Info | Preferred Stock Warrants | | 60 | 312 |
| | | Preferred Stock | | 1,000 | 1,377 |
| Total Everyday Health | | | | 1,060 | 1,689 |
| **Total Media/Content/Info (0.56%)*** | | | | 1,542 | 1,972 |
| Total Investments (122.35%)* | | | | 456,033 | 431,521 |

* Value as a percent of net assets

(1) Preferred and common stock, warrants, and equity interests are generally non-income producing.

(2) Gross unrealized appreciation, gross unrealized depreciation, and net depreciation for federal income tax purposes totaled and $23,436, 48,172 and 24,736 respectively. The tax cost of investments is $455,745.

(3) Except for warrants in nine publicly traded companies and common stock in four publicly traded companies, all investments are restricted at June 30, 2010. No unrestricted securities of the same issuer are outstanding. The Company uses the Standard Industrial Code for classifying the industry grouping of its portfolio companies.

(4) Debt investments of this portfolio company have been pledged as collateral under the Wells Facility.

(5) Non-U.S. company or the company's principal place of business is outside the United States.

(6) Affiliate investment that is defined under the Investment Company Act of 1940 as companies in which HTGC owns as least 5% but not more than 25% of the voting securities of the company.

(7) Control investment that is defined under the Investment Company Act of 1940 as companies in which HTGC owns at least 25% or more of the voting securities of such company or has greater than 50% representation on its board.

(8) Debt is on non-accrual status at June 30, 2010, and is therefore considered non-income producing.

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## HERCULES TECHNOLOGY GROWTH CAPITAL, INC.
## CONSOLIDATED SCHEDULE OF INVESTMENTS
### December 31, 2009
### (dollars in thousands)

| Portfolio Company | Industry | Type of Investment [1] | Principal Amount | Cost [2] | Value [3] |
|---|---|---|---|---|---|
| Acceleron Pharmaceuticals, Inc. | Drug Discovery | Preferred Stock Warrants | | $ 69 | $ 1,157 |
| | | Preferred Stock Warrants | | 35 | 215 |
| | | Preferred Stock | | 1,243 | 2,508 |
| Total Acceleron Pharmaceuticals, Inc. | | | | 1,347 | 3,880 |
| Aveo Pharmaceuticals, Inc. | Drug Discovery | Senior Debt Matures May 2012 Interest rate 11.13% | $ 14,564 | 14,509 | 14,509 |
| | | Preferred Stock Warrants | | 190 | 725 |
| | | Preferred Stock Warrants | | 104 | 219 |
| | | Preferred Stock Warrants | | 24 | 76 |
| Total Aveo Pharmaceuticals, Inc. | | | | 14,827 | 15,529 |
| Dicerna Pharmaceuticals, Inc. | Drug Discovery | Senior Debt Matures April 2012 Interest rate Prime + 9.20% or Floor rate of 12.95% | $ 6,603 | 6,434 | 6,434 |
| | | Preferred Stock Warrants | | 206 | 128 |
| | | Preferred Stock Warrants | | 31 | 22 |
| Total Dicerna Pharmaceuticals, Inc. | | | | 6,671 | 6,584 |
| Elixir Pharmaceuticals, Inc. | Drug Discovery | Senior Debt Matures October 2011 Interest rate Prime + 9.25% or Floor rate of 12.5% | $ 8,067 | 8,067 | 8,067 |
| | | Preferred Stock Warrants | | 217 | — |
| Total Elixir Pharmaceuticals, Inc. | | | | 8,284 | 8,067 |
| EpiCept Corporation | Drug Discovery | Common Stock Warrants | | 8 | 38 |
| | | Common Stock Warrants | | 40 | 201 |
| Total EpiCept Corporation | | | | 48 | 239 |
| Horizon Therapeutics, Inc. | Drug Discovery | Senior Debt Matures July 2011 Interest rate Prime + 1.50% | $ 4,699 | 4,638 | 4,638 |
| | | Preferred Stock Warrants | | 231 | — |
| Total Horizon Therapeutics, Inc. | | | | 4,869 | 4,638 |
| 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 | 269 |
| | | Preferred Stock | | 2,000 | 1,699 |
| Total Merrimack Pharmaceuticals, Inc. | | | | 2,155 | 1,968 |
| Paratek Pharmaceuticals, Inc. | Drug Discovery | Preferred Stock Warrants | | 137 | 55 |
| | | Preferred Stock | | 1,000 | 1,000 |
| Total Paratek Pharmaceuticals, Inc. | | | | 1,137 | 1,055 |

See Notes to Consolidated Financial Statements

## HERCULES TECHNOLOGY GROWTH CAPITAL, INC.
## CONSOLIDATED SCHEDULE OF INVESTMENTS—(Continued)
## December 31, 2009
## (dollars in thousands)

| Portfolio Company | Industry | Type of Investment [1] | Principal Amount | Cost [2] | Value [3] |
|---|---|---|---|---|---|
| Portola Pharmaceuticals, Inc. | Drug Discovery | Senior Debt | | | |
| | | Matures April 2011 Interest rate Prime + 2.16% | $ 6,666 | $ 6,667 | $ 6,671 |
| | | Preferred Stock Warrants | | 152 | 288 |
| Total Portola Pharmaceuticals, Inc. | | | | 6,819 | 6,959 |
| Recoly, N.V. [5] | Drug Discovery | Senior Debt | | | |
| | | Matures June 2012 Interest rate Prime + 4.25% | $ 2,576 | 2,576 | 2,576 |
| Total Recoly, N.V. | | | | 2,576 | 2,576 |
| **Total Drug Discovery (14.15%)*** | | | | 50,233 | 51,848 |
| Affinity Videonet, Inc. [4] | Communications & Networking | Senior Debt | | | |
| | | Matures June 2012 Interest rate Prime + 8.75% or Floor rate of 12.00% | $ 2,318 | 2,326 | 2,326 |
| | | Senior Debt | | | |
| | | Matures June 2012 Interest rate Prime + 14.75% or Floor rate of 18.00% | $ 2,000 | 2,052 | 2,052 |
| | | Revolving Line of Credit | | | |
| | | Matures June 2012 Interest rate Prime + 9.75% or Floor rate of 13.00% | $ 500 | 500 | 500 |
| | | Preferred Stock Warrants | | 102 | 83 |
| Total Affinity Videonet, Inc. | | | | 4,980 | 4,961 |
| E-band Communications, Inc. [6] | Communications & Networking | Preferred Stock | | 2,880 | 2,274 |
| Total E-Band Communications, Inc. | | | | 2,880 | 2,274 |
| IKANO Communications, Inc. | Communications & Networking | Senior Debt | | | |
| | | Matures August 2011 Interest rate 12.00% | $ 6,472 | 6,472 | 6,472 |
| | | Preferred Stock Warrants | | 45 | — |
| | | Preferred Stock Warrants | | 72 | — |
| Total IKANO Communications, Inc. | | | | 6,589 | 6,472 |
| Neonova Holding Company | Communications & Networking | Preferred Stock Warrants | | 94 | 42 |
| | | Preferred Stock | | 250 | 247 |
| Total Neonova Holding Company | | | | 344 | 289 |
| Peerless Network, Inc. | Communications & Networking | Preferred Stock Warrants | | 95 | — |
| | | Preferred Stock | | 1,000 | 800 |
| Total Peerless Network, Inc. | | | | 1,095 | 800 |
| Ping Identity Corporation | Communications & Networking | Preferred Stock Warrants | | 52 | 168 |
| Total Ping Identity Corporation | | | | 52 | 168 |

See Notes to Consolidated Financial Statements

## HERCULES TECHNOLOGY GROWTH CAPITAL, INC.
## CONSOLIDATED SCHEDULE OF INVESTMENTS—(Continued)
### December 31, 2009
### (dollars in thousands)

| Portfolio Company | Industry | Type of Investment [1] | Principal Amount | Cost [2] | Value [3] |
|---|---|---|---|---|---|
| Purcell Systems, Inc. | Communications & Networking | Preferred Stock Warrants | | $ 123 | $ 386 |
| Total Purcell Systems, Inc. | | | | 123 | 386 |
| Rivulet Communications, Inc. [4] | Communications & Networking | Senior Debt<br>Matures March 2010<br>Interest rate Prime + 8.00% or Floor rate of 12% | $ 1,063 | 1,060 | 1,060 |
| | | Preferred Stock Warrants | | 146 | — |
| | | Common Stock | | 250 | — |
| Total Rivulet Communications, Inc. | | | | 1,456 | 1,060 |
| Seven Networks, Inc. | Communications & Networking | Preferred Stock Warrants | | 174 | 11 |
| Total Seven Networks, Inc. | | | | 174 | 11 |
| Stoke, Inc. | Communications & Networking | Preferred Stock Warrants | | 53 | 81 |
| Total Stoke, Inc. | | | | 53 | 81 |
| Tectura Corporation | Communications & Networking | Senior Debt<br>Matures September 2010<br>Interest rate Prime + 10.75% or Floor rate of 14.00% | $ 1,875 | 1,875 | 1,875 |
| | | Revolving Line of Credit<br>Matures July 2011<br>Interest rate Prime + 10.75% or Floor rate of 14.00% | $ 9,908 | 10,238 | 10,238 |
| | | Revolving Line of Credit<br>Matures July 2011<br>Interest rate Prime + 10.75% or Floor rate of 14.00% | $ 5,000 | 5,156 | 5,156 |
| | | Preferred Stock Warrants | | 51 | — |
| Total Tectura Corporation | | | | 17,320 | 17,269 |
| Zayo Bandwidth, Inc. | Communications & Networking | Senior Debt<br>Matures November 2013<br>Interest rate Libor + 5.25% | $ 24,750 | 24,750 | 24,317 |
| Total Zayo Bandwith, Inc. | | | | 24,750 | 24,317 |
| **Total Communications & Networking (15.85%)*** | | | | 59,816 | 58,088 |
| Atrenta, Inc. | Software | Preferred Stock Warrants | | 102 | 99 |
| | | Preferred Stock Warrants | | 34 | 32 |
| | | Preferred Stock Warrants | | 95 | 159 |
| | | Preferred Stock | | 250 | 375 |
| Total Atrenta, Inc. | | | | 481 | 665 |

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## HERCULES TECHNOLOGY GROWTH CAPITAL, INC.
## CONSOLIDATED SCHEDULE OF INVESTMENTS—(Continued)
### December 31, 2009
### (dollars in thousands)

| Portfolio Company | Industry | Type of Investment [1] | Principal Amount | Cost [2] | Value [3] |
|---|---|---|---|---|---|
| Blurb, Inc. | Software | Senior Debt<br>Matures June 2011<br>Interest rate Prime + 3.50% or<br>Floor rate of 8.5% | $ 3,329 | $ 3,234 | $ 3,234 |
| | | Preferred Stock Warrants | | 25 | 128 |
| | | Preferred Stock Warrants | | 299 | 69 |
| Total Blurb, Inc. | | | | 3,558 | 3,431 |
| Braxton Technologies, LLC. | Software | Preferred Stock Warrants | | 188 | 116 |
| Total Braxton Technologies, LLC. | | | | 188 | 116 |
| Bullhorn, Inc. | Software | Preferred Stock Warrants | | 43 | 248 |
| Total Bullhorn, Inc. | | | | 43 | 248 |
| Clickfox, Inc. | Software | Senior Debt<br>Matures September 2011<br>Interest rate Prime + 5.00% or<br>Floor rate of 10.25% | $ 3,754 | 3,683 | 3,683 |
| | | Revolving Line of Credit<br>Matures July 2010<br>Interest rate Prime + 8.50% or<br>Floor rate of 13.5% | $ 2,000 | 2,003 | 2,003 |
| | | Preferred Stock Warrants | | 177 | 143 |
| Total Clickfox, Inc. | | | | 5,863 | 5,829 |
| Forescout Technologies, Inc. | Software | Preferred Stock Warrants | | 99 | 77 |
| Total Forescout Technologies, Inc. | | | | 99 | 77 |
| GameLogic, Inc. | Software | Preferred Stock Warrants | | 92 | 1 |
| Total GameLogic, Inc. | | | | 92 | 1 |
| HighJump Acquisition, LLC. | Software | Senior Debt<br>Matures May 2013<br>Interest rate Libor + 8.75% or<br>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 | 13 |
| Total HighRoads, Inc. | | | | 44 | 13 |
| Infologix, Inc. [4][7] | Software | Senior Debt<br>Matures November 2013<br>Interest rate 12.00% | $ 5,500 | 5,500 | 5,500 |
| | | Convertible Senior Debt<br>Matures November 2014<br>Interest rate 12.00% | $ 5,000 | 5,004 | 10,060 |
| | | Revolving Line of Credit<br>Matures May 2011<br>Interest rate 12.00% | $ 7,559 | 7,559 | 7,559 |
| | | Common Stock Warrants | | 760 | 1,494 |
| | | Common Stock | | 5,000 | 7,571 |
| Total Infologix, Inc. | | | | 23,823 | 32,184 |
| Intelliden, Inc. | Software | Preferred Stock Warrants | | 18 | — |
| Total Intelliden, Inc. | | | | 18 | — |
| PSS Systems, Inc. | Software | Preferred Stock Warrants | | 51 | 71 |
| Total PSS Systems, Inc. | | | | 51 | 71 |
| Rockyou, Inc. | Software | Preferred Stock Warrants | | 117 | 140 |
| Total Rockyou, Inc. | | | | 117 | 140 |

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## HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

## CONSOLIDATED SCHEDULE OF INVESTMENTS—(Continued)

## December 31, 2009
## (dollars in thousands)

| Portfolio Company | Industry | Type of Investment [1] | Principal Amount | Cost [2] | Value [3] |
|---|---|---|---|---|---|
| Savvion, Inc. [4] | Software | Senior Debt<br>Matures February 2011<br>Interest rate Prime + 7.75% or<br>Floor rate of 11.00% | $ 2,117 | $ 2,065 | $ 2,065 |
| | | Revolving Line of Credit<br>Matures May 2010<br>Interest rate Prime + 6.75% or<br>Floor rate of 10.00% | $ 1,500 | 1,500 | 1,500 |
| | | Preferred Stock Warrants | | 52 | 183 |
| Total Savvion, Inc. | | | | 3,617 | 3,748 |
| Sportvision, Inc. | Software | Preferred Stock Warrants | | 39 | 47 |
| Total Sportvision, Inc. | | | | 39 | 47 |
| WildTangent, Inc. | Software | Preferred Stock Warrants | | 238 | 77 |
| Total WildTangent, Inc. | | | | 238 | 77 |
| **Total Software (16.82%)*** | | | | 53,272 | 61,647 |
| Luminus Devices, Inc. | Electronics & Computer Hardware | Senior Debt<br>Matures December 2011<br>Interest rate 12.875% | $ 1,062 | 1,062 | 1,062 |
| | | Preferred Stock Warrants | | 183 | — |
| | | Preferred Stock Warrants | | 84 | — |
| | | Preferred Stock Warrants | | 334 | — |
| Total Luminus Devices, Inc. | | | | 1,663 | 1,062 |
| Maxvision Holding, LLC. | Electronics & Computer Hardware | Senior Debt<br>Matures October 2012<br>Interest rate Prime + 5.50% | $ 5,000 | 5,220 | 5,220 |
| | | Senior Debt<br>Matures April 2012<br>Interest rate Prime + 2.25% | $ 4,409 | 4,409 | 4,409 |
| | | Revolving Line of Credit<br>Matures April 2012<br>Interest rate Prime + 2.25% | $ 2,500 | 2,580 | 2,580 |
| | | Common Stock | | 81 | 170 |
| Total Maxvision Holding, LLC | | | | 12,290 | 12,379 |
| Shocking Technologies, Inc. | Electronics & Computer Hardware | Senior Debt<br>Matures December 2010<br>Interest rate Prime + 2.50% | $ 1,867 | 1,858 | 1,858 |
| | | Preferred Stock Warrants | | 63 | 119 |
| Total Shocking Technologies, Inc. | | | | 1,921 | 1,977 |
| Spatial Photonics, Inc. | Electronics & Computer Hardware | Senior Debt<br>Matures April 2011<br>Interest rate 10.066% | $ 1,980 | 1,957 | 1,957 |
| | | Senior Debt<br>Mature April 2011<br>Interest rate 9.217% | $ 197 | 197 | 197 |
| | | Preferred Stock Warrants | | 129 | — |
| | | Preferred Stock | | 500 | 129 |
| Total Spatial Photonics Inc. | | | | 2,783 | 2,283 |

See Notes to Consolidated Financial Statements

## HERCULES TECHNOLOGY GROWTH CAPITAL, INC.
## CONSOLIDATED SCHEDULE OF INVESTMENTS—(Continued)
### December 31, 2009
### (dollars in thousands)

| Portfolio Company | Industry | Type of Investment [1] | Principal Amount | Cost [2] | Value [3] |
|---|---|---|---|---|---|
| VeriWave, Inc. | Electronics & Computer Hardware | Preferred Stock Warrants | | $ 54 | $ — |
| | | Preferred Stock Warrants | | 46 | — |
| Total VeriWave, Inc. | | | | 100 | — |
| **Total Electronics & Computer Hardware (4.83%)*** | | | | 18,757 | 17,701 |
| Aegerion Pharmaceuticals, Inc. [4] | Specialty Pharmaceuticals | Senior Debt Matures September 2011 Interest rate Prime + 2.50% or Floor rate of 11.00% | $ 5,481 | 5,482 | 5,482 |
| | | Convertible Senior Debt Matures December 2010 | $ 279 | 279 | 279 |
| | | Preferred Stock Warrants | | 69 | 253 |
| | | Preferred Stock | | 1,000 | 1,019 |
| Total Aegerion Pharmaceuticals, Inc. | | | | 6,830 | 7,033 |
| QuatRx Pharmaceuticals Company | Specialty Pharmaceuticals | Senior Debt Matures October 2011 Interest rate Prime + 8.90% or Floor rate of 12.15% | $ 15,417 | 15,299 | 15,299 |
| | | Convertible Senior Debt Matures March 2010 | $ 1,888 | 1,888 | 2,861 |
| | | Preferred Stock Warrants | | 220 | — |
| | | Preferred Stock Warrants | | 307 | — |
| | | Preferred Stock | | 750 | — |
| Total QuatRx Pharmaceuticals Company | | | | 18,464 | 18,160 |
| **Total Specialty Pharmaceuticals (6.87%)*** | | | | 25,294 | 25,193 |
| 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 | 6,060 | 6,060 |
| | | Preferred Stock Warrants | | 321 | 113 |
| Total Annie's, Inc. | | | | 6,381 | 6,173 |
| IPA Holdings, LLC. [4] | Consumer & Business Products | Senior Debt Matures November 2012 Interest rate Prime + 8.25% or Floor rate of 12.5% | $ 9,500 | 9,633 | 9,633 |
| | | Senior Debt Matures May 2013 Interest rate Prime + 11.25% or Floor rate of 15.5% | $ 6,500 | 6,625 | 6,625 |
| | | Revolving Line of Credit Matures November 2012 Interest rate Prime + 7.75% or Floor rate of 12.00% | $ 856 | 856 | 856 |
| | | Common Stock Warrants | | 275 | — |
| | | Common Stock | | 500 | 120 |
| Total IPA Holding, LLC. | | | | 17,889 | 17,234 |

See Notes to Consolidated Financial Statements

## HERCULES TECHNOLOGY GROWTH CAPITAL, INC.
## CONSOLIDATED SCHEDULE OF INVESTMENTS—(Continued)
### December 31, 2009
### (dollars in thousands)

| Portfolio Company | Industry | Type of Investment [1] | Principal Amount | Cost [2] | Value [3] |
|---|---|---|---|---|---|
| Market Force Information, Inc. | Consumer & Business Products | Preferred Stock Warrants | | $ 24 | $ — |
| | | Preferred Stock | | 500 | 267 |
| Total Market Force Information, Inc. | | | | 524 | 267 |
| OnTech Operations, Inc. [8] | 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 | — |
| Wageworks, Inc. | Consumer & Business Products | Preferred Stock Warrants | | 252 | 1,425 |
| | | Preferred Stock | | 250 | 368 |
| Total Wageworks, Inc. | | | | 502 | 1,793 |
| **Total Consumer & Business Products (6.95%)*** | | | | 27,072 | 25,467 |
| Custom One Design, Inc. [8] | Semiconductors | Senior Debt Matures September 2010 Interest rate 11.50% | $ 426 | 422 | 122 |
| | | Common Stock Warrants | | 18 | — |
| Total Custom One Design, Inc. | | | | 440 | 122 |
| Enpirion, Inc. | Semiconductors | Senior Debt Matures August 2011 Interest rate Prime + 2.00% or Floor rate of 7.625% | $ 5,094 | 5,055 | 5,053 |
| | | Preferred Stock Warrants | | 157 | 2 |
| Total Enpirion, Inc. | | | | 5,212 | 5,055 |
| iWatt Inc. | Semiconductors | Preferred Stock Warrants | | 628 | — |
| | | Preferred Stock | | 490 | 950 |
| Total iWatt Inc. | | | | 1,118 | 950 |
| NEXX Systems, Inc. [4] | Semiconductors | Senior Debt Matures March 2010 Interest rate Prime + 3.50% or Floor rate of 11.25% | $ 565 | 423 | 423 |
| | | Revolving Line of Credit Matures June 2010 Interest rate Prime + 8.00% or Floor rate of 13.25% | $ 3,000 | 3,000 | 3,000 |
| | | Revolving Line of Credit Matures June 2010 Interest rate Prime + 8.00% or Floor rate of 14.00% | $ 500 | 500 | 500 |
| | | Preferred Stock Warrants | | 562 | 784 |
| | | Preferred Stock | | 6 | 332 |
| Total NEXX Systems, Inc. | | | | 4,491 | 5,039 |

See Notes to Consolidated Financial Statements

## HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

## CONSOLIDATED SCHEDULE OF INVESTMENTS—(Continued)

## December 31, 2009
## (dollars in thousands)

| Portfolio Company | Industry | Type of Investment [1] | Principal Amount | Cost [2] | Value [3] |
|---|---|---|---|---|---|
| Quartics, Inc. | Semiconductors | Senior Debt<br>Matures May 2010<br>Interest rate 10.00% | $ 139 | $ 134 | $ 134 |
| | | Preferred Stock Warrants | | 53 | — |
| Total Quartics, Inc. | | | | 187 | 134 |
| Solarflare Communications, Inc. | Semiconductors | Senior Debt<br>Matures August 2010<br>Interest rate 11.75% | $ 197 | 181 | 181 |
| | | Preferred Stock Warrants | | 83 | — |
| | | Common Stock | | 641 | — |
| Total Solarflare Communications, Inc. | | | | 905 | 181 |
| **Total Semiconductors (3.13%)*** | | | | 12,353 | 11,481 |
| Labopharm USA, Inc. [5] | Drug Delivery | Senior Debt<br>Matures June 2012<br>Interest rate 10.95% | $ 20,000 | 19,718 | 19,718 |
| | | Common Stock Warrants | | 687 | 1,307 |
| Total Labopharm USA, Inc. | | | | 20,405 | 21,025 |
| Transcept Pharmaceuticals, Inc. | Drug Delivery | Common Stock Warrants | | 36 | 94 |
| | | Common Stock Warrants | | 51 | 91 |
| | | Common Stock | | 500 | 283 |
| Total Transcept Pharmaceuticals, Inc. | | | | 587 | 468 |
| **Total Drug Delivery (5.86%)*** | | | | 20,992 | 21,493 |
| BARRX Medical, Inc. | Therapeutic | Senior Debt<br>Mature December 2011<br>Interest rate 11.00% | $ 5,481 | 5,473 | 5,473 |
| | | Revolving Line of Credit<br>Matures May 2010<br>Interest rate 10.00% | $ 1,000 | 1,000 | 1,000 |
| | | Preferred Stock Warrants | | 76 | 111 |
| | | Preferred Stock | | 1,500 | 2,303 |
| Total BARRX Medical, Inc. | | | | 8,050 | 8,887 |
| EKOS Corporation | Therapeutic | Senior Debt<br>Matures November 2010<br>Interest rate Prime + 2.00% | $ 2,677 | 2,629 | 2,630 |
| | | Preferred Stock Warrants | | 175 | — |
| | | Preferred Stock Warrants | | 153 | — |
| Total EKOS Corporation | | | | 2,957 | 2,630 |
| Gelesis, Inc. [8] | Therapeutic | Senior Debt<br>Matures May 2012<br>Interest rate Prime + 7.5% or<br>Floor rate of 10.75% | $ 2,847 | 2,814 | — |
| | | Preferred Stock Warrants | | 58 | — |
| Total Gelesis, Inc. | | | | 2,872 | — |
| Gynesonics, Inc. | Therapeutic | Preferred Stock Warrants | | 18 | 5 |
| | | Preferred Stock | | 250 | 627 |
| Total Gynesonics, Inc. | | | | 268 | 632 |

See Notes to Consolidated Financial Statements

## HERCULES TECHNOLOGY GROWTH CAPITAL, INC.
## CONSOLIDATED SCHEDULE OF INVESTMENTS—(Continued)
### December 31, 2009
### (dollars in thousands)

| Portfolio Company | Industry | Type of Investment [1] | Principal Amount | Cost [2] | Value [3] |
|---|---|---|---|---|---|
| Light Science Oncology, Inc. | Therapeutic | Preferred Stock Warrants | | $ 99 | $ 26 |
| Total Light Science Oncology, Inc. | | | | 99 | 26 |
| Novasys Medical, Inc. [4] | Therapeutic | Senior Debt | | | |
| | | Matures January 2010 Interest rate 9.70% | $ 295 | 295 | 295 |
| | | Preferred Stock Warrants | | 71 | — |
| | | Preferred Stock Warrants | | 54 | — |
| | | Preferred Stock | | 1,000 | 1,000 |
| Total Novasys Medical, Inc. | | | | 1,420 | 1,295 |
| **Total Therapeutic (3.68%)*** | | | | 15,665 | 13,470 |
| Cozi Group, Inc. | Internet Consumer & Business Services | Preferred Stock Warrants | | 148 | — |
| | | Preferred Stock | | 177 | 7 |
| Total Cozi Group, Inc. | | | | 325 | 7 |
| Invoke Solutions, Inc. | Internet Consumer & Business Services | Preferred Stock Warrants | 56 | 129 | |
| | | Preferred Stock Warrants | | 26 | 29 |
| Total Invoke Solutions, Inc. | | | | 82 | 158 |
| Prism Education Group Inc. | Internet Consumer & Business Services | Senior Debt Matures December 2010 Interest rate 11.25% | $ 801 | 789 | 790 |
| | | Preferred Stock Warrants | | 43 | 104 |
| Total Prism Education Group Inc. | | | | 832 | 894 |
| RazorGator Interactive Group, Inc. [4] | Internet Consumer & Business Services | Revolving Line of Credit Matures May 2010 Interest rate Prime + 6.00% or Floor rate of 12.00% | $ 10,000 | 10,000 | 10,000 |
| | | Preferred Stock Warrants | | 14 | 223 |
| | | Preferred Stock Warrants | | 28 | 33 |
| | | Preferred Stock | | 1,000 | 1,037 |
| Total RazorGator Interactive Group, Inc. | | | | 11,042 | 11,293 |
| Spa Chakra, Inc. [8] | Internet Consumer & Business Services | Senior Debt Matures from December 2009 to October 2011 Interest rate from 16.45% to 17% | $ 12,482 | 12,778 | 8,000 |
| | | Preferred Stock Warrants | | 1 | — |
| Total Spa Chakra, Inc. | | | | 12,779 | 8,000 |
| **Total Internet Consumer & Business Services (5.55%)*** | | | | 25,060 | 20,352 |
| Lilliputian Systems, Inc. | Energy | Preferred Stock Warrants | | 107 | 104 |
| | | Common Stock Warrants | | 48 | — |
| Total Lilliputian Systems, Inc. | | | | 155 | 104 |
| **Total Energy (0.03%)*** | | | | 155 | 104 |

See Notes to Consolidated Financial Statements

## HERCULES TECHNOLOGY GROWTH CAPITAL, INC.
## CONSOLIDATED SCHEDULE OF INVESTMENTS—(Continued)
### December 31, 2009
### (dollars in thousands)

| Portfolio Company | Industry | Type of Investment [1] | Principal Amount | Cost [2] | Value [3] |
|---|---|---|---|---|---|
| Box.net, Inc. | Information Services | Senior Debt<br>Matures May 2011<br>Interest rate Prime + 1.50% | $ 676 | $ 658 | $ 658 |
| | | Senior Debt<br>Matures September 2011<br>Interest rate Prime + 0.50% | $ 287 | 287 | 287 |
| | | Preferred Stock Warrants | | 73 | 53 |
| Total Box.net, Inc. | | | | 1,018 | 998 |
| Buzznet, Inc. | Information Services | Preferred Stock Warrants | | 9 | — |
| | | Preferred Stock | | 250 | 74 |
| Total Buzznet, Inc. | | | | 259 | 74 |
| XL Education Corp. | Information Services | Common Stock | | 880 | 880 |
| Total XL Education Corp. | | | | 880 | 880 |
| hi5 Networkss, Inc. | Information Services | Senior Debt<br>Matures December 2010<br>Interest rate Prime + 2.5% | $ 1,559 | 1,559 | 1,559 |
| | | Senior Debt<br>Matures June 2011<br>Interest rate Prime + 0.5% | $ 3,401 | 3,356 | 3,356 |
| | | Preferred Stock Warrants | | 213 | — |
| Total hi5 Networks, Inc. | | | | 5,128 | 4,915 |
| Jab Wireless, Inc. | Information Services | Senior Debt<br>Matures November 2012<br>Interest rate Prime + 3.50% or<br>Floor rate of 9.5% | $ 14,750 | 14,891 | 14,892 |
| | | Revolving Line of Credit<br>Matures October 2010<br>Interest rate Prime + 3.50% or<br>Floor rate of 9.5% | $ 2,500 | 2,504 | 2,504 |
| | | Preferred Stock Warrants | | 265 | 151 |
| Total Jab Wireless, Inc. | | | | 17,660 | 17,547 |
| Solutionary, Inc. | Information Services | Preferred Stock Warrants | | 94 | — |
| | | Preferred Stock Warrants | | 2 | — |
| | | Preferred Stock | | 250 | 83 |
| Total Solutionary, Inc. | | | | 346 | 83 |
| Ancestry.com, Inc. | Information Services | Common Stock | | 452 | 880 |
| Total Ancestry.com, Inc. | | | | 452 | 880 |
| Good Technologies, Inc. | | Common Stock | | 603 | 603 |
| Total Good Technologies Inc. | | | | 603 | 603 |
| Coveroo, Inc. | Information Services | Preferred Stock Warrants | | 7 | — |
| Total Coveroo, Inc. | | | | 7 | — |

See Notes to Consolidated Financial Statements

## HERCULES TECHNOLOGY GROWTH CAPITAL, INC.
## CONSOLIDATED SCHEDULE OF INVESTMENTS—(Continued)
### December 31, 2009
### (dollars in thousands)

| Portfolio Company | Industry | Type of Investment [1] | Principal Amount | Cost [2] | Value [3] |
|---|---|---|---|---|---|
| Zeta Interactive Corporation | Information Services | Senior Debt Matures November 2012 Interest rate 9.50% | $ 4,731 | $ 4,732 | $ 4,731 |
| | | Senior Debt Matures November 2012 Interest rate 10.50% | $ 6,484 | 6,719 | 6,719 |
| | | Preferred Stock Warrants | | 172 | — |
| | | Preferred Stock | | 500 | 310 |
| Total Zeta Interactive Corporation | | | | 12,123 | 11,760 |
| **Total Information Services (10.30%)*** | | | | 38,476 | 37,740 |
| Novadaq Technologies, Inc. [5] | Diagnostic | Common Stock | | 1,567 | 542 |
| Total Novadaq Technologies, Inc. | | | | 1,567 | 542 |
| Optiscan Biomedical, Corp. | Diagnostic | Senior Debt Matures June 2011 Interest rate 10.25% | $ 7,696 | 7,516 | 7,515 |
| | | Preferred Stock Warrants | | 760 | 342 |
| | | Preferred Stock | | 3,000 | 3,000 |
| Total Optiscan Biomedical, Corp. | | | | 11,276 | 10,857 |
| **Total Diagnostic (3.11%)*** | | | | 12,843 | 11,399 |
| Kamada, LTD. [5] | Biotechnology Tools | Common Stock Warrants | | 159 | 149 |
| | | Common Stock | | 794 | 1,161 |
| Total Kamada, LTD. | | | | 953 | 1,310 |
| Labcyte, Inc. | Biotechnology Tools | Senior Debt Matures November 2012 Interest rate Prime + 8.6% or Floor rate of 11.85% | $ 3,500 | 3,323 | 3,323 |
| | | Common Stock Warrants | | 192 | 235 |
| Total Labcyte, Inc. | | | | 3,515 | 3,558 |
| NuGEN Technologies, Inc. | Biotechnology Tools | Senior Debt Matures November 2010 Interest rate Prime + 3.45% or Floor rate of 6.75% | $ 785 | 780 | 780 |
| | | Senior Debt Matures November 2010 Interest rate Prime + 1.70% or Floor rate of 6.75% | $ 442 | 442 | 442 |
| | | Preferred Stock Warrants | | 45 | 391 |
| | | Preferred Stock Warrants | | 33 | 41 |
| | | Preferred Stock | | 500 | 587 |
| Total NuGEN Technologies, Inc. | | | | 1,800 | 2,241 |
| Solace Pharmaceuticals, Inc. [4] | Biotechnology Tools | Senior Debt Matures August 2012 Interest rate Prime + 4.25% or Floor rate of 9.85% | $ 2,617 | 2,560 | 2,560 |
| | | Preferred Stock Warrants | | 42 | — |
| | | Preferred Stock Warrants | | 54 | — |
| Total Solace Pharmaceuticals, Inc. | | | | 2,656 | 2,560 |
| **Total Biotechnology Tools (2.64%) *** | | | | 8,924 | 9,669 |
| Crux Biomedical, Inc. | Surgical Devices | Preferred Stock Warrants | | 37 | — |
| | | Preferred Stock | | 250 | 26 |
| Total Crux Biomedical, Inc. | | | | 287 | 26 |

See Notes to Consolidated Financial Statements

## HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

## CONSOLIDATED SCHEDULE OF INVESTMENTS—(Continued)

## December 31, 2009
## (dollars in thousands)

| Portfolio Company | Industry | Type of Investment [1] | Principal Amount | Cost [2] | Value [3] |
|---|---|---|---|---|---|
| Transmedics, Inc. [4][8] | Surgical Devices | Senior Debt Matures December 2011 Interest rate Prime + 5.25% or Floor rate of 10.50% | $ 9,475 | $ 9,384 | $ 2,384 |
| | | Preferred Stock Warrants | | 225 | — |
| Total Transmedics, Inc. | | | | 9,609 | 2,384 |
| **Total Surgical Devices (0.66%)** * | | | | 9,896 | 2,410 |
| Glam Media, Inc. | Media/Content/Info | Preferred Stock Warrants | | 482 | 283 |
| Total Glam Media, Inc. | | | | 482 | 283 |
| Waterfront Media Inc. | Media/Content/Info | Preferred Stock Warrants | | 60 | 592 |
| | | Preferred Stock | | 1,000 | 1,500 |
| Total Waterfront Media Inc. | | | | 1,060 | 2,092 |
| **Total Media/Content/Info (0.65%)** * | | | | 1,542 | 2,375 |
| Total Investments (101.7%)* | | | | $380,351 | $370,437 |

* Value as a percent of net assets
(1) Preferred and common stock, warrants, and equity interests are generally non-income producing.
(2) Gross unrealized appreciation, gross unrealized depreciation, and net depreciation for federal income tax purposes totaled $17,409, $30,495 and $13,086, respectively. The tax cost of investments is $379,600.
(3) Except for warrants in five publicly traded companies and common stock in five publicly traded companies, all investments are restricted at December 31, 2009. No unrestricted securities of the same issuer are outstanding. The Company uses the Standard Industrial Code for classifying the industry grouping of its portfolio companies.
(4) Debt investments of this portfolio company have been pledged as collateral under the Wells Facility.
(5) Non-U.S. company or the company's principal place of business is outside the United States.
(6) Affiliate investment that is defined under the Investment Company Act of 1940 as companies in which HTGC owns as least 5% but not more than 25% of the voting securities of the company.
(7) Control investment that is defined under the Investment Company Act of 1940 as companies in which HTGC owns as least 25% or more of the voting securities of such company or has greater than 50% representation on its board.
(8) Debt is on non-accrual status at December 31, 2009, and is therefore considered non-income producing.

See Notes to Consolidated Financial Statements

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**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.**

**CONSOLIDATED STATEMENT OF OPERATIONS**
**(Unaudited—in thousands, except per share data)**

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| Investment income: | | | | |
| Interest income | | | | |
| Non Control/Non Affiliate investments | $ 11,863 | $ 15,857 | $ 22,293 | $ 33,679 |
| Affiliate investments | — | — | — | 153 |
| Control investments | 916 | — | 1,721 | — |
| Total interest income | 12,779 | 15,857 | 24,014 | 33,832 |
| Fees | | | | |
| Non Control/Non Affiliate investments | 1,648 | 3,623 | 2,761 | 6,079 |
| Affiliate investments | — | — | — | 19 |
| Control investments | 74 | — | 246 | — |
| Total fees | 1,722 | 3,623 | 3,007 | 6,098 |
| Total investment income | 14,501 | 19,480 | 27,021 | 39,930 |
| Operating expenses: | | | | |
| Interest | 2,072 | 2,106 | 4,098 | 5,265 |
| Loan fees | 306 | 329 | 603 | 1,274 |
| General and administrative | 1,651 | 1,880 | 3,540 | 3,351 |
| Employee Compensation: | | | | |
| Compensation and benefits | 2,859 | 2,828 | 5,097 | 5,712 |
| Stock-based compensation | 750 | 516 | 1,207 | 948 |
| Total employee compensation | 3,609 | 3,344 | 6,304 | 6,660 |
| Total operating expenses | 7,638 | 7,659 | 14,545 | 16,550 |
| Net investment income | 6,863 | 11,821 | 12,476 | 23,380 |
| Net realized gain (loss) on investments | 3,359 | (4,186) | 3,721 | (5,332) |
| Net increase in unrealized appreciation on investments | (14,852) | (20,694) | (15,112) | (26,625) |
| Net realized and unrealized gain (loss) | (11,493) | (24,880) | (11,391) | (31,957) |
| Net increase (decrease) in net assets resulting from operations | (4,630) | (13,059) | 1,085 | (8,577) |
| Net investment income before investment gains and losses per common share: | | | | |
| Basic | $ 0.19 | $ 0.34 | $ 0.35 | $ 0.69 |
| Diluted | $ 0.19 | $ 0.34 | $ 0.34 | $ 0.69 |
| Change in net assets per common share: | | | | |
| Basic | $ (0.14) | $ (0.38) | $ 0.02 | $ (0.26) |
| Diluted | $ (0.14) | $ (0.38) | $ 0.02 | $ (0.26) |
| Weighted average shares outstanding | | | | |
| Basic | 35,260 | 34,632 | 35,266 | 33,702 |
| Diluted | 35,260 | 34,632 | 36,043 | 33,702 |

See notes to Consolidated Financial Statements (unaudited).

**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.**

**CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS**
**(unaudited)**
**(dollars in thousands)**

| | Common Stock | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Shares | Par Value | Capital in excess of par value | Unrealized (Depreciation) on Investments | Accumulated Realized Gains(Losses) on Investments | Distributions in Excess of Investment Income | Provision for Income Taxes on Investment Gains | Total Net Assets |
| Balance at December 31, 2008 | 33,096 | $ 33 | $395,760 | $ (11,297) | $ 3,906 | $ (5,602) | $ (342) | $382,458 |
| Net increase (decrease) in net assets resulting from operations | — | — | — | (26,625) | (5,332) | 23,380 | — | (8,577) |
| Issuance of common stock | 3 | — | 22 | — | — | — | — | 22 |
| Issuance of common stock under restricted stock plan | 312 | — | — | — | — | — | — | — |
| Issuance of common stock under dividend reinvestment plan | 2,041 | 2 | 10,529 | — | — | — | — | 10,531 |
| Dividends declared | — | — | — | — | — | (21,190) | — | (21,190) |
| Stock-based compensation | — | — | 989 | — | — | — | — | 989 |
| Balance at June 30, 2009 | 35,452 | $ 35 | $407,300 | $ (37,922) | $ (1,426) | $ (3,412) | $ (342) | $364,233 |
| Balance at December 31, 2009 | 35,634 | $ 35 | $409,036 | $ (10,029) | $ (28,129) | $ (4,056) | $ (342) | $366,515 |
| Net increase in net assets resulting from operations | — | — | — | (15,112) | 3,721 | 12,476 | — | 1,085 |
| Issuance of common stock | 110 | — | 578 | — | — | — | — | 578 |
| Issuance of common stock under restricted stock plan | 491 | 1 | — | — | — | — | — | 1 |
| Acquisition of common stock under repurchase plan | (403) | — | (3,699) | — | — | — | — | (3,699) |
| Issuance of common stock under dividend reinvestment plan | 140 | — | 1,332 | — | — | — | — | 1,332 |
| Dividends declared | — | — | — | — | — | (14,384) | — | (14,384) |
| Stock-based compensation | — | — | 1,255 | — | — | — | — | 1,255 |
| Balance at June 30, 2010 | 35,972 | $ 36 | $408,502 | $ (25,141) | $ (24,408) | $ (5,964) | $ (342) | $352,683 |

See notes to Consolidated Financial Statements (unaudited)

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**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.**

**CONSOLIDATED STATEMENT OF CASH FLOWS**
**(unaudited)**
**(dollars in thousands)**

| | Six Months Ended June 30, | |
|---|---|---|
| | 2010 | 2009 |
| **Cash flows from operating activities:** | | |
| Net increase (decrease) in net assets resulting from operations | $ 1,085 | $ (8,577) |
| Adjustments to reconcile net increase (decrease) in net assets resulting from operations to net cash provided by (used in) operating activities: | | |
| Purchase of investments | (234,064) | (68,622) |
| Principal payments received on investments | 157,485 | 167,464 |
| Proceeds from sale of investments | 7,826 | 2,589 |
| Net unrealized depreciation on investments | 15,112 | 26,625 |
| Net realized gain (loss) on investments | (3,721) | 5,332 |
| Accretion of paid-in-kind principal | (1,516) | (1,074) |
| Accretion of loan discounts | (1,578) | (3,351) |
| Accretion of loan exit fees | (329) | (1,115) |
| Depreciation | 195 | 183 |
| Stock-based compensation | 366 | 519 |
| Amortization of restricted stock grants | 889 | 470 |
| Common stock issued for Director compensation | — | 22 |
| Amortization of deferred loan origination revenue | (1,181) | (2,776) |
| Change in operating assets and liabilities: | | |
| Interest receivable | (261) | 607 |
| Prepaid expenses and other assets | (348) | 954 |
| Accounts payable | 69 | (282) |
| Income tax payable | 8 | (192) |
| Accrued liabilities | (4,313) | (2,363) |
| Deferred loan origination revenue | 3,649 | 177 |
| Net cash provided by (used in) operating activities | (60,627) | 116,590 |
| **Cash flows from investing activities:** | | |
| Purchases of capital equipment | (165) | (44) |
| Other long-term assets | (201) | 3 |
| Net cash provided by (used in) investing activities | (366) | (41) |
| **Cash flows from financing activities:** | | |
| Proceeds from issuance of common stock | 578 | — |
| Stock repurchase program | (3,699) | — |
| Dividends paid, net of dividends reinvested | (13,052) | (10,659) |
| Borrowings of credit facilities | 6,500 | 64,823 |
| Repayments of credit facilities | — | (150,588) |
| Fees paid for credit facilities and debentures | (1,412) | — |
| Net cash used in financing activities | (11,085) | (96,424) |
| Net increase (decrease) in cash | (72,078) | 20,125 |
| Cash and cash equivalents at beginning of period | 124,828 | 17,242 |
| Cash and cash equivalents at end of period | $ 52,751 | $ 37,367 |

See Notes to Consolidated Financial Statements (unaudited).

**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**(unaudited)**

**1. Description of Business and Unaudited Interim Consolidated Financial Statements Basis of Presentation**

Hercules Technology Growth Capital, Inc. (the "Company") is a specialty finance company that provides debt and equity growth capital to technology-related companies at various stages of development, from seed and emerging growth to expansion and established stages of development, which include select publicly listed companies and lower middle market companies. The Company sources its investments through its principal office located in Silicon Valley, as well as through its additional offices in Boston, Massachusetts and Boulder, Colorado. The Company was incorporated under the General Corporation Law of the State of Maryland in December 2003.

The Company is an internally managed, non-diversified closed-end investment company that has elected to be regulated as a business development company ("BDC") under the Investment Company Act of 1940, as amended (the "1940 Act"). From incorporation through December 31, 2005, the Company was taxed as a corporation under Subchapter C of the Internal Revenue Code of 1986, (the "Code"). Effective January 1, 2006, the Company has elected to be treated for tax purposes as a regulated investment company, or RIC, under the Code (see Note 5).

The Company formed Hercules Technology II, L.P. ("HT II"), which was licensed on September 27, 2006, and Hercules Technology III, L.P. ("HT III"), which was licensed on May 26, 2010 to operate as Small Business Investment Companies ("SBIC") under the authority of the Small Business Administration ("SBA"). As an SBIC, HT II and HT III are subject to a variety of regulations concerning, among other things, the size and nature of the companies in which they may invest and the structure of those investments. The Company also formed Hercules Technology SBIC Management, LLC ("HTM"), a limited liability company. HTM is a wholly-owned subsidiary of the Company. The Company is the manager and member of HT II and HT III and HTM is the general partner of HT II and HT III (see Note 4).

The Company also established wholly owned subsidiaries, all of which are structured as Delaware corporations and limited liability companies, to hold portfolio companies organized as limited liability companies, or LLCs (or other forms of pass-through entities). We currently qualify as a RIC for federal income tax purposes, which allows us to avoid paying corporate income taxes on any income or gains that we distribute to our stockholders. The purpose of establishing these entities is to satisfy the RIC tax requirement that at least 90% of our gross income for income tax purposes is investment income.

The consolidated financial statements include the accounts of the Company and its subsidiaries. All inter-company accounts and transactions have been eliminated in consolidation. In accordance with Article 6 of Regulation S-X under Securities Act of 1933 and the Securities and Exchange Act of 1934, the Company does not consolidate portfolio company investments. The accompanying consolidated interim financial statements are presented in conformity with U.S. generally accepted accounting principles ("U.S. GAAP") for interim financial information, and pursuant to the requirements for reporting on Form 10-Q and Article 10 of Regulation S-X under the Securities Act of 1933 and the Securities Exchange Act of 1934. Accordingly, certain disclosures accompanying annual consolidated financial statements prepared in accordance with U.S. GAAP are omitted. In the opinion of management, all adjustments consisting solely of normal recurring accruals considered necessary for the fair presentation of consolidated financial statements for the interim periods, have been included. The current period's results of operations are not necessarily indicative of results that ultimately may be achieved for the year. Therefore, the interim unaudited consolidated financial statements and notes should be read in conjunction with the audited consolidated financial statements and notes thereto for the period ended December 31, 2009. Financial statements prepared on a U.S. GAAP basis require management to make estimates and assumptions that affect the amounts and disclosures reported in the consolidated financial statements and accompanying notes. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed herein.

**2. Valuation of Investments**

Our investments are carried at fair value in accordance with the Investment Company Act of 1940, (the "1940 Act") Act and Accounting Standards Codification ("ASC") topic 820 *Fair Value Measurements and Disclosures* . At June 30, 2010, approximately 87% of the Company's total assets represented investments in portfolio companies that are valued at fair value by the Board of Directors. Value, as defined in Section 2(a)(41) of the 1940 Act, is (i) the market price for those securities for which a market quotation is readily available and (ii) for all other securities and assets, fair value is as determined in good faith by the Board of Directors in accordance with valuation procedures and the recommendation of the Valuation Committee of the Board of Directors. Since there is typically no readily available market value for the a substantial portion of investments in the Company's portfolio, it values substantially all of its investments at fair value as determined in good faith by its Board of Directors pursuant to a consistent valuation policy and a consistent valuation process in accordance with the provisions of ASC 820 and the 1940 Act. Due to the inherent uncertainty in determining the fair value of investments that do not have a readily available market value, the fair value of the Company's investments determined in good faith by its Board of Directors may differ significantly from the value that would have been used had a ready market existed for such investments, and the differences could be material.

Our Board of Directors has engaged an independent valuation firm to provide us with valuation assistance with respect to certain of our portfolio investments on a quarterly basis. We intend to continue to engage an independent valuation firm to provide us with assistance regarding our determination of the fair value of selected portfolio investments each quarter unless directed by the Board of Directors to cancel such valuation services. However, our Board of Directors is ultimately and solely responsible for determining the fair value of our investments in good faith.

We adopted ASC 820 on January 1, 2008. ASC 820 establishes a framework for measuring the fair value of the assets and liabilities and outlines a fair value hierarchy which prioritizes the inputs used to measure fair value and the effect of fair value measures on earnings. ASC 820 also enhances disclosure requirements for fair value measurements based on the level within the hierarchy of the information used in the valuation. ASC 820 applies whenever other standards require (or permit) assets or liabilities to be measured at fair value but doesn't expand the use of fair value in any new circumstances. ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

In October 2008, the Financial Accounting Standards Board, or the FASB, issued ASC 820-10-35, formerly known as FSP SFAS No. 157-3, " *Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active"* , which clarifies the application of ASC 820 in a market that is not active. More specifically, this standard states that significant judgment should be applied to determine if observable data in a dislocated market represents forced liquidations or distressed sales and are not representative of fair value in an orderly transaction. The standard also provides further guidance that the use of a reporting entity's own assumptions about future cash flows and appropriately risk-adjusted discount rates is acceptable when relevant observable inputs are not available. In addition, the standard provides guidance on the level of reliance of broker quotes or pricing services when measuring fair value in a non active market stating that less reliance should be placed on a quote that does not reflect actual market transactions and a quote that is not a binding offer.

Consistent with ASC 820, the Company determines fair value to be the amount for which an investment could be exchanged in a current sale, which assumes an orderly disposition over a reasonable period of time between willing parties other than in a forced or liquidation sale. The Company's valuation policy considers the fact that no ready market exists for substantially all of the securities in which it invests.

In accordance with ASC 820, the Company has considered the principal market, or the market in which it exits its portfolio investments with the greatest volume and level of activity. ASC 820 requires that the portfolio investment is assumed to be sold in the principal market to market participants, or in the absence of a principal market, the most advantageous market.

Market participants are defined as buyers and sellers in the principal or most advantageous market that are independent, knowledgeable, and willing and able to transact. The Company believes that the market participants for its investments are primarily other technology-related companies. Such participants acquire the Company's investments in order to gain access to the underlying assets of the portfolio company. As such, the Company believes the estimated value of the collateral of the portfolio company, up to the cost value of the investment, represents the fair value of the investment.

There is no single standard for determining fair value in good faith. As a result, determining fair value requires that judgment be applied to the specific facts and circumstances of each portfolio investment. Unlike banks, the Company is not permitted to provide a general reserve for anticipated loan losses. Instead, the Company must determine the fair value of each individual investment on a quarterly basis. The Company records unrealized depreciation on investments when it believes that an investment has decreased in value, including where collection of a loan or realization of an equity security is doubtful. Conversely, where appropriate, the Company records unrealized appreciation if it believes that the underlying portfolio company has appreciated in value and, therefore, that its investment has also appreciated in value.

As a business development company, the Company invests primarily in illiquid securities, including debt and equity-related securities of private companies. The Company's investments are generally subject to some restrictions on resale and generally have no established trading market. Because of the type of investments that the Company makes and the nature of its business, its valuation process requires an analysis of various factors that might be considered in a hypothetical secondary market. The Company's valuation methodology includes the examination of, among other things, the underlying investment performance, the current portfolio company's financial condition and market changing events that impact valuation, estimated remaining life, and interest rate spreads of similar securities as of the measurement date. If there is a significant deterioration of the credit quality of a debt investment, we may consider other factors that a hypothetical market participant would use to estimate fair value, including the proceeds that would be received in a liquidation analysis.

When originating a debt instrument, the Company generally receives warrants or other equity-related securities from the borrower. The Company determines the cost basis of the warrants or other equity-related securities received based upon their respective fair values on the date of receipt in proportion to the total fair value of the debt and warrants or other equity-related securities received. Any resulting discount on the loan from recordation of the warrant or other equity instruments is accreted into interest income over the life of the loan.

At each reporting date, privately held debt and equity securities are valued based on an analysis of various factors including, but not limited to, the portfolio company's operating performance and financial condition and general market conditions that could impact the valuation. When an external event occurs, such as a purchase transaction, public offering, or subsequent equity sale, the pricing indicated by that external event is utilized to corroborate the Company's valuation of the debt and equity securities. The Company periodically reviews the valuation of its portfolio companies that have not been involved in a qualifying external event to determine if the enterprise value of the portfolio company may have increased or decreased since the last valuation measurement date. The Company may consider, but is not limited to, industry valuation methods such as price to enterprise value or price to equity ratios, discounted cash flow, valuation comparisons to comparable public companies or other industry benchmarks in its evaluation of the fair value of its investment. We have a limited number of equity securities in public companies. In accordance with the 1940 Act, unrestricted minority-owned publicly traded securities for which market quotations are readily available are valued at the closing market quote on the valuation date.

Unrealized depreciation is recorded when an investment has decreased in value, including: where collection of a loan is doubtful, there is an adverse change in the underlying collateral or operational performance, there is a change in the borrower's ability to pay, or there are other factors that lead to a determination of a lower valuation for the debt or equity security. Conversely, unrealized appreciation is recorded when the investment has appreciated in value.

Securities that are traded in the over-the-counter markets or on a stock exchange will be valued at the prevailing bid price at period end. The Board of Directors estimates the fair value of warrants and other equity-related securities in good faith using a Black-Scholes pricing model and consideration of the issuer's earnings, sales to third parties of similar securities, the comparison to publicly traded securities, and other factors.

The Company has categorized all investments recorded at fair value in accordance with ASC 820 based upon the level of judgment associated with the inputs used to measure their fair value. Hierarchical levels, defined by ASC 820 and directly related to the amount of subjectivity associated with the inputs to fair valuation of these assets and liabilities, are as follows:

Level 1—Inputs are unadjusted, quoted prices in active markets for identical assets at the measurement date. The types of assets carried at Level 1 fair value generally are equities listed in active markets.

Level 2—Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the asset in connection with market data at the measurement date and for the extent of the instrument's anticipated life. Fair valued assets that are generally included in this category are warrants held in a public company.

Level 3—Inputs reflect management's best estimate of what market participants would use in pricing the asset at the measurement date. It includes prices or valuations that require inputs that are both significant to the fair value measurement and unobservable. Generally, assets carried at fair value and included in this category are the debt investments and warrants and equities held in a private company.

Investments measured at fair value on a recurring basis are categorized in the tables below based upon the lowest level of significant input to the valuations as of June 30, 2010 (unaudited) and as of December 31, 2009:

| | | Investments at Fair Value as of June 30, 2010 | | |
|---|---|---|---|---|
| (in thousands) Description | 6/30/2010 | Quoted Prices In Active Markets For Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Senior secured debt | $367,775 | $ — | $ — | $ 367,775 |
| Senior debt-second lien | 6,178 | — | — | 6,178 |
| Preferred stock | 24,968 | — | — | 24,968 |
| Common stock | 12,614 | 2,681 | 8,643 | 1,290 |
| Warrants | 19,986 | — | 6,284 | 13,702 |
| | $431,521 | $ 2,681 | $ 14,927 | $ 413,913 |

| | | Investments at Fair Value as of December 31, 2009 | | |
|---|---|---|---|---|
| (in thousands) Description | 12/31/2009 | Quoted Prices In Active Markets For Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Senior secured debt | $314,842 | $ — | $ — | $ 314,842 |
| Senior debt-second lien | 6,060 | — | — | 6,060 |
| Preferred stock | 22,875 | — | — | 22,875 |
| Common stock | 12,210 | 1,986 | 8,451 | 1,773 |
| Warrants | 14,450 | — | 3,374 | 11,076 |
| | $370,437 | $ 1,986 | $ 11,825 | $ 356,626 |

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The table below presents a reconciliation for all financial assets measured at fair value on a recurring basis, excluding accrued interest components, using significant unobservable inputs (Level 3) for the six months ended June 30, 2010 (unaudited) and for the year ended December 31, 2009.

| (in thousands) | Balance, January 1, 2010 | Net Realized Gains (losses) [1] | Net change in unrealized appreciation or depreciation [2] | Purchases, sales, repayments, and exit, net | Transfer in & out of Level 3 | Balances, June 30, 2010 |
|---|---|---|---|---|---|---|
| Senior Debt | $ 314,842 | $ 465 | $ (4,578) | $ (57,046) | $ — | $ 367,775 |
| Senior Debt-Second Lien | 6,060 | — | — | 118 | — | 6,178 |
| Preferred Stock | 22,875 | — | (965) | 3,058 | — | 24,968 |
| Common Stock | 1,773 | — | (15,520) | 15,037 | — | 1,290 |
| Warrants | 11,076 | (514) | 4,160 | — | (1,020) | 13,702 |
| Total | $ 356,626 | $ (49) | $ (16,903) | $ 75,259 | $ (1,020) | $ 413,913 |

| (in thousands) | Balance, January 1, 2009 | Net Realized Gains (losses) [1] | Net change in unrealized appreciation or depreciation [2] | Purchases, sales, repayments, and exit, net | Transfer in & out of Level 3 | Balances, December 31, 2009 |
|---|---|---|---|---|---|---|
| Senior Debt | $ 534,230 | $ (27,192) | $ 4,698 | $ (196,894) | $ — | $ 314,842 |
| Senior Debt-Second Lien | 5,824 | — | — | 236 | — | 6,060 |
| Preferred Stock | 21,249 | (3,000) | 4,373 | 661 | (408) | 22,875 |
| Common Stock | 1,894 | (105) | (749) | 1,204 | (471) | 1,773 |
| Warrants | 14,952 | (1,150) | (4,116) | 1,390 | — | 11,076 |
| Total | $ 578,149 | $ (31,447) | $ 4,206 | $ (193,403) | $ (879) | $ 356,626 |

(1) Includes net realized gains (losses) recorded as realized gains or losses in the accompanying consolidated statements of operations.

(2) Included in change in net unrealized appreciation or depreciation in the accompanying consolidated statements of operations.

As required by the 1940 Act, the Company classifies its investments by level of control. “Control Investments” are defined in the 1940 Act as investments in those companies that the Company is deemed to “Control”. Generally, under the 1940 Act, the Company is deemed to “Control” a company in which it has invested if it owns 25% or more of the voting securities of such company or has greater than 50% representation on its board. “Affiliate Investments” are investments in those companies that are “Affiliated Companies” of the Company, as defined in the 1940 Act, which are not Control Investments. The Company is deemed to be an “Affiliate” of a company in which it has invested if it owns 5% or more but less than 25% of the voting securities of such company. “Non-Control/Non-Affiliate Investments” are investments that are neither Control Investments nor Affiliate Investments.

At June 30, 2010, the Company had investments in two portfolio companies deemed to be Control Investments. Approximately $831,000 and $158,000 in investment income was derived from our debt investments in these two Software and Internet Consumer and Business Services portfolio companies, respectively, during the three month period, and approximately $1.7 million and $315,000 during the six-month period. Approximately $2.5 million of realized gains related to Control Investments was recognized during the three and six-month periods ended June 30, 2010. The Company recognized net unrealized depreciation of approximately $6.9 million on control investments during the three and six-month periods ended June 30, 2010. As of June 30, 2009, no portfolio companies were deemed to be Control Investments.

At June 30, 2010, the Company had an investment in one portfolio company deemed to be an Affiliate. No income was derived from this investment as this is a non-income producing equity investment. At June 30, 2009, the Company had two portfolio companies deemed to be Affiliates.

Income derived from these investments was less than $500,000 since these investments became Affiliates. One company that was an Affiliate as of June 30, 2009 performed a capital raise in 2009 which resulted in our ownership percentage decreasing to less than 5% of the voting securities in the portfolio company. As a result, this portfolio company is no longer considered an Affiliate for reporting purposes. We recognized a realized loss of approximately $4.0 million in the second quarter of 2009 in a portfolio company that was an Affiliate prior to the disposal of the investment. During the six months ended June 30, 2010 and 2009, we recognized net unrealized appreciation of approximately $1.0 million and $4.2 million, respectively, related to Affiliates.

A summary of the composition of the Company's investment portfolio as of June 30, 2010 (unaudited) and December 31, 2009 at fair value is shown as follows:

| | June 30, 2010 | | December 31, 2009 | |
|---|---|---|---|---|
| (in thousands) | Investments at Fair Value | Percentage of Total Portfolio | Investments at Fair Value | Percentage of Total Portfolio |
| Senior secured debt with warrants | $ 314,667 | 72.9% | $ 229,454 | 61.9% |
| Senior secured debt | 72,974 | 16.9% | 99,725 | 26.9% |
| Preferred stock | 24,968 | 5.8% | 22,875 | 6.2% |
| Senior debt-second lien with warrants | 6,298 | 1.5% | 6,173 | 1.7% |
| Common Stock | 12,614 | 2.9% | 12,210 | 3.3% |
| | $ 431,521 | 100.0% | $ 370,437 | 100.0% |

A summary of the Company's investment portfolio, at value, by geographic location as of June 30, 2010 (unaudited) and as of December 31, 2009 is shown as follows:

| | June 30, 2010 | | December 31, 2009 | |
|---|---|---|---|---|
| (in thousands) | Investments at Fair Value | Percentage of Total Portfolio | Investments at Fair Value | Percentage of Total Portfolio |
| United States | $ 398,860 | 92.5% | $ 344,984 | 93.1% |
| Canada | 20,757 | 4.8% | 21,567 | 5.8% |
| England | 10,131 | 2.3% | — | 0.0% |
| Israel | 1,773 | 0.4% | 1,310 | 0.4% |
| Netherlands | — | 0.0% | 2,576 | 0.7% |
| | $ 431,521 | 100.0% | $ 370,437 | 100.0% |

The following table shows the fair value of our portfolio by industry sector at June 30, 2010 (unaudited) and December 31, 2009 (excluding unearned income):

| | June 30, 2010 | | December 31, 2009 | |
|---|---|---|---|---|
| (in thousands) | Investments at Fair Value | Percentage of Total Portfolio | Investments at Fair Value | Percentage of Total Portfolio |
| Software | $ 90,580 | 21.0% | $ 61,647 | 16.6% |
| Communications & Networking | 58,054 | 13.5% | 58,088 | 15.7% |
| Drug Discovery | 52,571 | 12.2% | 51,848 | 14.0% |
| Consumer & Business Products | 52,213 | 12.0% | 25,467 | 6.9% |
| Drug Delivery | 35,451 | 8.2% | 21,493 | 5.8% |
| Specialty Pharma | 30,734 | 7.1% | 25,193 | 6.8% |
| Information Services | 26,182 | 6.1% | 37,740 | 10.2% |
| Therapeutic | 23,204 | 5.4% | 13,470 | 3.6% |
| Electronics & Computer Hardware | 15,301 | 3.5% | 17,701 | 4.8% |
| Internet Consumer & Business Services | 12,558 | 2.9% | 20,352 | 5.5% |
| Diagnostic | 9,612 | 2.2% | 11,399 | 3.1% |
| Surgical Devices | 9,418 | 2.2% | 2,410 | 0.7% |
| Biotechnology Tools | 6,555 | 1.5% | 9,669 | 2.6% |
| Semiconductors | 6,100 | 1.4% | 11,481 | 3.1% |
| Media/Content/Info | 1,973 | 0.5% | 2,375 | 0.6% |
| Energy | 1,285 | 0.3% | 104 | 0.0% |
| | $ 431,521 | 100.0% | $ 370,437 | 100.0% |

During the three and six-month periods ended June 30, 2010, the Company made investments in debt securities, including restructured loans totaling approximately $144.7 million and $248.1 million, respectively, and funded equity investments of approximately $1.7 million in the three and six-month periods ended June 30, 2010. During the three and six-month periods ended June 30, 2009, the Company made investments in debt securities totaling approximately $19.2 million and $67.8 million, respectively. The Company funded an equity investment of approximately $400,000 to one existing portfolio company in the three and six-month periods ended June 30, 2009.

During the three and six-month periods ended June 30, 2010, the Company recognized net realized gains of approximately $3.4 million and $3.6 million, respectively, from the sale of common stock in public companies, approximately $17,000 and $465,000 from mergers of private portfolio companies and realized losses of approximately $115,000 and $351,000, respectively, from equity, loan and warrant investments in portfolio companies that have been liquidated. During the three and six-month periods ended June 30, 2009, the Company recognized net realized gains of approximately $790,000 and $1.4 million, respectively, from the sale of common stock in public companies, approximately $70,000 and $118,000 from mergers of private portfolio companies and realized losses of approximately $5.0 million and $6.9 million, respectively, from equity, loan and warrant investments in portfolio companies that have been liquidated.

Loan origination and commitment fees received in full at the inception of a loan are deferred and amortized into fee income as an enhancement to the related loan's yield over the contractual life of the loan. Loan exit fees to be paid at the termination of the loan are accreted into interest income over the contractual life of the loan. The Company had approximately $4.9 million and $2.4 million of unamortized fees at June 30, 2010 and December 31, 2009, respectively, and approximately $6.9 million and $6.6 million in exit fees receivable at June 30, 2010 and December 31, 2009, respectively.

The Company has loans in its portfolio that contain a payment-in-kind ("PIK") provision. The PIK interest, computed at the contractual rate specified in each loan agreement, is added to the principal balance of the loan and recorded as interest income. To maintain the Company's status as a RIC, this non-cash source of income must be paid out to stockholders in the form of dividends even though the Company has not yet collected the cash. Amounts necessary to pay these dividends may come from available cash or the liquidation of certain investments. The Company recorded approximately $581,000 and $1.2 million in PIK income in the three and six-month periods ended June 30, 2010, respectively. The Company recorded approximately $782,000 and $1.3 million in the same periods ended June 30, 2009, respectively.

In some cases, the Company collateralizes its investments by obtaining a first priority security interest in a portfolio company's assets, which may include their intellectual property. In other cases, the Company may obtain a negative pledge covering a company's intellectual property. At June 30, 2010, approximately 71.8% of the Company's portfolio company loans were secured by a first priority security in all of the assets of the portfolio company, 26.6% of portfolio company loans were prohibited from pledging or encumbering their intellectual property and 1.6% of portfolio company loans had a second lien facility.

**3. Fair Value of Financial Instruments**

Fair value estimates are made at discrete points in time based on relevant information. These estimates may be subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. The Company believes that the carrying amounts of its financial instruments, consisting of cash and cash equivalents, receivables, accounts payable and accrued liabilities approximate the fair values of such items due to the short maturity of such instruments. The SBIC debentures remain a strategic advantage due to their flexible structure, long-term duration, and low fixed interest rates. Calculated based on the net present value of payments over the term of the notes using estimated market rates for similar notes and remaining terms, the fair value of its SBIC debentures would be approximately $142.2 million, compared to the carrying amount of $137.1 million as of June 30, 2010.

See the accompanying Consolidated Schedule of Investments for the fair value of the Company's investments. The methodology for the determination of the fair value of the Company's investment is discussed in Note 2.

**4. Borrowings**

***Credit Facility***

The Company, through Hercules Funding Trust I, an affiliated statutory trust, had a securitized credit facility (the "Credit Facility") with Citigroup Global Markets Realty Corp. ("Citigroup") and Deutsche Bank Securities which expired under normal terms. During the first quarter of 2009, the Company paid off all remaining principal and interest owed under the Credit Facility. Citigroup has an equity participation right through a warrant participation agreement on the pool of loans and warrants collateralized under the Credit Facility. Pursuant to the warrant participation agreement, the Company granted to Citigroup a 10% participation in all warrants held as collateral. However, no additional warrants were included in collateral subsequent to the facility amendment on May 2, 2007. As a result, Citigroup is entitled to 10% of the realized gains on the warrants until the realized gains paid to Citigroup pursuant to the agreement equal $3,750,000 (the "Maximum Participation Limit"). The obligations under the warrant participation agreement continue even after the Credit Facility is terminated until the Maximum Participation Limit has been reached. The value of their participation right on unrealized gains in the related equity investments was approximately $511,000 as of June 30, 2010 and is included in accrued liabilities. There can be no assurances that the unrealized appreciation of the warrants will not be higher or lower in future periods due to fluctuations in the value of the warrants, thereby increasing or reducing the effect on the cost of borrowing. Since inception of the agreement, the Company has paid Citigroup approximately $1.1 million under the warrant participation agreement thereby reducing its realized gains by this amount. The Company will continue to pay Citigroup under the warrant participation agreement until the Maximum Participation Limit is reached or the warrants expire.

***Long-term SBA Debentures***

On September 27, 2006, HT II received a license to operate as a SBIC under the SBIC program and is able to borrow funds from the SBA against eligible investments and additional contributions to regulatory capital. As of June 30, 2010, the maximum statutory limit on the dollar amount of outstanding SBA guaranteed debentures issued by a single SBIC is $150.0 million, subject to periodic adjustments by the SBA. With the Company's net investment of $75.0 million in HT II as of June 30, 2010, HT II has the current

capacity to issue a total of $150.0 million of SBA guaranteed debentures, of which $137.1 million was outstanding as of June 30, 2010. As of June 30, 2010, HT II had paid commitment fees of approximately $1.5 million. There is no assurance that HT II will be able to draw up to the maximum limit available under the SBIC program.

The American Recovery and Reinvestment Act of 2009 (the "Federal Stimulus Bill") includes a provision, which allows for existing SBIC entities to obtain a second license and gain access to additional leverage of up to $75.0 million, for a maximum of $225.0 million combined SBIC leverage (subject to additional required capitalization of its second wholly owned SBIC subsidiary).

On May 26, 2010, HT III received a license to operate as a SBIC under the SBIC program and is able to borrow funds from the SBA against eligible investments and additional contributions to regulatory capital. As of June 30, 2010, the maximum statutory limit on the dollar amount of combined outstanding SBA guaranteed debentures is $225.0 million, subject to periodic adjustments by the SBA. With the Company's net investment of $25.0 million in HT III as of June 30, 2010, HT III has the current capacity to issue a total of $25.0 million of SBA guaranteed debentures, subject to SBA approval. In order to have access to the remaining leverage, which would be subject to SBA approval, the Company would have to make an additional net investment of $12.5 million. HT III had no balance outstanding as of June 30, 2010. Currently, HT III has paid commitment fees of approximately $750,000. There is no assurance that HT III will be able to draw up to the maximum limit available under the SBIC program.

SBICs are designed to stimulate the flow of private equity capital to eligible small businesses. Under present SBA regulations, eligible small businesses include businesses that have a tangible net worth not exceeding $18 million and have average annual fully taxed net income not exceeding $6.0 million for the two most recent fiscal years. In addition, SBICs must devote 25.0% of its investment activity to "smaller" concerns as defined by the SBA. A smaller concern is one that has a tangible net worth not exceeding $6.0 million and has average annual fully taxed net income not exceeding $2.0 million for the two most recent fiscal years. SBA regulations also provide alternative size standard criteria to determine eligibility, which depend on the industry in which the business is engaged and are based on such factors as the number of employees and gross sales. According to SBA regulations, SBICs may make long-term loans to small businesses, invest in the equity securities of such businesses and provide them with consulting and advisory services. Through its wholly-owned subsidiaries HT II and HT III, the Company plans to provide long-term loans to qualifying small businesses, and in connection therewith, make equity investments.

HT II and HT III are periodically examined and audited by the SBA's staff to determine their compliance with SBIC regulations. As of June 30, HT II could draw up to $12.9 million and HT III could draw up to $25.0 million of leverage from the SBA as noted above. The rates of borrowings under various draws from the SBA beginning in April 2007 and set semiannually in March and September range from 4.11% to 5.73%. In addition, the SBA charges a fee that is set annually, depending on the Federal fiscal year the leverage commitment was delegated by the SBA, regardless of the date that the leverage was drawn by the SBIC. The annual fee related to HT II debentures that pooled on September 23, 2009 was 0.406%. The annual fees on other debentures have been set at 0.906%. The average amount of debentures outstanding for the quarter ended June 30, 2010 was approximately $132.3 million and the average interest rate was approximately 6.23%. No debentures were outstanding for HT III as of June 30, 2010. Interest is payable semiannually and there are no principal payments required on these issues prior to maturity. Debentures under the SBA generally mature ten years after being borrowed. Based on the initial draw down date of April 2007, the initial maturity of SBA debentures will occur in April 2017.

***Wells Facility***

On August 25, 2008, the Company, through a special purpose wholly-owned subsidiary of the Company, Hercules Funding II, LLC, entered into a two-year revolving senior secured credit facility with an optional one-year extension with total commitments of $50.0 million, with Wells Fargo Capital Finance as a lender and as an arranger and administrative agent (the "Wells Facility"). The Wells Facility has the capacity to increase to $300 million if additional lenders are added to the syndicate. The Wells Facility expires in August 2011.

Borrowings under the Wells Facility will generally bear interest at a rate per annum equal to LIBOR plus 3.25% or PRIME plus 2.0%, but not less than 5.0%. The Wells Facility requires the payment of a non-use fee of 0.5% annually, which was reduced to 0.3% on the one year anniversary of the credit facility. The Wells Facility

is collateralized by debt investments in our portfolio companies, and includes an advance rate equal to 50% of eligible loans placed in the collateral pool. The Wells Facility generally requires payment of interest on a monthly basis. All outstanding principal is due upon maturity. The Company has paid a total of approximately $1.1 million in structuring fees in connection with the Wells Facility which is being amortized through August 2011. There was no outstanding debt under the Wells Facility at June 30, 2010.

The Wells Facility requires various financial and operating covenants. These covenants require us to maintain certain financial ratios and a minimum tangible net worth of $250 million, contingent upon our total commitments under all lines of credit not exceeding $250 million. To the extent our total commitment exceeds $250 million, the minimum tangible net worth covenant will increase on a pro rata basis commensurate with our net worth on a dollar for dollar basis. In addition, the tangible net worth covenant will increase by 90 cents on the dollar for every dollar of equity capital subsequently raised by the Company. The Wells Facility provides for customary events of default, including, but not limited to, payment defaults, breach of representations or covenants, bankruptcy events and change of control. The Company was in compliance with all covenants at June 30, 2010.

***Union Bank Facility***

On February 10, 2010, the Company entered a $20.0 million one-year revolving senior secured credit facility with Union Bank (the "Union Bank Facility"). Borrowings under the Union Bank Facility will generally bear interest at a rate per annum equal to LIBOR plus 2.25% with a floor of 4.0%. At June 30, 2010, there were no borrowings outstanding on this facility. The Union Bank Facility requires the payment of a non-use fee of 0.25% annually. The Union Bank Facility is collateralized by debt investments in the Company's portfolio companies, and includes an advance rate equal to 50% of eligible loans placed in the collateral pool. The Union Bank Facility generally requires payment of interest on a monthly basis. All outstanding principal is due upon maturity.

At June 30, 2010 (unaudited) and December 31, 2009, the Company had the following borrowing capacity and outstanding borrowings:

| | June 30, 2010 | | December 31, 2009 | |
|---|---|---|---|---|
| (in thousands) | Facility Amount | Amount Outstanding | Facility Amount | Amount Outstanding |
| Union Bank Facility | $ 20,000 | $ — | $ — | $ — |
| Wells Facility | 50,000 | — | 50,000 | — |
| SBA Debenture [1] | 225,000 | 137,100 | 150,000 | 130,600 |
| Total | $ 295,000 | $ 137,100 | $ 200,000 | $ 130,600 |

[1] The Company has the ability to borrow $12.9 million and $25.0 million in SBA debentures under HT II and HT III, respectively.

**5. Income taxes**

The Company intends to continue to operate so as to qualify to be taxed as a RIC under the Code and, as such, the Company is not subject to federal income tax on the portion of its taxable income and gains distributed to stockholders.

To qualify as a RIC, the Company is required to meet certain income and asset diversification tests in addition to distributing at least 90% of its annual investment company taxable income, as defined by the Code. The amount to be paid out as a dividend is determined by the Board of Directors each quarter and is based upon the annual earnings estimated by the management of the Company. To the extent that the Company's earnings fall below the amount of dividends declared, however, a portion of the total amount of the Company's dividends for the fiscal year may be deemed a return of capital for tax purposes to the Company's stockholders.

Taxable income includes the Company's taxable interest, dividend and fee income, as well as taxable net capital gains. Taxable income generally differs from net income for financial reporting purposes due to temporary and permanent differences in the recognition of income and expenses, and generally excludes net unrealized appreciation or depreciation, as gains or losses are not included in taxable income until they are realized.

Taxable income includes non-cash income, such as changes in accrued and reinvested interest and dividends, which includes contractual payment-in-kind interest, and the amortization of discounts and fees. Cash collections of income resulting from contractual PIK interest or the amortization of discounts and fees generally occur upon the repayment of the loans or debt securities that include such items. Non-cash taxable income is reduced by non-cash expenses, such as realized losses and depreciation and amortization expense.

For the quarter ended June 30, 2010, the Company declared a distribution of $0.20 per share. The determination of the tax attributes of the Company's distributions is made annually as of the end of the Company's fiscal year based upon its taxable income for the full year and distributions paid for the full year, therefore a determination made on a quarterly basis may not be representative of the actual tax attributes of its distributions for a full year. If the Company had determined the tax attributes of its distributions year-to-date as of June 30, 2010, approximately 87.6% would be from ordinary income and spill over earnings from 2009 and 12.4% would be a return of capital. However there can be no certainty to shareholders that this determination is representative of what the tax attributes of its 2010 distributions to shareholders will actually be.

If the Company does not distribute at least 98% of its annual taxable income in the year earned, the Company will generally be required to pay an excise tax equal to 4% of the amount by which 98% of the Company's annual taxable income exceeds the distributions from such taxable income during the year earned. To the extent that the Company determines that its estimated current year annual taxable income will be in excess of estimated current year dividend distributions from such taxable income, the Company accrues excise taxes on estimated excess taxable income as taxable income is earned using an annual effective excise tax rate. The annual effective excise tax rate is determined by dividing the estimated annual excise tax by the estimated annual taxable income.

Taxable income for the six-month period ended June 30, 2010 was approximately $12.0 million or $0.18 per share. Taxable net realized losses for the same period were $2.1 million or approximately $0.06 per share. Taxable income for the six-month period ended June 30, 2009 was approximately $20.8 million or $0.60 per share. Taxable net realized losses for the same period were approximately $4.5 million or $0.12 per share. In accordance with RIC distribution rules, the Company is required to declare current year dividends to be paid from carried over excess taxable income from 2009 before the Company files its 2009 tax return in September 2010, and the Company must pay such dividends by December 31, 2010.

**6. Shareholders' Equity**

The Company is authorized to issue 60,000,000 shares of common stock with a par value of $0.001. Each share of common stock entitles the holder to one vote.

In February 2010, the Board of Directors authorized a stock repurchase plan permitting the Company to repurchase up to $35.0 million of its common stock. During the three and six-month periods ended June 30, 2010, the Company repurchased 377,708 and 402,833 shares of its common stock at a total cost of approximately $3.5 million and $3.7 million, respectively.

The Company has issued stock options and warrants subject to future issuance of common stock for a total of 5,137,752 and 4,924,405 common shares at June 30, 2010 and December 31, 2009, respectively.

**7. Equity Incentive Plan**

The Company and its stockholders have authorized and adopted the 2004 Equity Incentive Plan (the "2004 Plan") for purposes of attracting and retaining the services of its executive officers and key employees. Under the 2004 Plan, the Company is authorized to issue 7,000,000 shares of common stock. Unless terminated earlier by the Company's Board of Directors, the 2004 Plan will terminate on June 9, 2014, and no additional awards may be made under the 2004 Plan after that date.

The Company and its stockholders have authorized and adopted the 2006 Non-Employee Director Plan (the "2006 Plan" and, together with the 2004 Plan, the "Plans") for purposes of attracting and retaining the services of its Board of Directors. Under the 2006 Plan, the Company is authorized to issue 1,000,000 shares of common stock. Unless terminated earlier by the Company's Board of Directors, the 2006 Plan will terminate on May 29, 2016 and no additional awards may be made under the 2006 Plan after that date. The Company filed an exemptive relief request with the Securities and Exchange Commission ("SEC") to allow options to be issued under the 2006 Plan which was approved on October 10, 2007.

On June 21, 2007, the shareholders approved amendments to the 2004 Plan and the 2006 Plan allowing for the grant of restricted stock. The amended Plans limit the combined maximum amount of restricted stock that may be issued under both Plans to 10% of the outstanding shares of the Company's stock on the effective date of the Plans plus 10% of the number of shares of stock issued or delivered by Hercules during the terms of the Plans. The proposed amendments further specify that no one person shall be granted awards of restricted stock relating to more than 25% of the shares available for issuance under the 2004 Plan. Further, the amount of voting securities that would result from the exercise of all of the Company's outstanding warrants, options and rights, together with any restricted stock issued pursuant to the Plans, at the time of issuance shall not exceed 25% of its outstanding voting securities, except that if the amount of voting securities that would result from such exercise of all of the Company's outstanding warrants, options and rights issued to Hercules directors, officers and employees, together with any restricted stock issued pursuant to the Plans, would exceed 15% of the Company's outstanding voting securities, then the total amount of voting securities that would result from the exercise of all outstanding warrants, options and rights, together with any restricted stock issued pursuant to the Plans, at the time of issuance shall not exceed 20% of our outstanding voting securities.

In conjunction with the amendment and in accordance with the exemptive order, on June 21, 2007 the Company made an automatic grant of shares of restricted common stock to Messrs. Badavas, Chow and Woodward, the independent members of its Board of Directors, in the amounts of 1,667, 1,667 and 3,334 shares, respectively. In May 2008, the Company issued restricted shares to Messrs. Badavas and Chow in the amount of 5,000 shares each. In June 2009, the Company issued 5,000 restricted stock shares to Mr. Woodward. The shares were issued pursuant to the 2006 Plan and vest 33% on an annual basis from the date of grant and deferred compensation cost will be recognized ratably over the three year vesting period.

A summary of common stock options and warrant activity under the Company's 2006 and 2004 Plans for the six months ended June 30, 2010 and 2009 is as follows:

| | For the Six Month Period Ended June 31, | | | |
|---|---|---|---|---|
| | 2010 | | 2009 | |
| | Common Stock Options | Five-Year Warrants | Common Stock Options | Five-Year Warrants |
| Outstanding at Beginning of Period | 4,924,405 | — | 3,931,527 | 10,692 |
| Granted | 360,750 | — | 1,188,500 | — |
| Exercised | (109,885) | — | — | — |
| Cancelled | (37,518) | — | (221,352) | (10,692) |
| Outstanding at End of Period | 5,137,752 | — | 4,898,675 | — |
| Weighted-average exercise price | $ 10.81 | $ — | $ 10.72 | $ — |

Options generally vest 33% one year after the date of grant and ratably over the succeeding 24 months. All options may be exercised for a period ending seven years after the date of grant. At June 30, 2010, options for approximately 3.7 million shares were exercisable at a weighted average exercise price of approximately $12.02 per share with a weighted average remaining contractual term of 3.48 years.

The Company determined that the fair value of options granted under the 2006 and 2004 Plans during the six-month periods ended June 30, 2010 and 2009 was approximately $1.5 million and $470,000 respectively. During the three-month periods ended June 30, 2010 and 2009, approximately $190,000 and $268,000 of share-based cost due to to stock option grants was expensed, respectively. During the six-month periods ended June 30, 2010 and 2009, approximately $361,000 and $519,000 of share-based cost due to stock option grants was expensed, respectively. As of June 30, 2010, there was approximately $2.0 million of total unrecognized compensation costs related to stock options. These costs are expected to be recognized over a weighted average period of 2.4 years. The fair value of options granted is based upon a Black-Scholes option pricing model using the assumptions in the following table for each of the six-month periods ended June 30, 2010 and 2009:

| | 2010 | 2009 |
|---|---|---|
| Expected Volatility | 46.39% | 32% - 37% |
| Expected Dividends | 10% | 10% |
| Expected term (in years) | 4.5 | 4.5 |
| Risk-free rate | 1.63% - 2.36% | 1.77% - 2.19% |

The following table summarizes stock options outstanding and exercisable at June 30, 2010:

| (Dollars in thousands, except exercise price) | Options outstanding | | | | Options exercisable | | | |
|---|---|---|---|---|---|---|---|---|
| Range of exercise prices | Number of shares | Weighted average remaining contractual life | Aggregate intrinsic value | Weighted average exercise price | Number of shares | Weighted average remaining contractual life | Aggregate intrinsic value | Weighted average exercise price |
| $4.00 - $6.60 | 1,029,229 | 5.72 | $ 5,146 | $ 4.21 | 378,881 | 5.72 | $ 1,894 | $ 4.21 |
| $6.70 - $10.39 | 416,236 | 6.48 | 46 | 9.73 | 86,877 | 5.98 | 5 | 9.73 |
| $10.49 - $15.00 | 3,692,287 | 3.48 | 0 | 12.78 | 3,223,014 | 3.15 | 0 | 12.78 |
| $4.00 - $15.00 | 5,137,752 | 4.18 | $ 5,192 | $ 10.81 | 3,688,772 | 3.48 | $ 1,900 | $ 12.02 |

During the six months ended June 30, 2010 and 2009, the Company granted approximately 491,500 and 311,500 shares respectively, of restricted stock pursuant to the Plans. Each restricted stock award granted in 2009 and 2010 is subject to lapse as to 25% of the award one year after the date of grant and ratably over the succeeding 36 months subject to a four year forfeiture schedule. The restricted stock awarded in 2008 vests 25% annually on the anniversary date of the award. The value of the restricted stock was determined to be the Company's closing prices on March 16, 2010 and March 24, 2010, the date of the grants. During the three-month periods ended June 30, 2010 and 2009, the Company expensed approximately $584,000 and $269,000 of compensation expense related to restricted stock, respectively. During the six-month periods ended June 30, 2010, and 2009, the Company expensed approximately $871,000 and $470,000 related to restricted stock.

The Securities and Exchange Commission, through an Exemptive Order granted on June 22, 2010, approved amendments to the Equity Incentive Plan and the Non-Employee Director Plan which allows participants to elect to have the Company withhold shares of Hercules stock to pay for the exercise price and applicable taxes with respect to an option exercise ("net issuance exercise"). The Exemptive Order also permits the holders of restricted stock to elect to have the Company withhold shares of Hercules stock to pay the applicable taxes due on restricted stock at the time of vesting. Each individual can make, and does not preclude the participant from electing to make, a cash payment at the time of option exercise or to pay taxes on restricted stock.

## 8. Earnings Per Share

In 2008, the FASB issued ASC 260, *Earnings Per Share* formerly known as FASB Staff Position (FSP) EITF 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities.* Under this standard, unvested awards of share-based payments with non-forfeitable rights to receive dividends or dividend equivalents, such as our restricted stock issued under the Plans, are considered participating securities for purposes of calculating change in net assets per share. Under the two-class method a portion of net increase in net assets resulting from operations is allocated to these participating securities and therefore is excluded from the calculation of change in net assets per share allocated to common stock, as shown in the table below. The standard was effective for financial statements issued for fiscal years beginning after December 15, 2008. The Company adopted this standard beginning with financial statements ended March 31, 2009. The adoption of this standard did not result in a change to the previously reported basic change in net assets per share and diluted change in net assets per share.

Computation and reconciliation of change in net assets per common share are as follows:

| (in thousands, except per share data) | Three months Ended June 30, 2010 | Three months Ended June 30, 2009 | Six Months Ended June 30, 2010 | Six Months Ended June 30, 2009 |
|---|---|---|---|---|
| Numerator | | | | |
| Net increase in net assets resulting from operations | $ (4,630) | $ (13,059) | $ 1,085 | $ (8,577) |
| Less: Dividends declared-common and restricted shares | (7,259) | (10,599) | (14,390) | (21,190) |
| Undistributed earnings | (11,889) | (23,658) | (13,305) | (29,767) |
| Undistributed earnings-common shares | (11,889) | (23,658) | (13,305) | (29,767) |
| Add: Dividend declared-common shares | 7,090 | 10,449 | 14,123 | 20,963 |
| **Numerator for basic and diluted change in net assets per common share** | (4,799) | (13,209) | 818 | (8,804) |
| Denominator | | | | |
| **Basic weighted average common shares outstanding** | 35,260 | 34,632 | 35,266 | 33,702 |
| Common shares issuable | — | — | 777 | — |
| **Weighted average common shares outstanding assuming dilution** | 35,260 | 34,632 | 36,043 | 33,702 |
| **Change in net assets per common share** | | | | |
| Basic | $ (0.14) | $ (0.38) | $ 0.02 | $ (0.26) |
| Diluted | $ (0.14) | $ (0.38) | $ 0.02 | $ (0.26) |

The calculation of change in net assets per common share—assuming dilution, excludes all anti-dilutive shares. For the three and six-month periods ended June 30, 2010 and 2009 respectively, the number of anti-dilutive shares, as calculated based on the weighted average closing price of the Company's common stock for the periods, was approximately 2.2 million and 2.0 million shares. For the three month period ended June 30, 2010 and the three and six-month periods ended June 30, 2009 approximately 847,000, 578,000 and 272,000 shares were anti-dilutive due to net assets decreasing during these periods as a result of operations.

## 9. Related-Party Transactions

In connection with the Company's sales of public equity investments, during the three and six-month periods ended June 30, 2010, the Company paid JMP Securities LLC approximately $29,300 and $34,600 respectively, in brokerage commissions. The Company paid JMP Securities LLC approximately $22,000 and $37,000 for the three and six-month periods ended June 30, 2009.

**10. Financial Highlights**

Following is a schedule of financial highlights for the six months ended June 30, 2010 (unaudited) and 2009:

**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.**
**FINANCIAL HIGHLIGHTS**
**(Unaudited)**
**(Dollar in thousands, except per share amounts)**

| | Six Months Ended June 30, | |
|---|---|---|
| | 2010 | 2009 |
| **Per share data:** | | |
| Net asset value at beginning of period | $ 10.29 | $ 11.56 |
| Net investment income | 0.35 | 0.69 |
| Net realized gain (loss) on investments | 0.10 | (0.16) |
| Net unrealized appreciation (depreciation) on investments | (0.43) | (0.79) |
| Total from investment operations | 0.02 | (0.26) |
| Net increase/(decrease) in net assets from capital share transactions | (0.15) | (0.43) |
| Distributions | (0.40) | (0.63) |
| Stock-based compensation expense included in investment income (1) | 0.04 | 0.03 |
| Net asset value at end of period | $ 9.80 | $ 10.27 |
| **Ratios and supplemental data:** | | |
| Per share market value at end of period | $ 9.21 | $ 8.40 |
| Total return | -12.71% (2) | 11.77% (2) |
| Shares outstanding at end of period | 35,972 | 35,453 |
| Weighted average number of common shares outstanding | 35,260 | 33,702 |
| Net assets at end of period | $352,683 | $364,233 |
| Ratio of operating expense to average net assets (annualized) | 7.64% | 7.89% |
| Ratio of net investment income before investment gains and losses to average net assets (annualized) | 6.86% | 12.17% |
| Average debt outstanding | $132,800 | $165,749 |
| Weighted average debt per common share | $ 3.77 | $ 4.92 |
| Portfolio turnover | 1.64% | 0.64% |

(1) Stock option expense is a non-cash expense that has no effect on net asset value. Pursuant to ASC 718, net investment loss includes the expense associated with the granting of stock options which is offset by a corresponding increase in paid-in capital.

(2) The total return equals the change in the ending market value over the beginning of period price per share plus dividends paid per share during the period, divided by the beginning price.

## 11. Commitments and Contingencies

In the normal course of business, the Company is party to financial instruments with off-balance sheet risk. These instruments consist primarily of unused commitments to extend credit, in the form of loans to the Company's portfolio companies. The balance of unfunded commitments to extend credit at June 30, 2010 totaled approximately $99.2 million. Since a portion of these commitments may expire without being drawn, unfunded commitments do not necessarily represent future cash requirements. In addition, the Company had approximately $143.2 million of non-binding term sheets outstanding. Non-binding outstanding term sheets are subject to completion of the Company's due diligence and final approval process, as well as the negotiation of definitive documentation with the prospective portfolio companies. Not all non-binding term sheets are expected to close and do not necessarily represent future cash requirements.

Certain premises are leased under agreements which expire at various dates through December 2013. Total rent expense amounted to approximately $260,000 and $498,000 during the three and six-month periods ended June 30, 2010, respectively. There was approximately $253,000 and $504,000 of rent expenses recorded in the same periods ended June 30, 2009.

Future commitments under the credit facility and operating leases as of June 30, 2010 (unaudited) were as follows:

| | Payments due by period (in thousands) | | | | |
|---|---|---|---|---|---|
| Contractual Obligations [1][2] | Total | Less than 1 year | 1 - 3 years | 3 - 5 years | After 5 years |
| Borrowings [3] | $137,100 | — | — | — | $ 137,100 |
| Operating Lease Obligations [4] | 3,954 | 1,210 | 2,402 | 342 | — |
| Total | $141,054 | $ 1,210 | $ 2,402 | $ 342 | $ 137,100 |

(1) Excludes commitments to extend credit to our portfolio companies.
(2) The Company also has a warrant participation obligation with Citigroup. See Note 4.
(3) Includes borrowings under the Wells Facility, the Union Bank Facility and the SBA debentures. There were no outstanding borrowings under the Wells Facility or the Union Bank Facility at June 30, 2010.
(4) Long-term facility leases.

The Company and its executives and directors are covered by Directors and Officers Insurance, with the directors and officers being indemnified by the Company to the maximum extent permitted by Maryland law subject to the restrictions in the 1940 Act.

## 12. Recent Accounting Pronouncements

In May 2009, the FASB issued SFAS 165— *Subsequent Events* , which was subsequently included in ASC Topic 855—Subsequent Events, or ASC 855. This guidance establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued, and specifically requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date. We adopted this guidance during the quarter ended June 30, 2009.

In February 2010, the FASB issued ASU 2010-09 to amend ASC 855 to address certain implementation issues, including (1) eliminating the requirement for SEC filers to disclose the date through which it has evaluated subsequent events, (2) clarifying the period through which conduit bond obligors must evaluate subsequent events, and (3) refining the scope of the disclosure requirements for reissued financial statements. The adoption of this standard did not have a significant impact on our consolidated financial statements.

In January 2010, the FASB issued ASU No. 2010-01, *Accounting for Distributions to Shareholders with Components of Stock and Cash* ("ASU 2001-01"), which addresses the accounting for a distribution to shareholders that offers them the ability to elect to receive their entire distribution in cash or shares of equivalent value with a potential limitation on the total amount of cash that shareholders can receive in the aggregate. ASU

2010-01 clarifies that the stock portion of such a distribution is considered a share issuance reflected prospectively in earnings per share. ASU 2010-01 is effective for interim and annual periods ending after December 15, 2009 and should be applied on a prospective basis. We adopted the requirements of ASU 2010-01 in the fourth quarter of 2009 and its adoption did not have a material effect on our consolidated financial statements.

In January 2010, the FASB issued ASU No. 2010-06, *Fair Value Measurements and Disclosures* ("ASU 2010-06"), which amends ASC 820 and requires additional disclosure related to recurring and nonrecurring fair value measurements with respect to transfers in and out of Levels 1 and 2 and activity in Level 3 fair value measurements. The update also clarifies existing disclosure requirements related to the level of disaggregation and disclosure about inputs and valuation techniques. ASU 2010-06 is effective for interim and annual periods beginning after December 15, 2009 except for disclosures related to activity in Level 3 fair value measurements which are effective for fiscal years beginning after December 15, 2010 and for interim periods within those fiscal years. Management is currently evaluating the impact of the Level 3 disclosure requirement on our consolidated financial statements of adopting ASU 2010-06.

**13. Subsequent Events**

The Board of Directors declared a cash dividend of $0.20 per share that will be payable on September 17, 2010 to shareholders of record as of August 12, 2010. This dividend would represent the Company's twentieth consecutive dividend declaration since its initial public offering, and will bring the total cumulative dividend declared to date to $5.61 per share.

In August 2010, Horizon Pharma, Inc., formerly Horizon Therapeutics Inc., filed a registration statement on Form S-1 with the U.S. Securities and Exchange Commission ("SEC") relating to a proposed initial public offering of shares of its common stock. All shares of the common stock to be sold in the offering will be offered by the company.

As of August 5, 2010, Hercules closed $52.0 million of commitments in the third quarter as previously announced. Additionally, Hercules has $62.2 million in pending commitments.

As of August 5, 2010, Hercules entered into approximately $367.5 million in closed and pending commitments (signed term sheets) since the beginning of the year. This breaks down as follows:

**2010 Closed Commitments and Pending Commitments (in millions)**

| | |
|---|---|
| 1st Half 2010 Closed Commitments [(a)] | $253.3 |
| Q3 Closed Debt Commitments (as of August 5, 2010) | $ 52.0 |
| **Total 2010 Closed Commitments [(b)]** | **$305.3** |
| Pending Commitments (as of August 5, 2010) [(c)] | $ 62.2 |
| **Total** | **$367.5** |

(a). 1st half 2010 closed commitments excludes $59.2 million of credit restructures and renewals

(b). Not all Closed Commitments result in future cash requirements. Commitments generally fund over the two succeeding quarters from close

(c). Not all pending commitments (signed non-binding term sheets) are expected to close and do not necessarily represent any future cash requirements

In July 2010, the NASDAQ granted Infologix's request for an extension of time to regain compliance with the $2.5 million minimum stockholders' equity requirement for continued listing on the NASDAQ Stock Market. The extension granted by the NASDAQ requires, among other things, the occurrence of certain events by August 15, 2010 and Infologix's ability to regain compliance with all the requirements for continued listing on the NASDAQ by October 18, 2010. There can be no assurance that the Company will be able to comply with this decision. Our ability to divest ourselves of our equity investments in Infologix is at risk if the Company does not resolve the matter with the NASDAQ.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

***Forward-Looking Statements***

The matters discussed in this report, as well as in future oral and written statements by management of Hercules Technology Growth Capital, that are forward-looking statements are based on current management expectations that involve substantial risks and uncertainties which could cause actual results to differ materially from the results expressed in, or implied by, these forward-looking statements. Forward-looking statements relate to future events or our future financial performance. We generally identify forward-looking statements by terminology such as "may," "will," "should," "expects," "plans," "anticipates," "could," "intends," "target," "projects," "contemplates," "believes," "estimates," "predicts," "potential" or "continue" or the negative of these terms or other similar words. Important assumptions include our ability to originate new investments, achieve certain margins and levels of profitability, the availability of additional capital, and the ability to maintain certain debt to asset ratios. In light of these and other uncertainties, the inclusion of a projection or forward-looking statement in this report should not be regarded as a representation by us that our plans or objectives will be achieved. The forward-looking statements contained in this report include statements as to:

- the impact of a protracted decline in the liquidity of the credit markets on our business;
- timing, form and amount of any dividend distributions;
- impact of fluctuation of interest rates on our business;
- valuation of our investments in portfolio companies;
- our ability to access the debt and equity markets;
- our future operating results;
- our business prospects and the prospects of our prospective portfolio companies;
- our ability to recover unrealized losses;
- the impact of investments that we expect to make;
- our informal relationships with third parties;
- the dependence of our future success on the general economy and its impact on the industries in which we invest;
- the ability of our portfolio companies to achieve their objectives;
- our expected financings and investments;
- our regulatory structure and tax status;
- our ability to operate as a business development company and a regulated investment company;
- the adequacy of our cash resources and working capital; and
- the timing of cash flows, if any, from the operations of our portfolio companies.

For a discussion of factors that could cause our actual results to differ from forward-looking statements contained in this report, please see the discussion under Item 1A—"Risk Factors" as well as Item 1A—"Risk Factors" of our annual report of Form 10-K. You should not place undue reliance on these forward-looking statements. The forward-looking statements made in this report relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statement to reflect events or circumstances occurring after the date of this report.

The following discussion should be read in conjunction with our consolidated financial statements and related notes and other financial information appearing elsewhere in this report. In addition to historical

information, the following discussion and other parts of this report contain forward-looking information that involves risks and uncertainties. Our actual results could differ materially from those anticipated by such forward-looking information due to the factors discussed under Item 1A—“Risk Factors”, Item 1A—“Risk Factors” of our annual report on Form 10-K, and “Forward-Looking Statements” of this Item 2.

***Overview***

We are a specialty finance company that provides debt and equity growth capital to technology-related companies at various stages of development from seed and emerging growth to expansion and established stages of development, which include select publicly listed companies and lower middle market companies. We primarily finance privately-held companies backed by leading venture capital and private equity firms, and also may finance certain publicly-traded companies that lack access to public capital or are sensitive to equity ownership dilution. We source our investments through our principal office located in Silicon Valley, as well as additional offices in Boston and Boulder.

Our goal is to be the leading structured debt financing provider of choice for venture capital and private equity backed technology-related companies requiring sophisticated and customized financing solutions. Our strategy is to evaluate and invest in a broad range of companies active in the technology, clean technology, and life science industries and to offer a full suite of growth capital products up and down the capital structure. We invest primarily in structured debt with warrants and, to a lesser extent, in senior debt and equity investments. We use the term “structured debt with warrants” to refer to any debt investment, such as a senior or subordinated secured loan, that is coupled with an equity component, including warrants, options or rights to purchase common or preferred stock. Our structured debt with warrants investments will typically be secured by some or all of the assets of the portfolio company.

Our investment objective is to maximize our portfolio total return by generating current income from our debt investments and capital appreciation from our equity-related investments. Our primary business objectives are to increase our net income, net operating income and net asset value by investing in structured debt with warrants and equity of venture capital and private equity backed technology-related companies with attractive current yields and the potential for equity appreciation and realized gains. Our structured debt investments typically include warrants or other equity interests, giving us the potential to realize equity-like returns on a portion of our investments. Our equity ownership in our portfolio companies may represent a controlling interest. In some cases, we receive the right to make additional equity investments in our portfolio companies in connection with future equity financing rounds. Capital that we provide directly to venture capital and private equity backed technology-related companies is generally used for growth and general working capital purposes as well as in select cases for acquisitions or recapitalizations. We are an internally managed, non-diversified closed-end investment company that has elected to be regulated as a business development company under the 1940 Act. As a business development company, we are required to comply with certain regulatory requirements. For instance, we generally have to invest at least 70% of our total assets in “qualifying assets,” including securities of private U.S. companies, cash, cash equivalents, U.S. government securities and high-quality debt investments that mature in one year or less.

From incorporation through December 31, 2005, we were taxed as a corporation under Subchapter C of the Internal Revenue Code, or the Code. We are treated for federal income tax purposes as a regulated investment company, or a RIC, under Subchapter M of the Code as of January 1, 2006. Pursuant to this election, we generally will not have to pay corporate-level taxes on any income that we distribute to our stockholders. However, such an election and qualification to be treated as a RIC requires that we comply with certain requirements contained in Subchapter M of the Code. For example, a RIC must meet certain requirements, including source-of-income, asset diversification and income distribution requirements. The income source requirement mandates that we receive 90% or more of our income from qualified earnings, typically referred to as “good income.” Qualified earnings may exclude such income as management fees received in connection with our SBIC or other potential outside managed funds and certain other fees.

Our portfolio is comprised of, and we anticipate that our portfolio will continue to be comprised of, investments primarily in technology-related companies at various stages of their development. Consistent with regulatory requirements, we invest primarily in United States based companies and to a lesser extent in foreign companies. Since 2007, our investing emphasis has been primarily on private companies following or in connection with a subsequent institutional round of equity financing, which we refer to as expansion-stage companies and private companies in later rounds of financing and certain public companies, which we refer to as established-stage companies and lower middle market companies. We have also historically focused our Investment Company Activities in private companies following or in connection with the first institutional round of financing, which we refer to as emerging-growth companies.

***Portfolio and Investment Company Activity***

The total value of our investment portfolio was $431.5 million at June 30, 2010 as compared to $370.4 million at December 31, 2009. During the three and six-month periods ended June 30, 2010 we made debt commitments totaling $215.7 million and $309.2 million and funded approximately $143.0 million and $230.3 million, respectively. Debt commitments for the six-month period ended June 30, 2010 included commitments of approximately $211.1 million to fourteen new portfolio companies and $98.1 million to fourteen existing companies. During the three and six-month periods ended June 30, 2010 we made and funded equity commitments of $1.7 million and $2.84 million to five and six companies, respectively. These commitments further diversify our portfolio by stage and industry sector. During the three and six-month periods ended June 30, 2009, we made debt commitments totaling $73.8 million and $134.8 million and funded approximately $19.6 million and $68.2 million, respectively. During the three and six-month periods ended June 30, 2009, we made an equity investment of approximately $400,000 in one existing portfolio company. At June 30, 2010, we had unfunded contractual commitments of $99.2 million to nineteen portfolio companies. Since these commitments may expire without being drawn, unfunded commitments do not necessarily represent future cash requirements. In addition, we had approximately $143.2 million of non-binding term sheets outstanding to eight new companies at June 30, 2010. Non-binding outstanding term sheets are subject to completion of our due diligence and final approval process, as well as the negotiation of definitive documentation with the prospective portfolio companies. Not all non-binding term sheets are expected to close and do not necessarily represent future cash requirements.

The fair value of the loan portfolio at June 30, 2010 was approximately $374.0 million, compared to a fair value of approximately $411.7 million at June 30, 2009. The fair value of the equity portfolio at June 30, 2010 and 2009 was approximately $37.6 million and $25.4 million, respectively. The fair value of our warrant portfolio at June 30, 2010 and 2009 was approximately $20.0 million and $15.3 million, respectively.

We receive payments in our loan portfolio based on scheduled amortization of the outstanding balances. In addition, we receive repayments of some of our loans prior to their scheduled maturity date. The frequency or volume of these repayments may fluctuate significantly from period to period. During the six-month period ended June 30, 2010, we received normal principal amortization repayments of $48.2 million, and early repayments and working line of credit pay-downs totaling $109.3 million. Total portfolio Investment Company Activity (exclusive of unearned income) as of the six-month periods ended June 30, 2010 and 2009 is as follows:

| (in millions) | June 30, 2010 | June 30, 2009 |
|---|---|---|
| Beginning Portfolio | $ 370.4 | $ 581.3 |
| Purchase of debt investments | 231.3 | 68.2 |
| Equity Investments | 2.8 | 0.4 |
| Sale of Investments | (4.0) | (7.9) |
| Principal payments received on investments | (48.2) | (62.0) |
| Early pay-offs and recoveries | (109.3) | (105.5) |
| Accretion of loan discounts and paid-in-kind principal | 3.1 | 4.5 |
| Net change in unrealized depreciation in investments | (14.6) | (26.6) |
| Ending Portfolio | $ 431.5 | $ 452.4 |

The following table shows the fair value of our portfolio of investments by asset class (excluding unearned income):

| (in thousands) | June 30, 2010 Investments at Fair Value | June 30, 2010 Percentage of Total Portfolio | December 31, 2009 Investments at Fair Value | December 31, 2009 Percentage of Total Portfolio |
|---|---|---|---|---|
| Senior secured debt with warrants | $ 314,667 | 72.9% | $ 229,454 | 61.9% |
| Senior secured debt | 72,974 | 16.9% | 99,725 | 26.9% |
| Preferred stock | 24,968 | 5.8% | 22,875 | 6.2% |
| Senior debt-second lien with warrants | 6,298 | 1.5% | 6,173 | 1.7% |
| Common Stock | 12,614 | 2.9% | 12,210 | 3.3% |
| | $ 431,521 | 100.0% | $ 370,437 | 100.0% |

A summary of our investment portfolio at value by geographic location is as follows:

| (in thousands) | June 30, 2010 Investments at Fair Value | June 30, 2010 Percentage of Total Portfolio | December 31, 2009 Investments at Fair Value | December 31, 2009 Percentage of Total Portfolio |
|---|---|---|---|---|
| United States | $ 398,860 | 92.5% | $ 344,984 | 93.1% |
| Canada | 20,757 | 4.8% | 21,567 | 5.8% |
| England | 10,131 | 2.3% | — | 0.0% |
| Israel | 1,773 | 0.4% | 1,310 | 0.4% |
| Netherlands | — | 0.0% | 2,576 | 0.7% |
| | $ 431,521 | 100.0% | $ 370,437 | 100.0% |

Our portfolio companies are primarily privately held expansion and established-stage companies in the biopharmaceutical, communications and networking, consumer and business products, electronics and computers, energy, information services, internet consumer and business services, medical devices, semiconductor and software industry sectors. These sectors are characterized by high margins, high growth rates, consolidation and product and market extension opportunities. Value is often vested in intangible assets and intellectual property.

As required by the 1940 Act, the Company classifies its investments by level of control. “Control Investments” are defined in the 1940 Act as investments in those companies that the Company is deemed to “Control”. Generally, under the 1940 Act, the Company is deemed to “Control” a company in which it has invested if it owns 25% or more of the voting securities of such company or has greater than 50% representation on its board. “Affiliate Investments” are investments in those companies that are “Affiliated Companies” of the Company, as defined in the 1940 Act, which are not Control Investments. The Company is deemed to be an “Affiliate” of a company in which it has invested if it owns 5% or more but less than 25% of the voting securities of such company. “Non-Control/Non-Affiliate Investments” are investments that are neither Control Investments nor Affiliate Investments.

At June 30, 2010, we had investments in two portfolio companies deemed to be Control Investments. Approximately $831,000 and $158,000 in investment income was derived from our debt investments in these two Software and Internet Consumer and Business Services portfolio companies during the three month period, and approximately $1.7 million and $315,000 during the six-month period. Approximately $2.5 million of realized losses related to Control Investments were recognized during the three and six-month periods ended June 30, 2010. We recognized net unrealized depreciation of approximately $6.9 million on control investments during the three and six-month periods ended June 30, 2010. During the six-month period ended June 30, 2009, no portfolio companies were deemed to be Control Investments.

We currently hold a controlling interest in the following two portfolio companies:

- InfoLogix, Inc., a public company, is a provider of enterprise mobility and radio frequency identification (RFID) solutions. Our investment in InfoLogix represents 5.9% and 8.7% of our total investments at cost and value, respectively at June 30, 2010. We currently have a greater than 60% equity interest in InfoLogix and have representation on its board of directors. We also have a total debt investment of approximately $26.5 million at fair value in InfoLogix. On July 8, 2010, the NASDAQ granted Infologix's request for an extension of time to regain compliance with the $2.5 million minimum stockholders' equity requirement for continued listing on the NASDAQ Stock Market. The extension granted by the NASDAQ requires, among other things, the occurrence of certain events by August 15, 2010 and Infologix's ability to regain compliance with all the requirements for continued listing on the NASDAQ by October 18, 2010. There can be no assurances that the Company will be able to comply with this decision. Our ability to divest ourselves of our equity investment in InfoLogix is at risk if the company does not resolve the matter with the Nasdaq Stock Market. We recognized approximately $1.6 million in interest and fee income from InfoLogix during the six-month period ended June 30, 2010. Our financial results could be negatively affected if any of our Control Investments encounter financial difficulty and fail to repay their obligations or to perform as expected.
- Spa Chakra is a premier spa operator. Our investment in Spa Chakra represents 3.9% and 0.0% of our total investments at cost and value, respectively, at June 30, 2010. We currently own 100% of the outstanding stock in Spa Chakra and control its board of directors. In the first quarter of 2010, Hercules converted its debt position into an equity position. As of June 30, 2010 we value both our debt and equity investments at zero. We recorded unrealized losses of approximately $13.1 million on our debt and equity investments and recognized approximately $315,000 in income from Spa Chakra during the six-month period ended June 30, 2010. During the three months ended June 30, 2010, we wrote down our investment in Spa Chakra to zero due to performance and concerns regarding long-term consumer spending.

At June 30, 2010 we had an investment in one portfolio company deemed to be an Affiliate. Income derived from this investment was zero, as this is a non-income producing equity investment. At June 30, 2009, we had investments in two portfolio companies deemed to be affiliates. Income derived from these investments was less than $500,000 since these investments became affiliates. We recognized a realized loss of approximately $4.0 million during the three and six-month periods ended June 30, 2009 in a portfolio company that was an affiliate prior to the disposal of the investment.

The following table shows the fair value of our portfolio by industry sector at June 30, 2010 and December 31, 2009 (excluding unearned income):

| (in thousands) | June 30, 2010 Investments at Fair Value | June 30, 2010 Percentage of Total Portfolio | December 31, 2009 Investments at Fair Value | December 31, 2009 Percentage of Total Portfolio |
|---|---|---|---|---|
| Software | $ 90,580 | 21.0% | $ 61,647 | 16.6% |
| Communications & Networking | 58,054 | 13.5% | 58,088 | 15.7% |
| Drug Discovery | 52,571 | 12.2% | 51,848 | 14.0% |
| Consumer & Business Products | 52,213 | 12.0% | 25,467 | 6.9% |
| Drug Delivery | 35,451 | 8.2% | 21,493 | 5.8% |
| Specialty Pharma | 30,734 | 7.1% | 25,193 | 6.8% |
| Information Services | 26,182 | 6.1% | 37,740 | 10.2% |
| Therapeutic | 23,204 | 5.4% | 13,470 | 3.6% |
| Electronics & Computer Hardware | 15,031 | 3.5% | 17,701 | 4.8% |
| Internet Consumer & Business Services | 12,558 | 2.9% | 20,352 | 5.5% |
| Diagnostic | 9,612 | 2.2% | 11,399 | 3.1% |
| Surgical Devices | 9,418 | 2.2% | 2,410 | 0.7% |
| Biotechnology Tools | 6,555 | 1.5% | 9,669 | 2.6% |
| Semiconductors | 6,100 | 1.4% | 11,481 | 3.1% |
| Media/Content/Info | 1,973 | 0.5% | 2,375 | 0.6% |
| Energy | 1,285 | 0.3% | 104 | 0.0% |
| | $ 431,521 | 100.0% | $ 370,437 | 100.0% |

We use an investment grading system, which grades each debt investment on a scale of 1 to 5, to characterize and monitor our expected level of risk on the debt investments in our portfolio with 1 being the highest quality. The following table shows the distribution of our outstanding debt investments on the 1 to 5 investment grading scale at fair value as of June 30, 2010 and December 31, 2009.

| (in thousands) | June 30, 2010 Investments at Fair Value | June 30, 2010 Percentage of Total Portfolio | December 31, 2009 Investments at Fair Value | December 31, 2009 Percentage of Total Portfolio |
|---|---|---|---|---|
| **Investment Grading** | | | | |
| 1 | $ 58,416 | 15.6% | $ 15,777 | 4.9% |
| 2 | 207,750 | 55.6% | 147,520 | 46.0% |
| 3 | 67,837 | 18.1% | 108,716 | 33.9% |
| 4 | 39,179 | 10.5% | 38,384 | 12.0% |
| 5 | 771 | 0.2% | 10,505 | 3.2% |
| | $ 373,953 | 100.0% | $ 320,902 | 100.0% |

As of June 30, 2010, our investments had a weighted average investment grading of 2.33 as compared to 2.70 at December 31, 2009. Our policy is to lower the grading on our portfolio companies as they approach the point in time when they will require additional equity capital. Additionally, we may downgrade our portfolio companies if they are not meeting our financing criteria and their respective business plans. Various companies in our portfolio will require additional funding in the near term or have not met their business plans and have therefore been downgraded until their funding is complete or their operations improve. At June 30, 2010, 5 portfolio companies were graded 3, 4 portfolio companies were graded 4, and 4 portfolio companies were graded 5 as compared to 17 portfolio companies that were graded 3, 4 portfolio companies that were graded 4 and 5 portfolio companies that were graded 5 at December 31, 2009. The improvement in investment grading for the period ended June 30, 2010 was driven in part by meaningful progress in the economy and among our portfolio companies, many of which have experienced improved operating performance and greater access to the venture capital market as they secure new equity financings.

At June 30, 2010, there were three portfolio companies on non-accrual status with a fair value of approximately $58,000. There were five loans on non-accrual status as of December 31, 2009 with a fair value of approximately $10.5 million. The significant decrease in this balance is related to the conversion of Spa Chakra debt to equity during the first quarter of 2010. In general, interest is not accrued on loans and debt securities if we have doubt about interest collection or where the enterprise value of the portfolio company may not support further accrual. To the extent interest payments are received on a loan that is not accruing interest, we may use such payments to reduce our cost basis in the investment in lieu of recognizing interest income.

The effective yield on our debt investments for the six month periods ended June 30, 2010 and 2009 was 14.5% and 16.1%, respectively. This decline is related to the lower weighed average balance of low yielding cash reserves relative to the higher yielding weighted average balance in the debt portfolio during the six month period ended June 30, 2009 relative to the same period ended 2010.

The overall weighted average yield to maturity of our loan obligations was approximately 13.6% at June 30, 2010 and December 31, 2009. The weighted average yield to maturity is computed using the interest rates in effect at the inception of each of the loans, and includes amortization of the loan facility fees, commitment fees and market premiums or discounts over the expected life of the debt investments, weighted by their respective costs when averaged and based on the assumption that all contractual loan commitments have been fully funded and held to maturity.

We generate revenue in the form of interest income, primarily from our investments in debt securities, and commitment and facility fees. Fees generated in connection with our debt investments are recognized over the life of the loan or, in some cases, recognized as earned. In addition, we generate revenue in the form of capital gains, if any, on warrants or other equity-related securities that we acquire from our portfolio companies. Our investments generally range from $1.0 million to $30.0 million. Our debt investments have a term of between two and seven years and typically bear interest at a rate ranging from PRIME to 18% as of June 30, 2010. In addition to the cash yields received on our loans, in some instances, our loans may also include any of the following: end-of-term payments, exit fees, balloon payment fees, PIK provisions, prepayment fees, and diligence fees, which may be required to be included in income prior to receipt. In most cases, we collateralize our investments by obtaining security interests in our portfolio companies' assets, which may include their intellectual property. In other cases, we may obtain a negative pledge covering a company's intellectual property.

At June 30, 2010, approximately 71.8% of the Company's portfolio company loans were secured by a first priority security in all of the assets of the portfolio company, 26.6% of portfolio company loans were prohibited from pledging or encumbering their intellectual property and 1.6% of portfolio company loans had a second lien facility. Interest on debt securities is generally payable monthly, with amortization of principal typically occurring over the term of the security for emerging-growth, expansion-stage and established-stage companies. In addition, certain loans may include an interest-only period ranging from three to eighteen months for emerging-growth and expansion-stage companies and longer for established-stage companies. In limited instances in which we choose to defer amortization of the loan for a period of time from the date of the initial investment, the principal amount of the debt securities and any accrued but unpaid interest become due at the maturity date.

Our investments in senior secured debt with warrants have equity enhancement features, typically in the form of warrants or other equity-related securities designed to provide us with an opportunity for capital appreciation. Our warrant coverage generally ranges from 3% to 20% of the principal amount invested in a portfolio company, with a strike price equal to the most recent equity financing round. As of June 30, 2010, we held warrants in 86 technology and life science portfolio companies, with a fair value of approximately $20.0 million. These warrant holdings would require us to invest approximately $62.0 million to exercise such warrants. However, these warrants may not appreciate in value and, in fact, may decline in value. Accordingly, we may not be able to realize gains from our warrant interests.

***Results of Operations***

*Comparison of the Three and Six-Month Periods Ended June 30, 2010 and 2009*

***Operating Income***

Interest income totaled approximately $12.8 and $24.0 million for the three and six-month periods ended June 30, 2010, compared with $15.9 million and $33.8 million for the three and six-month periods ended June 30, 2009, respectively. Income from commitment, facility and loan related fees totaled approximately $1.7 million and $3.0 million for the three and six-month periods ended June 30, 2010, compared with $3.6 million and $6.1 million for the same periods ended June 30, 2009, respectively. The decreases in interest income and income from commitment, facility and loan related fees are the result of a reduction in accelerated one-time and restructuring fees, attributable to significant improvement in credit performance in the portfolio and due to a lower average interest earning investment portfolio.

***Operating Expenses***

Operating expenses, which are comprised of interest and fees, general and administrative and employee compensation, totaled approximately $7.6 million and $7.7 million during the three month periods ended June 30, 2010 and 2009, respectively. Operating expenses totaled approximately $14.5 million and $16.6 million for the six-month periods ended June 30, 2009 and 2010, respectively.

Interest and fees totaled approximately $2.4 million during the three month periods ended June 30, 2010 and 2009 and $4.7 million and $6.5 million for the six-month periods ended June 30, 2009 and 2010, respectively. This $1.8 million year over year decrease is primarily attributable to the interest expense and one time fees on the Citigroup Credit Facility that was paid off in full in March of 2009.

General and administrative expenses include legal, consulting and accounting fees, insurance premiums, rent, workout and various other expenses. Expenses decreased to $1.7 million from $1.9 million for the three month periods ended June 30, 2010 and 2009, respectively, primarily due to lower workout related expenses. Expenses increased to $3.5 million from $3.3 million for the six-month periods ended June 30, 2010 and 2009, respectively, primarily due to higher recruiting expenses offset by lower accounting and public reporting related expenses.

Employee compensation and benefits totaled approximately $2.9 million and $2.8 million during the three month periods ended June 30, 2010 and 2009 and $5.1 million and $5.7 million for the six-month periods ended June 30, 2010 and 2009, respectively. This decrease is primarily due to a lower bonus accrual during the six-month period ended June 30, 2010 as compared to the same period of 2009. Stock-based compensation totaled approximately $750,000 and $516,000 during the three month periods ended June 30, 2010 and 2009 and $1.2 million and $948,000 for the six-month periods ended June 30, 2010 and 2009, respectively. These increases were due to the expense on restricted stock grants issued in the first quarter of 2010.

***Net Investment Income Before Investment Gains and Losses***

Net investment income per share was $0.19 for the quarter ended June 30, 2010 compared to $0.34 per share in the quarter ended June 30, 2009. Net investment income before investment gains and losses for the three and six-month periods ended June 30, 2010 totaled $6.9 million and $12.5 million as compared to $11.8 million and $23.4 million in the three and six-month periods ended June 30, 2009. The changes are made up of the items described above under “Operating Income” and “Operating Expenses.”

***Net Investment Realized Gains and Losses and Unrealized Appreciation and Depreciation***

Realized gains or losses are measured by the difference between the net proceeds from the repayment or sale and the cost basis of the investment without regard to unrealized appreciation or depreciation previously recognized, and includes investments charged off during the period, net of recoveries. Net change in unrealized appreciation or depreciation primarily reflects the change in portfolio investment values during the reporting period, including the reversal of previously recorded unrealized appreciation or depreciation when gains or losses are realized.

During the three months ended June 30, 2010, we recognized net realized gains of approximately $3.4 million from the sale of common stock in its public portfolio companies, approximately $17,000 from mergers of private portfolio companies and realized losses of approximately $115,000 from equity and warrant investments in portfolio companies that have been liquidated. During the three months ended June 30, 2009, we recognized realized gains of approximately $872,000 from the sale of common stock of two biotech companies and one drug discovery company. We recognized realized losses on loans, equity and warrants of approximately $5.1 million from the investment exit from two software companies and one communication and networking company for the same period ended June 30, 2009.

The high level of loan repayments we experienced throughout the quarter ended June 30, 2010 occurred at the beginning of the quarter, while the increase in investment origination activity we experienced during the quarter occurred at the end of the quarter.

A summary of realized gains and losses for the three and six-month periods ended June 30, 2010 and 2009 is as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| ( in millions) | | | | |
| Realized gains | $ 3.5 | $ 0.9 | $ 4.4 | $ 1.5 |
| Realized losses | (0.1) | (5.1) | (0.6) | (6.8) |
| Net realized gains (losses) | $ 3.4 | $ (4.2) | $ 3.8 | $ (5.3) |

During the three and six-months ended June 30, 2010, net unrealized depreciation totaled approximately $14.9 million and $15.1 million. During the same periods ending June 30, 2009 net unrealized depreciation totaled approximately $20.7 million and $26.6 million, respectively. The net unrealized appreciation and depreciation of our investments is based on fair value of each investment determined in good faith by our Board of Directors. This net unrealized depreciation was primarily comprised of decreases in the carrying value of our portfolio companies due to company performance and market conditions. For the three month period ended June 30, 2010 approximately $8.1 million of the net depreciation recognized was attributable to debt investments in our portfolio companies. The remaining depreciation was attributable to depreciation of approximately $7.1 million equity investments and approximately $200,000 of other invested assets offset by approximately $630,000 of appreciation in investments in warrants held in our portfolio companies. As of June 30, 2010, the net unrealized appreciation recognized by the Company was increased by approximately $81,000 due to the warrant participation agreement with Citigroup. For a more detailed discussion of the warrant participation agreement, see the discussion set forth under Note 4 to the Consolidated Financial Statements.

The following table itemizes the change in net unrealized depreciation of investments for the three and six-month periods ended June 30, 2010 and 2009:

| | Three Months Ended June 30, | | | |
|---|---|---|---|---|
| | 2010 | | 2009 | |
| (in thousands) | Companies | Amount | Companies | Amount |
| Gross unrealized appreciation on portfolio investments | 31 | $ 11,207 | | $ 8,445 |
| Gross unrealized depreciation on portfolio investments | 41 | (25,220) | | (33,984) |
| Reversal of prior period net unrealized appreciation upon realization | | (918) | | (342) |
| Reversal of prior period net unrealized depreciation upon realization | | 160 | | 5,257 |
| Citigroup Warrant Participation | | (81) | | (70) |
| Net unrealized appreciation(depreciation) on portfolio investments | | $(14,852) | | $(20,694) |

| | Six Months Ended June 30, | | | |
|---|---|---|---|---|
| | 2010 | | 2009 | |
| (in thousands) | Companies | Amount | Companies | Amount |
| Gross unrealized appreciation on portfolio investments | 34 | $ 21,804 | | $ 12,620 |
| Gross unrealized depreciation on portfolio investments | 46 | (37,043) | | (45,402) |
| Reversal of prior period net unrealized appreciation upon realization | | 10 | | (1,042) |
| Reversal of prior period net unrealized depreciation upon realization | | 160 | | 7,249 |
| Citigroup Warrant Participation | | (43) | | (50) |
| Net unrealized appreciation(depreciation) on portfolio investments | | $(15,112) | | $(26,625) |

***Income and Excise Taxes***

We account for income taxes in accordance with the provisions of ASC 740, Income Taxes, formerly known as FAS 109, which requires that deferred income taxes be determined based upon the estimated future tax effects of differences between the financial statement and tax basis of assets and liabilities given the provisions of the enacted tax law. Valuation allowances are used to reduce deferred tax assets to the amount likely to be realized.

***Net Increase in Net Assets Resulting from Operations and Change in Net Assets per Share***

For the three months ended June 30, 2010, the net decrease in net assets resulting from operations totaled approximately $4.6 million and for the six months ended June 30, 2010, the net increase in net assets resulting from operations totaled approximately $1.1 million. For the three and six months ended June 30, 2009, the net decrease in net assets resulting from operations totaled approximately $13.1 million and $8.6 million, respectively. These changes are made up of the items previously described.

Basic and fully diluted net change in net assets per common share for the three and six-month periods ended June 30, 2010 was $(0.14) and $0.02, respectively, as compared to basic and fully diluted change in net assets per common share of $(0.38) and $(0.26) for the three and six-month periods ended June 30, 2009, respectively.

***Financial Condition, Liquidity, and Capital Resources***

At June 30, 2010, we had approximately $52.8 million in cash and cash equivalents and available borrowing capacity of approximately $50.0 million under the Wells Facility, $20.0 million under the Union Bank Facility and $87.9 million under the SBA program, subject to existing terms and advance rates. We primarily invest cash on hand in interest bearing deposit accounts.

As of June 30, 2010, net assets totaled $352.7 million, with a net asset value per share of $9.80. We intend to generate additional cash primarily from cash flows from operations, including income earned from investments in our portfolio companies and, to a lesser extent, from the temporary investment of cash in U.S. government securities and other high-quality debt investments that mature in one year or less as well as from future borrowings as required to meet our lending activities. Our primary use of funds will be investments in portfolio companies and cash distributions to holders of our common stock. Additionally, we expect to raise additional capital to support our future growth through future equity offerings, issuances of senior securities and/or future borrowings, to the extent permitted by the 1940 Act. To the extent we determine to raise additional equity through an offering of our common stock at a price below net asset value, existing investors will experience dilution. During our 2010 Annual Shareholder Meeting held on June 9, 2010, our shareholders authorized the Company, with the approval of its Board of Directors, to sell up to 20% of the Company's outstanding common stock at a price below the Company's then current net asset value per share and to offer and issue debt with warrants or debt convertible into shares of its common stock at an exercise or conversion price that will not be less than the fair market value per share but may be below the then current net asset value per share. However, there can be no assurance that these capital resources will be available in the near term given the credit constraints of the banking and capital markets.

As required by the 1940 Act, our asset coverage must be at least 200% after each issuance of senior securities. Our asset coverage as of June 30, 2010 was significantly above the required asset coverage ratio, excluding SBA leverage.

At June 30, 2010 and December 31, 2009, we had the following borrowing capacity and outstanding amounts:

| | June 30, 2010 | | December 31, 2009 | |
|---|---|---|---|---|
| (in thousands) | Facility Amount | Amount Outstanding | Facility Amount | Amount Outstanding |
| Union Bank Facility | $ 20,000 | $ — | $ — | $ — |
| Wells Facility | 50,000 | — | 50,000 | — |
| SBA Debenture [1] | 225,000 | 137,100 | 150,000 | 130,600 |
| Total | $ 295,000 | $ 137,100 | $ 200,000 | $ 130,600 |

[1] The Company has the ability to borrow $12.9 million and $25.0 million in SBA debentures under HT II and HT III, respectively.

On September 27, 2006, HT II received a license and on May 26, 2010 HT III received a license to operate as a Small Business Investment Company under the SBIC program and is able to borrow funds from the SBA against eligible investments and additional contributions to regulatory capital. The Company is the sole limited partner of HT II and HT III and HTM is the general partner. HTM is a wholly-owned subsidiary of the Company. If HT II or HT III fails to comply with applicable SBA regulations, the SBA could, depending on the severity of the violation, limit or prohibit HT II's or HT III's use of debentures, declare outstanding debentures immediately due and payable, and/or limit HT II or HT III from making new investments. Such actions by the SBA would, in turn, negatively affect us because HT II is our wholly owned subsidiary.

With our net investment of $75.0 million in HT II as of June 30, 2010, HT II has the current capacity to issue a total of $150.0 million of SBA guaranteed debentures, of which $137.1 million was outstanding. As of June 30, 2010, the maximum statutory limit on the dollar amount of outstanding SBA guaranteed debentures

issued by a single SBIC is $150.0 million, subject to periodic adjustments by the SBA. As of June 30, 2010, we hold investments in HT II in 51 companies with a fair value of approximately $178.1 million. HT II's portfolio accounted for approximately 41.3% of our total portfolio at June 30, 2010.

As of June 30, 2010, the maximum statutory limit on the dollar amount of combined outstanding SBA guaranteed debentures is $225.0 million, subject to periodic adjustments by the SBA. With our net investment of $25.0 million in HT III as of June 30, 2010, HT III has the current capacity to issue a total of $25.0 million of SBA guaranteed debentures, subject to SBA drawdown approval. HT III has the current capacity to issue a total of $25.0 million of SBA guaranteed debentures, subject to SBA drawdown approval. In order to have access to the remaining leverage, which would be subject to SBA drawdown approval, the Company would have to make an additional net investment of $12.5 million. HT III had no balance outstanding as of June 30, 2010. As of June 30, 2010, we hold investments in HT III in three companies with a fair value of approximately $22.6 million. HT III's portfolio accounted for approximately 5.2% of our total portfolio at June 30, 2010.

***Current Market Conditions***

The U.S. capital and credit markets have been experiencing disruption and volatility since the summer of 2008 as evidenced by a lack of liquidity in the debt capital markets, significant write-offs in the financial services sector, the repricing of credit risk in the broadly syndicated credit market and the failure of many major financial institutions. These events have contributed to a severe economic contraction that is materially and adversely impacting the broader financial and credit markets and reducing the availability of credit and equity capital for the markets as a whole and financial services firms in particular, including us.

At the same time, the venture capital market for the technology-related companies in which we invest has been active but at reduced investment activity levels. Therefore, to the extent we have capital available; we believe this is an opportune time to invest in the structured lending market for technology-related companies. While today's economy creates potentially new attractive lending opportunities, our outlook remains cautious for the remainder of 2010 as the economic environment recovers from the recession of the past 18 months. Due to the economic slowdown and reduced venture capital investment activity in 2009, we determined that was prudent to substantially curtail new investment activity in 2009 in order to have working capital available to support our existing portfolio companies. These changes were made to manage our credit performance, maintain adequate liquidity and manage our operating expenses in this extremely challenging and unprecedented credit environment.

Despite the current capital market disruption and recession, we continue to see a steady pace of new investments by venture capitalists. As a result of this favorable level of venture capital investment activities, we are experiencing an increase in new investment origination activities which commenced in the fourth quarter of 2009 and into 2010, and would expect it to continue to the extent the venture capital community continues to accelerate its own pace of new investments. We are encouraged by signs of an improving economy, including improved valuations and higher levels of liquidity for our portfolio companies, increased investment activity from venture capitalists and the opening of the IPO marketplace. As a result, we have once again commenced making investments in new and existing portfolio companies. To the extent that we are able, we intend to continue to seek new investment opportunities; however, we remain cautious in our investment and credit management strategies as the pace of economic recovery continues to improve.

We periodically review and assess investment portfolio acquisition opportunities of target companies that would be accretive to us. In the future, we may determine to acquire such portfolios which could affect our liquidity position and necessitate our need to raise additional capital to fund our growth.

### *Off Balance Sheet Arrangements*

In the normal course of business, we are party to financial instruments with off-balance sheet risk. These consist primarily of unfunded commitments to extend credit, in the form of loans, to our portfolio companies. Unfunded commitments to provide funds to portfolio companies are not reflected on our balance sheet. Our origination activity unfunded commitments may be significant from time to time. As of June 30, 2010, we had unfunded commitments of approximately $99.2 million. These commitments will be subject to the same underwriting and ongoing portfolio maintenance as are the on-balance sheet financial instruments that we hold. Since these commitments may expire without being drawn upon, the total commitment amount does not necessarily represent future cash requirements. We intend to use cashflow from normal and early principal repayments, SBA debentures and our Wells Facility and our Union Bank Facility to fund these commitments. However, there can be no assurance that we will have sufficient capital available to fund these commitments as they come due.

In addition, we had approximately $143.2 million of non-binding term sheets outstanding. Non-binding outstanding term sheets are subject to completion of the Company's due diligence and final approval process, as well as the negotiation of definitive documentation with the prospective portfolio companies. Not all non-binding term sheets are expected to close and do not necessarily represent future cash requirements.

### *Contractual Obligations*

The following table shows our contractual obligations as of June 30, 2010:

| | Payments due by period (in thousands) | | | | |
|---|---|---|---|---|---|
| **Contractual Obligations [1][2]** | **Total** | **Less than 1 year** | **1 - 3 years** | **3 - 5 years** | **After 5 years** |
| Borrowings [3] | $137,100 | — | — | — | $ 137,100 |
| Operating Lease Obligations [4] | 3,954 | 1,210 | 2,402 | 342 | — |
| Total | $141,054 | $ 1,210 | $ 2,402 | $ 342 | $ 137,100 |

(1) Excludes commitments to extend credit to our portfolio companies.
(2) We also have warrant participation obligation with Citigroup. See "Borrowings."
(3) Includes borrowings under the Wells Facility and the SBA debentures.
(4) Long-term facility leases.

### *Borrowings*

The Company, through Hercules Funding Trust I, an affiliated statutory trust, had a securitized credit facility (the "Credit Facility") with Citigroup Global Markets Realty Corp. which expired under the normal terms. During the first quarter of 2009, the Company paid off all remaining principal and interest owed under the Credit Facility. Citigroup has an equity participation right through a warrant participation agreement on the pool of loans and warrants collateralized under the Credit Facility. Pursuant to the warrant participation agreement, the Company granted to Citigroup a 10% participation in all warrants held as collateral. However, no additional warrants were included in collateral subsequent to the facility amendment on May 2, 2007. As a result, Citigroup is entitled to 10% of the realized gains on the warrants until the realized gains paid to Citigroup pursuant to the agreement equal $3,750,000 (the "Maximum Participation Limit"). The obligations under the warrant participation agreement continue even after the Credit Facility is terminated until the Maximum Participation Limit has been reached. The value of their participation right on unrealized gains in the related equity investments was approximately $511,000 as of June 30, 2010 and is included in accrued liabilities. There can be no assurances that the unrealized appreciation of the warrants will not be higher or lower in future periods due to fluctuations in the value of the warrants, thereby increasing or reducing the effect on the cost of borrowing. Since inception of the agreement, the Company has paid Citigroup approximately $1.1 million under the warrant participation agreement thereby reducing its realized gains by this amount. The Company will continue to pay Citigroup under the warrant participation agreement until the Maximum Participation Limit is reached or the warrants expire.

*Long-term SBA Debentures*

On September 27, 2006, HT II and on May 26, 2010, HT III received a license to operate as a SBIC under the SBIC program and is able to borrow funds from the SBA against eligible investments and additional contributions to

regulatory capital. Under the Small Business Investment Company Act and current SBA policy applicable to SBICs, an SBIC can have outstanding at any time SBA guaranteed debentures up to twice the amount of its regulatory capital. As of June 30, 2010, the maximum statutory limit on the dollar amount of outstanding SBA guaranteed debentures issued by a single SBIC is $150 million, subject to periodic adjustments by the SBA. With our net investment of $75.0 million in HT II as of June 30, 2010, HT II has the current capacity to issue up to a total of $150 million of SBA guaranteed debentures, of which $137.1 million was outstanding. Currently, HT II has paid commitment fees of approximately $1.5 million. As of June 30, 2010, the maximum statutory limit on the dollar amount of combined outstanding SBA guaranteed debentures is $225.0 million, subject to periodic adjustments by the SBA. With our net investment of $25.0 million in HT III as of June 30, 2010, HT III has the current capacity to issue a total of $25.0 million of SBA guaranteed debentures, subject to SBA approval. In order to have access to the remaining leverage, which would be subject to SBA approval, the Company would have to make an additional net investment of $12.5 million. HT III had no balance outstanding as of June 30, 2010. Currently, HT III has paid commitment fees of approximately $750,000. There is no assurance that HT II or HT III will be able to draw up to the maximum limit available under the SBIC program.

SBICs are designed to stimulate the flow of private equity capital to eligible small businesses. Under present SBA regulations, eligible small businesses include businesses that have a tangible net worth not exceeding $18 million and have average annual fully taxed net income not exceeding $6.0 million for the two most recent fiscal years. In addition, SBICs must devote 25.0% of its investment activity to “smaller” concerns as defined by the SBA. A smaller concern is one that has a tangible net worth not exceeding $6.0 million and has average annual fully taxed net income not exceeding $2.0 million for the two most recent fiscal years. SBA regulations also provide alternative size standard criteria to determine eligibility, which depend on the industry in which the business is engaged and are based on such factors as the number of employees and gross sales. According to SBA regulations, SBICs may make long-term loans to small businesses, invest in the equity securities of such businesses and provide them with consulting and advisory services. Through its wholly-owned subsidiaries HT II and HT III, the Company plans to provide long-term loans to qualifying small businesses, and in connection therewith, make equity investments.

HT II and HT III are periodically examined and audited by the SBA’s staff to determine its compliance with SBIC regulations. As of June 30, 2010, HT II could draw up to $12.9 million and HT III could draw up to $25.0 million of additional leverage from the SBA, as noted above. The rates of borrowings under various draws from the SBA beginning in April 2007 and set semiannually in March and September range from 4.11% to 5.73%. In addition, the SBA charges a fee that is set annually, depending on the Federal fiscal year the leverage commitment was delegated by the SBA, regardless of the date that the leverage was drawn by the SBIC. The annual fee related to HT II debentures that pooled on September 23, 2009 was 0.406%. The annual fees on other debentures have been set at 0.906%. The average amount of debentures outstanding for HT II for the three months ended June 30, 2010 was approximately $132.3 million and the average interest rate was approximately 6.23%. No debentures were outstanding for HT III as of June 30, 2010. Interest is payable semiannually and there are no principal payments required on these issues prior to maturity. Debentures under the SBA generally mature ten years after being borrowed. Based on the initial draw down date of April 2007, the initial maturity of SBA debentures will occur in April 2017.

*Wells Facility*

On August 25, 2008, the Company, through a special purpose wholly-owned subsidiary of the Company, Hercules Funding II, LLC, entered into a two-year revolving senior secured credit facility with an optional one-year extension with total commitments of $50 million, with Wells Fargo Capital Finance as a lender and as an arranger and administrative agent (the “Wells Facility”). The Wells Facility has the capacity to increase to $300 million if additional lenders are added to the syndicate. We continue to be in discussions with various other potential lenders to join the facility; however, there is no assurance that additional lenders may join the facility. The Wells Facility expires in August 2011.

Borrowings under the Wells Facility will generally bear interest at a rate per annum equal to LIBOR plus 3.25% or PRIME plus 2.0%, but not less than 5.0%. The Wells Facility requires the payment of a non-use fee of 0.5% annually, which was reduced to 0.3% on the one year anniversary of the credit facility. The Wells Facility is collateralized by debt investments in our portfolio companies, and includes an advance rate equal to 50% of eligible loans placed in the collateral pool. The Wells Facility generally requires payment of interest on a monthly basis. All outstanding principal is due upon maturity. We have paid a total of $1.1 million in structuring fees in connection with the Wells Facility which is being amortized through August 2011. There was no outstanding debt under the Wells Facility at June 30, 2010.

The Wells Facility requires various financial and operating covenants. These covenants require us to maintain certain financial ratios and a minimum tangible net worth of $250 million, contingent upon our total commitments under all lines of credit not exceeding $250 million. To the extent our total commitments exceeds $250 million, the minimum tangible net worth covenant will increase on a pro rata basis commensurate with our net worth on a dollar for dollar basis. In addition, the tangible net worth covenant will increase by 90 cents on the dollar for every dollar of equity capital subsequently raised by the Company. The Wells Facility provides for customary events of default, including, but not limited to, payment defaults, breach of representations or covenants, bankruptcy events and change of control. We were in compliance with all covenants at June 30, 2010.

*Union Bank Facility*

On February 10, 2010, we entered a $20.0 million one-year revolving senior secured credit facility with Union Bank (the “Union Bank Facility”). Borrowings under the Union Bank Facility will generally bear interest at a rate per annum equal to LIBOR plus 2.25% with a floor of 4.0%, an advance rate of 50% against eligible loans, and secured by loans in the borrowing base. At June 30, 2010, there were no borrowings outstanding on this facility. The Union Bank Facility requires the payment of a non-use fee of 0.25% annually. The Union Bank Facility is collateralized by debt investments in our portfolio companies, and includes an advance rate equal to 50% of eligible loans placed in the collateral pool. The Union Bank generally requires payment of interest on a monthly basis. All outstanding principal is due upon maturity.

At June 30, 2010 and December 31, 2009, the Company had the following borrowing capacity and outstanding borrowings:

| | June 30, 2010 | | December 31, 2009 | |
|---|---|---|---|---|
| (in thousands) | Facility Amount | Amount Outstanding | Facility Amount | Amount Outstanding |
| Union Bank Facility | $ 20,000 | $ — | $ — | $ — |
| Wells Facility | 50,000 | — | 50,000 | — |
| SBA Debenture [1] | 225,000 | 137,100 | 150,000 | 130,600 |
| Total | $ 295,000 | $ 137,100 | $ 200,000 | $ 130,600 |

[1] We have the ability to borrow $12.9 million and $25.0 million in SBA debentures under HT II and HT III, respectively.

***Dividends***

The following table summarizes our dividends declared and paid or to be paid on all shares, including restricted stock, to date:

| Date Declared | Record Date | Payment Date | Amount Per Share |
|---|---|---|---|
| October 27, 2005 | November 1, 2005 | November 17, 2005 | $ 0.025 |
| December 9, 2005 | January 6, 2006 | January 27, 2006 | 0.300 |
| April 3, 2006 | April 10, 2006 | May 5, 2006 | 0.300 |
| July 19, 2006 | July 31, 2006 | August 28, 2006 | 0.300 |
| October 16, 2006 | November 6, 2006 | December 1, 2006 | 0.300 |
| February 7, 2007 | February 19, 2007 | March 19, 2007 | 0.300 |
| May 3, 2007 | May 16, 2007 | June 18, 2007 | 0.300 |
| August 2, 2007 | August 16, 2007 | September 17, 2007 | 0.300 |
| November 1, 2007 | November 16, 2007 | December 17, 2007 | 0.300 |
| February 7, 2008 | February 15, 2008 | March 17, 2008 | 0.300 |
| May 8, 2008 | May 16, 2008 | June 16, 2008 | 0.340 |
| August 7, 2008 | August 15, 2008 | September 19, 2008 | 0.340 |
| November 6, 2008 | November 14, 2008 | December 15, 2008 | 0.340 |
| February 12, 2009 | February 23, 2009 | March 30, 2009 | 0.320* |
| May 7, 2009 | May 15, 2009 | June 15, 2009 | 0.300 |
| August 6, 2009 | August 14, 2009 | September 14, 2009 | 0.300 |
| October 15, 2009 | October 20, 2009 | November 23, 2009 | 0.300 |
| December 16, 2009 | December 24, 2009 | December 30, 2009 | 0.040 |
| February 11, 2010 | February 19, 2010 | March 19, 2010 | 0.200 |
| May 3, 2010 | May 12, 2010 | June 18, 2010 | 0.200 |
| August 2, 2010 | August 12, 2010 | September 17, 2010 | 0.200 |
| | | | $ 5.605 |

* Dividend paid in cash and stock.

On August 2, 2010, the Board of Directors announced a cash dividend of $0.20 per share to be paid on September 17, 2010 to shareholders on record as of August 12, 2010. This is the Company's twentieth consecutive quarterly dividend declaration since its initial public offering, and will bring the total cumulative dividend declared to date to $5.61 per share.

Distributions in excess of our current and accumulated earnings and profits would be treated first as a return of capital to the extent of the stockholder's tax basis, and any remaining distributions would be treated as a capital gain. The determination of the tax attributes of our distributions is made annually as of the end of our fiscal year based upon its taxable income for the full year and distributions paid for the full year, therefore a determination made on a quarterly basis may not be representative of the actual tax attributes of our distributions for a full year. If we had determined the tax attributes of our distributions year-to-date as of June 30, 2010, approximately 90% would be from ordinary income and spill over earnings from 2009 and approximately 10% would be a return of capital. However there can be no certainty to stockholders that this determination is representative of what the tax attributes of our 2010 distributions to stockholders will actually be.

***Critical Accounting Policies***

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and revenues and expenses during the period reported. On an ongoing basis, our management evaluates its estimates and assumptions, which are based on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results could differ from those estimates. Changes in our estimates and assumptions could materially impact our results of operations and financial condition.

*Valuation of Portfolio Investments.*

The most significant estimate inherent in the preparation of our consolidated financial statements is the valuation of investments and the related amounts of unrealized appreciation and depreciation of investments recorded.

At June 30, 2010 approximately 87% of our total assets represented investments in portfolio companies that are valued at fair value by the Board of Directors. Value, as defined in Section 2(a) (41) of the 1940 Act, is (i) the market price for those securities for which a market quotation is readily available and (ii) for all other securities and assets, fair value is as determined in good faith by the Board of Directors in accordance with established valuation procedures and the recommendation of the Valuation Committee of the Board of Directors. Since there is typically no readily available market value for the investments in our portfolio, we value substantially all of our investments at fair value as determined in good faith by our board pursuant to a valuation policy and a consistent valuation process. Due to the inherent uncertainty in determining the fair value of investments that do not have a readily available market value, the fair value of our investments determined in good faith by our board may differ significantly from the value that would have been used had a ready market existed for such investments, and the differences could be material.

Consistent with ASC 820, the Company determines fair value to be the amount for which an investment could be exchanged in a current sale, which assumes an orderly disposition over a reasonable period of time between willing parties other than in a forced or liquidation sale. The Company's valuation policy considers the fact that no ready market exists for substantially all of the securities in which it invests.

There is no single standard for determining fair value in good faith. As a result, determining fair value requires that judgment be applied to the specific facts and circumstances of each portfolio investment. Unlike banks, we are not permitted to provide a general reserve for anticipated loan losses. Instead, we must determine the fair value of each individual investment on a quarterly basis. We will record unrealized depreciation on investments when we believe that an investment has decreased in value, including where collection of a loan or realization of an equity security is doubtful. Conversely, where appropriate, we will record unrealized appreciation if we believe that the underlying portfolio company has appreciated in value and, therefore, that our investment has also appreciated in value.

As a business development company, we invest primarily in illiquid securities including debt and equity related securities of private companies. Our investments are generally subject to some restrictions on resale and generally have no established trading market. Because of the type of investments that we make and the nature of our business, our valuation process requires an analysis of various factors. Our valuation methodology includes the examination of, among other things, the underlying investment performance, financial condition and market changing events that impact valuation, estimated remaining life, and interest rate spreads of similar securities as of the measurement date. If there is a significant deterioration of the credit quality of a debt investment, we may consider other factors that a hypothetical market participant would use to estimate fair value, including the proceeds that would be received in a liquidation analysis.

With respect to private debt and equity securities, each investment is valued using industry valuation benchmarks, and, where appropriate, the value is assigned a discount reflecting the illiquid nature of the investment, and our minority, non-control position. When a qualifying external event such as a significant purchase transaction, public offering, or subsequent debt or equity sale occurs, the pricing indicated by the external event will be used to corroborate our private debt or equity valuation. We periodically review the valuation of our portfolio companies that have not been involved in a qualifying external event to determine if the enterprise value of the portfolio company may have increased or decreased since the last valuation measurement date. We may consider, but are not limited to, industry valuation methods such as price to enterprise value or price to equity ratios, discounted cash flow, valuation comparisons to comparable public companies or other industry benchmarks in our evaluation of the fair value of our investment. Securities that are traded in the over-the-counter market or on a stock exchange will be valued at the prevailing bid price on the valuation date.

Our Board of Directors has engaged an independent valuation firm to provide us with valuation assistance with respect to certain of our portfolio investments on a quarterly basis. We intend to continue to engage an independent valuation firm to provide us with assistance regarding our determination of the fair value of selected portfolio investments each quarter unless directed by the Board of Directors to cancel such valuation services. However, our Board of Directors is ultimately and solely responsible for determining the fair value of our investments in good faith.

*Income Recognition.*

Interest income is recorded on the accrual basis and is recognized as earned in accordance with the contractual terms of the loan agreement to the extent that such amounts are expected to be collected. Original Issue Discount, ("OID"), initially represents the value of detachable equity warrants obtained in conjunction with the acquisition of debt securities and is accreted into interest income over the term of the loan as a yield enhancement. When a loan becomes 90 days or more past due, or if management otherwise does not expect the portfolio company to be able to service its debt and other obligations, we will, as a general matter, place the loan on non-accrual status and cease recognizing interest income on that loan until all principal has been paid. Any uncollected interest related to prior periods is reversed from income in the period that collection of the interest receivable is determined to be doubtful. However, we may make exceptions to this policy if the investment has sufficient collateral value and is in the process of collection. As of June 30, 2010, we had three portfolio companies on non-accrual status with a fair value of approximately $58,000. There were four loans on non-accrual status with a fair value of approximately $6.0 million as of June 30, 2009.

*Paid-In-Kind and End of Term Income.*

Contractual paid-in-kind ("PIK") interest, which represents contractually deferred interest added to the loan balance that is generally due at the end of the loan term, is generally recorded on the accrual basis to the extent such amounts are expected to be collected. We will generally cease accruing PIK interest if there is insufficient value to support the accrual or we do not expect the portfolio company to be able to pay all principal and interest due. In addition, we may also be entitled to an end-of-term payment that we amortize into income over the life of the loan. To maintain our status as a RIC, PIK and end-of-term income must be paid out to stockholders in the form of dividends even though we have not yet collected the cash. Amounts necessary to pay these dividends may come from available cash or the liquidation of certain investments. For the three-month periods ended June 30, 2010 and 2009, approximately $1.8 million and $2.4 million, respectively in PIK and end of term income was recorded. There was approximately $3.5 million and $4.6 million in PIK and end of term income recorded for the six-month periods ended June 30, 2010 and 2009, respectively.

*Fee Income.*

Fee income, generally collected in advance, includes loan commitment and facility fees for due diligence and structuring, as well as fees for transaction services and management services rendered by us to portfolio companies and other third parties. Loan and commitment fees are amortized into income over the contractual life of the loan. Management fees are generally recognized as income when the services are rendered. Loan origination fees are capitalized and then amortized into interest income using the effective interest rate method. In certain loan arrangements, warrants or other equity interests are received from the borrower as additional origination fees.

*Stock-Based Compensation.*

We have issued and may, from time to time, issue additional stock options and restricted stock to employees under our 2004 Equity Incentive Plan and Board members under our 2006 Equity Incentive Plan. We follow ASC 718, formally known as FAS 123 " *Share-Based Payments* " to account for stock options granted. Under ASC 718, compensation expense associated with stock-based compensation is measured at the grant date based on the fair value of the award and is recognized.

*Federal Income Taxes.*

We intend to operate so as to qualify to be taxed as a RIC under Subchapter M of the Code and, as such, will not be subject to federal income tax on the portion of our taxable income and gains distributed to stockholders. To

qualify as a RIC, we are required to distribute at least 90% of our investment company taxable income, as defined by the Code. We are subject to a non-deductible federal excise tax if we do not distribute at least 98% of our taxable income and 98% of our capital gain net income for each one year period ending on October 31. At December 31, 2009, no excise tax was recorded. At December 31, 2008, we recorded a liability for excise tax of approximately $203,000 on income and capital gains of approximately $5.0 million which was distributed in 2009. Because federal income tax regulations differ from accounting principles generally accepted in the United States, distributions in accordance with tax regulations may differ from net investment income and realized gains recognized for financial reporting purposes. Differences may be permanent or temporary. Permanent differences are reclassified among capital accounts in the financial statement to reflect their tax character. Temporary differences arise when certain items of income, expense, gain or loss are recognized at some time in the future. Differences in classification may also result from the treatment of short-term gains as ordinary income for tax purposes.

*Subsequent Events*

The Board of Directors declared a cash dividend of $0.20 per share that will be payable on September 17, 2010 to shareholders of record as of August 12, 2010. This dividend would represent the Company's twentieth consecutive dividend declaration since its initial public offering, and will bring the total cumulative dividend declared to date to $5.61 per share.

In August 2010, Horizon Pharma, Inc., formerly Horizon Therapeutics Inc., filed a registration statement on Form S-1 with the U.S. Securities and Exchange Commission ("SEC") relating to a proposed initial public offering of shares of its common stock. All shares of the common stock to be sold in the offering will be offered by the company.

As of August 5, 2010, Hercules closed $52.0 million of commitments in the third quarter as previously announced. Additionally, Hercules has $62.2 million in pending commitments.

As of August 5, 2010, Hercules entered into approximately $367.5 million in closed and pending commitments (signed term sheets) since the beginning of the year. This breaks down as follows:

**2010 Closed Commitments and Pending Commitments (in millions)**

| | |
|---|---|
| 1st Half 2010 Closed Commitments [(a)] | $253.3 |
| Q3 Closed Debt Commitments (as of August 5, 2010) | $ 52.0 |
| **Total 2010 Closed Commitments [(b)]** | **$305.3** |
| Pending Commitments (as of August 5, 2010) [(c)] | $ 62.2 |
| **Total** | **$367.5** |

(a). 1st half 2010 closed commitments excludes $59.2 million of credit restructures and renewals
(b). Not all Closed Commitments result in future cash requirements. Commitments generally fund over the two succeeding quarters from close
(c). Not all pending commitments (signed non-binding term sheets) are expected to close and do not necessarily represent any future cash requirements

In July 2010, the NASDAQ granted Infologix's request for an extension of time to regain compliance with the $2.5 million minimum stockholders' equity requirement for continued listing on the NASDAQ Stock Market. The extension granted by the NASDAQ requires, among other things, the occurrence of certain events by August 15, 2010 and Infologix's ability to regain compliance with all the requirements for continued listing on the NASDAQ by October 18, 2010. There can be no assurances that the Company will be able to comply with this decision. Our ability to divest ourselves of our equity investments in InfoLogix is at risk if the company does not resolve the matter with the NASDAQ.

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are subject to financial market risks, including changes in interest rates. Interest rate risk is defined as the sensitivity of our current and future earnings to interest rate volatility, variability of spread relationships, the difference in re-pricing intervals between our assets and liabilities and the effect that interest rates may have on our cash flows. Changes in the general level of interest rates can affect our net investment income, which is the difference between the interest income earned on interest earning assets and our interest expense incurred in connection with our interest bearing debt and liabilities. Changes in interest rates can also affect, among other things, our ability to acquire and originate loans and securities and the value of our investment portfolio.

As of June 30, 2010, approximately 80.2% of our portfolio loans were at floating rates or floating with a floor and 19.8% of our loans were at fixed rates. Over time additional investments may be at floating rates. We may, in the future, hedge against interest rate fluctuations by using standard hedging instruments such as futures, options, and forward contracts. While hedging activities may insulate us against changes in interest rates, they may also limit our ability to participate in the benefits of lower interest rates with respect to our borrowed funds and higher interest rates with respect to our portfolio of investments. Interest rates on our borrowings are based primarily on LIBOR.

Borrowings under our SBA program are fixed at the ten year treasury rate every March and September for borrowings of the preceding six months. Borrowings under the program are charged interest based on ten year treasury rates plus a spread and the rates are generally set for a pool of debentures issued by the SBA in six-month periods. The rates of borrowings under the various draws from the SBA beginning in April 2007 and set semiannually in March and September range from 4.11% to 5.73%. In addition, the SBA charges a fee that is set annually,

depending on the Federal fiscal year the leverage commitment was delegated by the SBA, regardless of

the date that the leverage was drawn by the SBIC. The annual fee on HT II debentures that pooled on September 23, 2009 was 0.406%. The annual fees on other debentures have been set at 0.906%. Interest is payable semi-annually and there are no principal payments required on these issues prior to maturity. Debentures under the SBA generally mature ten years after being borrowed. Based on the initial draw down date of April 2007, the initial maturity of SBA debentures will occur in April 2017.

Borrowings under the Wells Facility will generally bear interest at a rate per annum equal to LIBOR plus 3.25% or PRIME plus 2.0%, but not less than 5.0%. The Wells Facility requires the payment of a non-use fee of 0.5% annually, which reduces to 0.3% on the one year anniversary of the credit facility. The Wells Facility is collateralized by debt investment in our portfolio companies, and includes an advance rate equal to 50% of eligible loans placed in the collateral pool. The Wells Facility generally requires payment of interest on a monthly basis. All outstanding principal is due upon maturity. There were no borrowings outstanding under this facility at June 30, 2010. The facility expires in August 2011.

Borrowings under the Union Bank Facility will generally bear interest at a rate per annum equal to LIBOR plus 2.25% with a floor of 4.0%, an advance rate of 50% against eligible loans, and secured by loans in the borrowing base. The Union Bank Facility requires the payment of a unused fee of 0.25% annually. The Union Bank Facility is collateralized by debt investments in our portfolio companies, and includes an advance rate equal to 50% of eligible loans placed in the collateral pool. The Union Bank generally requires payment of interest on a monthly basis. All outstanding principal is due upon maturity. There were no outstanding borrowings under this facility at June 30, 2010.

Because we currently borrow, and plan to borrow in the future, money to make investments, our net investment income is dependent upon the difference between the rate at which we borrow funds and the rate at which we invest the funds borrowed. Accordingly, there can be no assurance that a significant change in market interest rates will not have a material adverse effect on our net investment income. In periods of rising interest rates, our cost of funds would increase, which could reduce our net investment income if there is not a corresponding increase in interest income generated by floating rate assets in our investment portfolio.

## ITEM 4. CONTROLS AND PROCEDURES

### *Disclosure Controls and Procedures*

Our chief executive and chief financial officers, under the supervision and with the participation of our management, conducted an evaluation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934. As of the end of the period covered by this quarterly report on Form 10-Q, our chief executive and chief financial officers have concluded that our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and that information required to be disclosed by us in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its chief executive and chief financial officers, as appropriate to allow timely decisions regarding required disclosure.

### *Changes in Internal Control Over Financial Reporting*

There have been no other changes in our internal control over financing reporting, as defined in Rules 13a-15(f) and 15d-15(f) of the Securities Exchange Act of 1934, that occurred during the Company’s most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

## PART II: OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

At June 30, 2010, we were not a party to any legal proceedings. However, from time to time, we may be party to certain legal proceedings incidental to the normal course of our business including the enforcement of our rights under contracts with our portfolio companies. While the outcome of these legal proceedings cannot at this time be predicted with certainty, we do not expect that these proceedings will have a material effect upon our financial condition or results of operations.

### ITEM 1A. RISK FACTORS

In addition to the risks discussed below, important risk factors that could cause results or events to differ from current expectations are described in Part I, Item 1A “Risk Factors” of the Company’s Annual Report on Form 10-K for the year ended December 31, 2009.

***We are currently in a period of capital markets disruption and recession and we cannot predict whether these conditions will improve in the near future.***

Since late 2007, and particularly since mid-2008, the financial services industry and the securities markets generally have been materially and adversely affected by significant declines in the values of nearly all asset classes and by a lack of liquidity. Initially, these market conditions were triggered by declines in home prices and the values of subprime mortgages, but spread to all mortgage and real estate asset classes, to leveraged bank loans and to nearly all asset classes, including equities. During this period of disruption, the global markets were characterized by substantially increased volatility, short-selling and an overall loss of investor confidence. While recent economic indicators have shown modest improvements in the capital markets, these indicators could worsen. In the event of renewed financial turmoil affecting the banking system and financial markets, additional consolidation of the financial services industry, or significant financial service institution failures, there could be a new or incremental tightening in the credit markets, low liquidity and extreme volatility in fixed-income, credit, currency and equity markets. In addition, the risk remains that there could be a number of follow-on effects from the credit crisis on our business.

Despite the capital market disruption and recession, we continue to see a steady pace of new investments by venture capitalists. As a result of this favorable level of venture capital investment activities, we continue to experience an increase in new investment origination activities which commenced in the fourth quarter of 2009 and has continued throughout 2010, and we would expect it to continue as the venture capital community continues to accelerate its own pace of new investments. To the extent that we are able, we intend to continue to seek new investment opportunities; however, we remain cautious in our investment and credit management strategies as the pace of economic recovery continues to improve.

***Our equity ownership in a portfolio company may represent a Control Investment. Our ability to exit a debt or equity investment in a timely manner because we are in a control position or have access to inside information in the portfolio company could result in a realized loss on the investment.***

If we obtain a Control Investment in a portfolio company our ability to divest ourselves from a debt or equity investment could be restricted due to illiquidity in a private stock, limited trading volume on a public company’s stock, inside information on a company’s performance, insider blackout periods, or other factors that could prohibit us from disposing of the investment as we would if it were not a Control Investment. Additionally, we may choose not to take certain actions to protect a debt investment in a Control Investment portfolio company. As a result, we could experience a decrease in the value of our portfolio company holdings and potentially incur a realized loss on the investment.

***Our financial results could be negatively affected if a significant portfolio investment fails to perform as expected.***

Our total investment in companies may be significant individually or in the aggregate. As a result, if a significant investment in one or more companies fails to perform as expected, our financial results could be more negatively affected and the magnitude of the loss could be more significant than if we had made smaller investments in more companies. The following table shows the fair value of the totals of investments held in portfolio companies at June 30, 2010 that represent greater than 5% of net assets:

| | June 30, 2010 | |
|---|---|---|
| | | Percentage of |
| (in thousands) | Fair Value | Net Assets |
| Infologix, Inc. | $ 37,904 | 10.75% |
| Unify Corp. | 27,999 | 7.94% |
| Aveo Pharmaceuticals | 25,456 | 7.22% |
| Velocity Technology Solutions | 24,643 | 6.99% |
| Labopharm, Inc. | 20,051 | 5.69% |
| Tectura Corp. | 18,708 | 5.30% |

InfoLogix, Inc. is a provider of enterprise mobility and radio frequency identification (RFID) solutions. The Company provides these solutions to its customers by utilizing a combination of products and services, including consulting, business software applications, managed services, mobile workstations and devices, and wireless infrastructure. At June 30, 2010 we owned a controlling interest in this portfolio company.

Unify Corporation is a global provider of application development, data management and migration solutions.

Aveo Pharmaceuticals is a biopharmaceutical company dedicated to the discovery and development of new, targeted cancer therapeutics.

Velocity Technology Solutions manages, hosts, and provides systems integration services for companies that outsource enterprise software support.

Labopharm, Inc. is a specialty pharmaceutical company that, together with its subsidiaries, develops drugs using its proprietary controlled-release technologies.

Tectura Corporation is an IT services firm that specializes in Microsoft Business Solutions applications.

Our financial results could be negatively affected if these portfolio companies or any of our other significant portfolio companies encounter financial difficulty and fail to repay their obligations or to perform as expected.

***If we cannot obtain additional capital because of either regulatory or market price constraints, we could be forced to curtail or cease our new lending and Investment Company Activities, our net asset value could decrease and our level of distributions and liquidity could be affected adversely.***

As of June 30, 2010, we had no outstanding borrowings under the Wells Facility or the Union Bank Facility and $137.1 million under the SBA debenture program.

As of June 30, 2010, we have been unable to secure additional lenders under our Wells Facility. There can be no assurance that we will be successful in obtaining any additional debt capital on terms acceptable to us or at all. If we are unable to obtain debt capital, then our equity investors will not benefit from the potential for increased returns on equity resulting from leverage to the extent that our investment strategy is successful and we may be limited in our ability to make new commitments or fundings to our portfolio companies.

***The impact of recent financial reform legislation on us is uncertain.***

In light of current conditions in the U.S. and global financial markets and the U.S. and global economy, legislators, the presidential administration and regulators have increased their focus on the regulation of the financial services industry. The recently enacted Dodd-Frank Wall Street Reform and Consumer Protection Act institutes a wide range of reforms that will have an impact on all financial institutions. Many of these provisions are subject to rule making procedures and studies that will be conducted in the future. Accordingly, we cannot predict the effect the Act or its implementing regulations will have on our business, results of operations or financial condition.

***Price declines and illiquidity in the corporate debt markets could adversely affect the fair value of our portfolio investments, reducing our net asset value through increased net unrealized depreciation.***

As a BDC, we are required to carry our investments at market value or, if no market value is ascertainable, at fair market value as determined in good faith by or under the direction of our board of directors. As part of the valuation process, we may take into account the following types of factors, if relevant, in determining the fair value of our investments: the enterprise value of a portfolio company (an estimate of the total fair value of the portfolio company's debt and equity), the nature and realizable value of any collateral, the portfolio company's ability to make payments and its earnings and discounted cash flow, the markets in which the portfolio company does business, a comparison of the portfolio company's securities to publicly traded securities, changes in the interest rate environment and the credit markets generally that may affect the price at which similar investments may be made in the future and other relevant factors. When an external event such as a purchase transaction, public offering or subsequent equity sale occurs, we use the pricing indicated by the external event to corroborate our valuation. Decreases in the market values or fair values of our investments are recorded as unrealized depreciation.

The continuing unprecedented declines in prices and liquidity in the capital markets have resulted in some net unrealized depreciation in our portfolio. As of June 30, 2010, conditions in the public and private debt and equity markets had continued to deteriorate and pricing levels continued to decline. While the U.S. government has acted to restore liquidity and stability to the financial system, there can be no assurance these regulatory programs and proposals will have a long-term beneficial impact. As a result, in the future, depending on market conditions, we could incur substantial realized losses and may suffer substantial unrealized depreciation in future periods, which could have a material adverse impact on our business, financial condition and results of operations.

***If we conduct an offering of our common stock at a price below net asset value, investors are likely to incur immediate dilution upon the closing of the offering.***

At our Annual Meeting of Stockholders on June 9, 2010, our stockholders approved a proposal authorizing us to sell up to 20% of our common stock at a price below the Company's net asset value per share, subject to Board approval of the offering. If we were to issue shares at a price below net asset value, such sales would result in an immediate dilution to existing common stockholders, which would include a reduction in the net asset value per share as a result of the issuance. This dilution would also include a proportionately greater decrease in a stockholder's interest in our earnings and assets and voting interest in us than the increase in our assets resulting from such issuance.

In addition, if we determined to conduct additional offerings in the future there may be even greater discounts if we determine to conduct such offerings at prices below net asset value. As a result, investors will experience further dilution and additional discounts to the price of our common stock.

Because the number of shares of common stock that could be so issued and the timing of any issuance is not currently known, the actual dilutive effect of an offering cannot be predicted. We did not sell any of our common stocks at a price below our net asset value during six months ended June 30, 2010.

***Current levels of market volatility are high. Our common stock price has been and continues to be volatile and may decrease substantially.***

The capital and credit market have been experiencing volatility and disruption for more than 18 months. Although the U.S. government has acted to restore liquidity and stability to the financial system, there can be no assurance these regulatory programs and proposals will have a long-term beneficial impact. In some cases, the markets have produced downward pressure on stock prices and credit availability for certain issuers without regard to those issuers' underlying financial strength. If current levels of market volatility continue or worsen, there can be no assurance that we will not experience an adverse effect, which may be material, on our ability to access capital and on our business, financial condition and results of operations.

In addition, the trading price of our common stock following an offering may fluctuate substantially. The price of the common stock that will prevail in the market after an offering may be higher or lower than the price you paid and the liquidity of our common stock may be limited, in each case depending on many factors, some of which are beyond our control and may not be directly related to our operating performance. These factors include, but are not limited to, the following:

- price and volume fluctuations in the overall stock market from time to time;
- significant volatility in the market price and trading volume of securities of RICs, business development companies or other financial services companies;
- any inability to deploy or invest our capital;
- fluctuations in interest rates;
- any shortfall in revenue or net income or any increase in losses from levels expected by investors or securities analysts;
- the financial performance of specific industries in which we invest in on a recurring basis;
- announcement of strategic developments, acquisitions, and other material events by us or our competitors, or operating performance of companies comparable to us;
- changes in regulatory policies or tax guidelines with respect to RICs or business development companies;
- losing RIC status;
- actual or anticipated changes in our earnings or fluctuations in our operating results, or changes in the expectations of securities analysts;
- changes in the value of our portfolio of investments;
- realized losses in investments in our portfolio companies;
- general economic conditions and trends;
- inability to access the capital markets;
- loss of a major funded source; or
- departures of key personnel.

In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been brought against that company. Due to the potential volatility of our stock price, we may be the target of securities litigation in the future. Securities litigation could result in substantial costs and could divert management's attention and resources from our business.

## ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

We issued a total of approximately 73,000 shares of common stock under our dividend reinvestment plan during the three months ended June 30, 2010. This issuance was not subject to the registration requirements of the Securities Act of 1933. The aggregate price for the shares of common stock issued under the dividend reinvestment plan was approximately $9.73.

## ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

## ITEM 4. RESERVED

## ITEM 5. OTHER INFORMATION

Not applicable.

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## ITEM 6. EXHIBITS

| Exhibit Number | Description |
|---|---|
| 31.1 | Chief Executive Officer Certification Pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 31.2 | Chief Financial Officer Certification Pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 32.1 | Chief Executive Officer Certification pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 32.2 | Chief Financial Officer Certification pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |

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## SIGNATURES

Pursuant to the requirements of the Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

HERCULES TECHNOLOGY GROWTH CAPITAL, INC.
(Registrant)

Dated: August 9, 2010

/s/ MANUEL A. HENRIQUEZ
**Manuel A. Henriquez**
**Chairman, President, and Chief Executive Officer**

Dated: August 9, 2010

/s/ DAVID M. LUND
**David M. Lund**
**Chief Financial Officer**

## EXHIBIT INDEX

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|---|---|
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**Exhibit 31.1**

**CERTIFICATION PURSUANT TO**
**RULE 13a-14(a) and 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,**
**AS AMENDED**

I, Manuel A. Henriquez certify that:

1. I have reviewed this quarterly report on Form 10-Q of Hercules Technology Growth Capital, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

*a)* Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

*b)* Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

*c)* Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

*d)* Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

*a)* All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

*b)* Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2010

By: /s/ MANUEL A. HENRIQUEZ
**Manuel A. Henriquez**
**Chief Executive Officer**

**Exhibit 31.2**

**CERTIFICATION PURSUANT TO**
**RULE 13a-14(a) and 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,**
**AS AMENDED**

I, David M. Lund certify that:

1. I have reviewed this report on Form 10-Q of Hercules Technology Growth Capital, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

*a)* Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

*b)* Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

*c)* Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

*d)* Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2010

By: /s/ David M. Lund

**David M. Lund**
**Chief Financial Officer**

**Exhibit 32.1**

**AS ADOPTED PURSUANT TO**
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.**

In connection with the Quarterly Report on Form 10-Q for the quarter ended June 30, 2010 (the "Report") of Hercules Technology Growth Capital, Inc. (the "Registrant"), as filed with the Securities and Exchange Commission on the date hereof; I, Manuel A. Henriquez, the Chief Executive Officer of the Registrant, certify, to the best of my knowledge, that:

*1)* The Report fully complies with the requirements of the Section13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

*2)* the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date: August 9, 2010

By: /s/ M ANUEL A. H ENRIQUEZ
**Manuel A. Henriquez**
**Chief Executive Officer**

**Exhibit 32.2**

**AS ADOPTED PURSUANT TO**
**SECTION 960 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Form 10-Q for the quarter ended June 30, 2010 (the "Report") of Hercules Technology Growth Capital, Inc. (the "Registrant"), as filed with the Securities and Exchange Commission on the date hereof; I, David Lund, the Chief Financial Officer of the Registrant, certify, to the best of my knowledge, that:

*1)* The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

*2)* The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date: August 9, 2010

By: /s/ DAVID M. LUND
**David M. Lund**
**Chief Financial Officer**