

HERCULES TECHNOLOGY GROWTH CAPITAL INC  
Form 10-Q  
August 07, 2009  
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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, 2009

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number: 814-00702

**HERCULES TECHNOLOGY GROWTH  
CAPITAL, INC.**

*(Exact Name of Registrant as Specified in its Charter)*

**Maryland**  
(State or Jurisdiction of

**743113410**  
(IRS Employer

**Incorporation or Organization)**

**Identification No.)**

**400 Hamilton Ave., Suite 310 Palo Alto, California 94301**  
(Address of Principal Executive Offices)

**94301**  
(Zip Code)

**(650) 289-3060**

**(Registrant's Telephone Number, Including Area Code)**

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter periods as the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES  NO

Indicate by check mark whether the registrant 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 6, 2009, there were 35,453,486 shares outstanding of the Registrant's common stock, \$0.001 par value.

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In this Quarterly Report, the Company, Hercules, we, us and our refer to Hercules Technology Growth Capital, Inc. and its wholly owned subsidiaries and its affiliated securitization trusts unless the context otherwise requires.

**ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS**  
**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.**

**CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES**

(dollars in thousands, except per share data)

	June 30, 2009 (unaudited)	December 31, 2008
<b>Assets</b>		
Investments:		
Non-affiliate investments (cost of \$486,652 and \$583,592)	\$ 451,257	\$ 579,079
Affiliate investments (cost of \$3,467 and \$8,756)	1,133	2,222
Total investments, at value (cost of \$490,119 and \$592,348 respectively)	452,390	581,301
Deferred loan origination revenue	(4,274)	(6,871)
Cash and cash equivalents	37,367	17,242
Interest receivable	9,327	8,803
Other assets	7,085	8,197
Total assets	501,895	608,672
<b>Liabilities</b>		
Accounts payable and accrued liabilities	6,645	9,432
Short-term credit facility		89,582
Long-term credit facility	417	
Long-term SBA Debentures	130,600	127,200
Total liabilities	137,662	226,214
<b>Net assets</b>	<b>\$ 364,233</b>	<b>\$ 382,458</b>
<b>Net assets consist of:</b>		
Common stock, par value	\$ 35	\$ 33
Capital in excess of par value	407,300	395,760
Unrealized appreciation (depreciation) on investments	(37,922)	(11,297)
Accumulated realized gains (losses) on investments	(1,426)	3,906
Distributions in excess of investment income	(3,754)	(5,944)
<b>Total net assets</b>	<b>\$ 364,233</b>	<b>\$ 382,458</b>
<b>Shares of common stock outstanding (\$0.001 par value, 60,000 authorized)</b>	<b>35,452</b>	<b>33,096</b>

<b>Net asset value per share</b>	\$	10.27	\$	11.56
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See notes to consolidated financial statements (unaudited).

**Table of Contents****HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS****June 30, 2009****(unaudited)****(dollars in thousands)**

<b>Portfolio Company</b>	<b>Industry</b>	<b>Type of Investment<sup>(1)</sup></b>	<b>Principal Amount</b>	<b>Cost<sup>(2)</sup></b>	<b>Value<sup>(3)</sup></b>
Accelaron Pharmaceuticals, Inc.*	Drug Discovery	Preferred Stock Warrants		\$ 69	\$ 525
		Preferred Stock Warrants		35	76
Accelaron Pharmaceuticals, Inc.		Preferred Stock		1,243	1,450
Total Accelaron Pharmaceuticals, Inc.				1,347	2,051
Aveo Pharmaceuticals, Inc.	Drug Discovery	Senior Debt			
		Matures May 2012			
		Interest rate 11.13%	\$ 15,000	14,923	14,923
		Preferred Stock Warrants		190	291
		Preferred Stock Warrants		104	81
		Preferred Stock Warrants		24	29
Total Aveo Pharmaceuticals, Inc.				15,241	15,324
Dicerna Pharmaceuticals, Inc.	Drug Discovery	Senior Debt			
		Matures April 2012			
		Interest rate Prime + 9.20% or			
		Floor rate of 12.95%	\$ 5,000	4,799	4,799
		Preferred Stock Warrants		206	179
Total Dicerna Pharmaceuticals, Inc.				5,005	4,978
Elixir Pharmaceuticals, Inc.	Drug Discovery	Senior Debt			
		Matures October 2011			
		Interest rate Prime + 9.25% or			
		Floor rate of 12.50%	\$ 10,267	10,267	10,267
		Preferred Stock Warrants		217	109
Total Elixir Pharmaceuticals, Inc.				10,484	10,376
EpiCept Corporation	Drug Discovery	Common Stock Warrants		14	88
		Common Stock Warrants		40	253
Total EpiCept Corporation				54	341
Horizon Therapeutics, Inc.	Drug Discovery	Senior Debt	\$ 6,082	5,977	5,977

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			Matures July 2011		
			Interest rate Prime + 1.50%		
			Preferred Stock Warrants	231	237
Total Horizon Therapeutics, Inc.				6,208	6,214
Inotek Pharmaceuticals Corp.	Drug Discovery	Preferred Stock		1,500	475
Total Inotek Pharmaceuticals Corp.				1,500	475
Merrimack Pharmaceuticals, Inc.	Drug Discovery	Preferred Stock Warrants		155	338
Merrimack Pharmaceuticals, Inc.		Preferred Stock		2,000	2,787
Total Merrimack Pharmaceuticals, Inc.				2,155	3,125
Paratek Pharmaceuticals, Inc.	Drug Discovery	Preferred Stock Warrants		137	27
Paratek Pharmaceuticals, Inc.		Preferred Stock		1,000	1,000
Total Paratek Pharmaceuticals, Inc.				1,137	1,027
Portola Pharmaceuticals, Inc.	Drug Discovery	Senior Debt			
			Matures April 2011		
			Interest rate Prime + 2.16%	\$ 9,166	9,167
			Preferred Stock Warrants	152	319
Total Portola Pharmaceuticals, Inc.				9,319	9,486
Recoly, N.V. <sup>(5)</sup>	Drug Discovery	Senior Debt			
			Matures June 2012		
			Interest rate Prime + 4.25%	\$ 3,000	3,000
Total Recoly, N.V.				3,000	3,000
<b>Total Drug Discovery (15.48%)</b>				<b>55,450</b>	<b>56,397</b>
Affinity Videonet, Inc. <sup>(4)</sup>	Communications & Networking	Senior Debt			
			Matures June 2012		
			Interest rate Prime + 8.75%	\$ 2,318	2,281
			Senior Debt		
			Matures June 2012		
			Interest rate Prime + 4.75%	\$ 2,000	2,032
			Revolving Line of Credit		
			Matures June 2012		
			Interest rate Prime + 9.75% or		
			Floor rate of 13.00%	\$ 500	500
			Preferred Stock Warrants	102	96
Total Affinity Videonet, Inc.				4,915	4,909

See notes to consolidated financial statements (unaudited).





**Table of Contents****HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)****June 30, 2009****(unaudited)****(dollars in thousands)**

<b>Portfolio Company</b>	<b>Industry</b>	<b>Type of Investment<sup>(1)</sup></b>	<b>Principal Amount</b>	<b>Cost<sup>(2)</sup></b>	<b>Value<sup>(3)</sup></b>
E-band Communications, Inc. <sup>(6)</sup>	Communications & Networking	Preferred Stock		\$ 2,372	\$ 1,003
Total E-Band Communications, Inc.				2,372	1,003
IKANO Communications, Inc.	Communications & Networking	Senior Debt			
		Matures August 2011			
		Interest rate 12.00%	\$ 9,137	9,137	9,137
		Preferred Stock Warrants		45	
		Preferred Stock Warrants		72	
Total IKANO Communications, Inc.				9,254	9,137
Neonova Holding Company	Communications & Networking	Senior Debt			
		Matures September 2012			
		Interest rate Prime + 3.25% or			
		Floor rate of 10.50%	\$ 8,135	8,083	8,083
		Preferred Stock Warrants		94	45
Neonova Holding Company		Preferred Stock		250	247
Total Neonova Holding Company				8,427	8,375
Peerless Network, Inc. <sup>(4)(6)</sup>	Communications & Networking	Preferred Stock Warrants		95	
Peerless Network, Inc.		Preferred Stock		1,000	130
Total Peerless Network, Inc.				1,095	130
Ping Identity Corporation	Communications & Networking	Preferred Stock Warrants		52	175
Total Ping Identity Corporation				52	175
Purcell Systems, Inc.	Communications & Networking	Preferred Stock Warrants		123	433
Total Purcell Systems, Inc.				123	433
Rivulet Communications, Inc. <sup>(4)</sup>	Communications & Networking	Senior Debt	\$ 1,867	1,808	1,808
		Matures March 2010			

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Interest rate Prime + 8.00% or

Floor rate of 12.00%

Rivulet Communications, Inc.		Preferred Stock Warrants		146	97
		Preferred Stock		250	58
Total Rivulet Communications, Inc.				2,204	1,963
Seven Networks, Inc.	Communications & Networking	Preferred Stock Warrants		174	10
Total Seven Networks, Inc.				174	10
Stoke, Inc.	Communications & Networking	Senior Debt			
		Matures August 2010			
		Interest rate 10.55%	\$ 411	392	392
		Senior Debt			
		Matures August 2010			
		Interest rate 10.05%	\$ 821	821	821
		Senior Debt			
		Matures August 2010			
		Interest rate 7.30%	\$ 675	675	675
		Preferred Stock Warrants		53	76
Total Stoke, Inc.				1,941	1,964
Tectura Corporation	Communications & Networking	Revolving Line of Credit			
		Matures July 2011			
		Interest rate Prime + 10.75% or			
		Floor rate of 14.00%	\$ 11,908	11,965	11,965
		Revolving Line of Credit			
		Matures July 2011			
		Interest rate Prime + 10.75% or			
		Floor rate of 14.00%	\$ 5,500	5,526	5,526
		Preferred Stock Warrants		51	38
Total Tectura Corporation				17,542	17,529
Wireless Channels, Inc. <sup>(4)(7)</sup>	Communications & Networking	Senior Debt			
		Matures April 2010			
		Interest rate Prime + 4.25%	\$ 9,822	10,319	3,319

See notes to consolidated financial statements (unaudited).

**Table of Contents****HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)****June 30, 2009****(unaudited)****(dollars in thousands)**

<b>Portfolio Company</b>	<b>Industry</b>	<b>Type of Investment<sup>(1)</sup></b>	<b>Principal Amount</b>	<b>Cost<sup>(2)</sup></b>	<b>Value<sup>(3)</sup></b>
		Senior Debt			
		Matures April 2010			
		Interest rate Prime + 0.50%	\$ 426	\$ 426	\$ 426
		Preferred Stock Warrants		155	
Total Wireless Channels, Inc.				10,900	3,745
Zayo Bandwidth, Inc.	Communications & Networking	Senior Debt			
		Matures November 2013			
		Interest rate Libor + 5.25%	\$ 24,875	24,875	24,440
Total Zayo Bandwidth, Inc.				24,875	24,440
<b>Total Communications &amp; Networking (20.27%)</b>				<b>83,874</b>	<b>73,813</b>
Atrenta, Inc. <sup>(4)</sup>	Software	Preferred Stock Warrants		102	438
		Preferred Stock Warrants		34	144
		Preferred Stock Warrants		95	216
Atrenta, Inc.		Preferred Stock		250	375
Total Atrenta, Inc.				481	1,173
Blurb, Inc.	Software	Senior Debt			
		Matures January 2010			
		Interest rate 9.55%	\$ 780	775	775
		Senior Debt			
		Matures June 2011			
		Interest rate Prime + 3.50% or			
		Floor rate of 8.50%	\$ 4,345	4,181	4,181
		Preferred Stock Warrants		25	131
		Preferred Stock Warrants		299	81
Total Blurb, Inc.				5,280	5,168
Braxton Technologies, LLC. <sup>(4)</sup>	Software	Senior Debt	\$ 6,996	7,015	7,015

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		Matures July 2012			
		Interest rate Prime + 6.00% or			
		Floor rate of 13.00%			
		Preferred Stock Warrants	188	171	
Total Braxton Technologies, LLC.			7,203	7,186	
Bullhorn, Inc.	Software	Preferred Stock Warrants	43	254	
Total Bullhorn, Inc.			43	254	
Clickfox, Inc.	Software	Senior Debt			
		Matures September 2011			
		Interest rate Prime + 5.00% or			
		Floor rate of 10.25%	\$ 4,703	4,590	4,590
		Revolving Line of Credit			
		Matures July 2009			
		Interest rate Prime + 4.00% or			
		Floor rate of 9.25%	\$ 2,000	2,000	2,000
		Preferred Stock Warrants		163	137
Total Clickfox, Inc.			6,753	6,727	
Forescout Technologies, Inc.	Software	Preferred Stock Warrants	99	125	
Total Forescout Technologies, Inc.			99	125	
GameLogic, Inc.	Software	Preferred Stock Warrants	92	1	
Total GameLogic, Inc.			92	1	
Gomez, Inc.	Software	Preferred Stock Warrants	35	408	
Total Gomez, Inc.			35	408	
HighJump Acquisition, LLC.	Software	Senior Debt			
		Matures May 2013			
		Interest rate Libor + 8.75% or			
		Floor rate of 12.00%	\$ 15,000	15,000	15,000
Total HighJump Acquisition, LLC.			15,000	15,000	
HighRoads, Inc.	Software	Preferred Stock Warrants	44	39	
Total HighRoads, Inc.			44	39	
Infologix, Inc. <sup>(4)</sup>	Software	Senior Debt			
		Matures May 2012			
		Interest rate Prime + 10.75% or			
		Floor rate of 15.75%	\$ 11,400	11,512	11,512

Revolving Line of Credit

Matures January 2010

Interest rate Prime + 9.75% or

Floor rate of 14.25% \$ 9,000 9,000 9,000

See notes to consolidated financial statements (unaudited).

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**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.**  
**CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)**

**June 30, 2009**

**(unaudited)**

**(dollars in thousands)**

Portfolio Company	Industry	Type of Investment <sup>(1)</sup>	Principal Amount	Cost <sup>(2)</sup>	Value <sup>(3)</sup>
		Common Stock Warrants		\$ 36	\$ 113
Total Infologix, Inc.				20,548	20,625
Intelliden, Inc.	Software	Preferred Stock Warrants		18	
Total Intelliden, Inc.				18	
PSS Systems, Inc.	Software	Preferred Stock Warrants		51	101
Total PSS Systems, Inc.				51	101
Rockyou, Inc.	Software	Senior Debt			
		Matures May 2011			
		Interest rate Prime + 2.50% or			
		Floor rate of 8.50%	\$ 2,235	2,186	2,186
		Preferred Stock Warrants		117	92
Total Rockyou, Inc.				2,303	2,278
Savvion, Inc. <sup>(4)</sup>	Software	Senior Debt			
		Matures February 2011			
		Interest rate Prime + 7.75% or			
		Floor rate of 10.75%	\$ 2,950	2,898	2,898
		Revolving Line of Credit			
		Matures May 2010			
		Interest rate Prime + 6.75% or			
		Floor rate of 9.75%	\$ 1,500	1,500	1,500
		Preferred Stock Warrants		52	162
Total Savvion, Inc.				4,450	4,560
Sportvision, Inc.	Software	Preferred Stock Warrants		39	72
Total Sportvision, Inc.				39	72

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WildTangent, Inc.	Software	Preferred Stock Warrants		238	40
Total WildTangent, Inc.				238	40
<b>Total Software (17.50%)</b>				<b>62,677</b>	<b>63,757</b>
Luminus Devices, Inc.	Electronics & Computer Hardware	Senior Debt			
		Matures September 2011			
		Interest rate 12.875%	\$ 11,796	11,810	11,810
		Preferred Stock Warrants		183	
		Preferred Stock Warrants		84	1
		Preferred Stock Warrants		334	11
Total Luminus Devices, Inc.				12,411	11,822
Maxvision Holding, LLC.	Electronics & Computer Hardware	Senior Debt			
		Matures October 2012			
		Interest rate Prime + 5.50%	\$ 5,000	5,167	5,167
		Senior Debt			
		Matures April 2012			
		Interest rate Prime + 2.25%	\$ 4,742	4,770	4,770
Maxvision Holding, LLC.(4)		Common Stock		82	283
Total Maxvision Holding, LLC				10,019	10,220
Shocking Technologies, Inc.	Electronics & Computer Hardware	Senior Debt			
		Matures December 2010			
		Interest rate 9.75%	\$ 173	154	154
		Senior Debt			
		Matures December 2010			
		Interest rate 7.50%	\$ 2,571	2,571	2,571
		Preferred Stock Warrants		63	48
Total Shocking Technologies, Inc.				2,788	2,773
SiCortex, Inc.(7)	Electronics & Computer Hardware	Senior Debt			
		Matures December 2010			
		Interest rate Prime + 2.70%	\$ 5,106	5,041	300
		Preferred Stock Warrants		164	
Total SiCortex, Inc.				5,205	300
Spatial Photonics, Inc.	Electronics & Computer Hardware	Senior Debt			
		Matures April 2011			
		Interest rate 10.066%	\$ 2,614	2,569	2,569
		Senior Debt	\$ 261	261	261
		Mature April 2011			

Interest rate 9.217%

See notes to consolidated financial statements (unaudited).



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<b>Portfolio Company</b>	<b>Industry</b>	<b>Type of Investment<sup>(1)</sup></b>	<b>Principal Amount</b>	<b>Cost<sup>(2)</sup></b>	<b>Value<sup>(3)</sup></b>
Spatial Photonics, Inc.		Preferred Stock Warrants		\$ 130	\$ 495
		Preferred Stock		500	
<b>Total Spatial Photonics Inc.</b>				<b>3,460</b>	<b>3,325</b>
VeriWave, Inc.	Electronics & Computer Hardware	Senior Debt			
		Matures May 2010			
		Interest rate 10.75%	\$ 1,694	1,680	1,680
		Preferred Stock Warrants		54	95
		Preferred Stock Warrants		45	34
<b>Total VeriWave, Inc.</b>				<b>1,779</b>	<b>1,809</b>
<b>Total Electronics &amp; Computer Hardware (8.30%)</b>				<b>35,662</b>	<b>30,249</b>
Aegerion Pharmaceuticals, Inc. <sup>(4)</sup>	Specialty Pharmaceuticals	Senior Debt			
		Matures September 2011			
		Interest rate Prime + 2.50% or			
		Floor rate of 9.55%	\$ 6,859	6,859	6,859
		Convertible Senior Debt			
		Matures December 2009	\$ 178	178	178
		Preferred Stock Warrants		70	142
Aegerion Pharmaceuticals, Inc. <sup>(4)</sup>		Preferred Stock		1,000	1,366
<b>Total Aegerion Pharmaceuticals, Inc.</b>				<b>8,107</b>	<b>8,545</b>
Panacos Pharmaceuticals, Inc.	Specialty Pharmaceuticals	Common Stock Warrants		876	2
Panacos Pharmaceuticals, Inc.		Common Stock		410	8
<b>Total Panacos Pharmaceuticals, Inc.</b>				<b>1,286</b>	<b>10</b>
Quatrx Pharmaceuticals Company	Specialty Pharmaceuticals	Senior Debt	\$ 17,965	17,792	12,792
		Matures October 2011			
		Interest rate Prime + 8.90% or			

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		Floor rate of 12.15%			
		Convertible Senior Debt			
		Matures March 2010	\$ 82	82	82
		Convertible Senior Debt			
		Matures March 2010	\$ 924	924	924
		Preferred Stock Warrants		220	
		Preferred Stock Warrants		308	
Quatrx Pharmaceuticals Company		Preferred Stock		750	
<b>Total Quatrx Pharmaceuticals Company</b>				<b>20,076</b>	<b>13,798</b>
<b>Total Specialty Pharmaceuticals (6.14%)</b>				<b>29,469</b>	<b>22,353</b>
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	5,943	5,943
		Preferred Stock Warrants		321	194
<b>Total Annie s, Inc.</b>				<b>6,264</b>	<b>6,137</b>
IPA Holdings, LLC. <sup>(4)</sup>	Consumer & Business Products	Senior Debt			
		Matures November 2012			
		Interest rate Prime + 8.25% or			
		Floor rate of 12.50%	\$ 10,000	10,009	10,009
		Senior Debt			
		Matures May 2013			
		Interest rate Prime + 11.25% or			
		Floor rate of 15.50%	\$ 6,500	6,403	6,403
		Revolving Line of Credit			
		Matures November 2012			
		Interest rate Prime + 7.75% or			
		Floor rate of 12.00%	\$ 506	506	506
		Preferred Stock Warrants		275	22
IPA Holding, LLC.		Common Stock		500	120
<b>Total IPA Holding, LLC.</b>				<b>17,693</b>	<b>17,060</b>
Market Force Information, Inc.	Consumer & Business Products	Preferred Stock Warrants		24	
Market Force Information, Inc.		Preferred Stock		500	500
<b>Total Market Force Information, Inc.</b>				<b>524</b>	<b>500</b>
		See notes to consolidated financial statements (unaudited).			

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**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.**  
**CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)**

**June 30, 2009**

**(unaudited)**

**(dollars in thousands)**

Portfolio Company	Industry	Type of Investment <sup>(1)</sup>	Principal Amount	Cost <sup>(2)</sup>	Value <sup>(3)</sup>
OnTech Operations, Inc.	Consumer & Business Products	Senior Debt			
		Matures December 2009			
		Interest rate 16.00%	\$ 106	\$ 106	\$
		Preferred Stock Warrants		452	
		Preferred Stock Warrants		219	
OnTech Operations, Inc.		Preferred Stock		1,000	
<b>Total OnTech Operations, Inc.</b>				<b>1,777</b>	
Wageworks, Inc.	Consumer & Business Products	Preferred Stock Warrants		252	1,470
Wageworks, Inc.		Preferred Stock		250	369
<b>Total Wageworks, Inc.</b>				<b>502</b>	<b>1,839</b>
<b>Total Consumer &amp; Business Products (7.01%)</b>				<b>26,760</b>	<b>25,536</b>
Custom One Design, Inc.	Semiconductors	Senior Debt			
		Matures September 2010			
		Interest rate 11.50%	\$ 551	544	544
		Common Stock Warrants		18	
<b>Total Custom One Design, Inc.</b>				<b>562</b>	<b>544</b>
Enpirion, Inc.	Semiconductors	Senior Debt			
		Matures August 2011			
		Interest rate Prime + 2.00% or			
		Floor rate of 7.625%	\$ 6,554	6,487	6,487
		Preferred Stock Warrants		157	6
<b>Total Enpirion, Inc.</b>				<b>6,644</b>	<b>6,493</b>
iWatt Inc.	Semiconductors	Preferred Stock Warrants		46	2
		Preferred Stock Warrants		51	52
		Preferred Stock Warrants		73	66
		Preferred Stock Warrants		458	448
iWatt Inc.		Preferred Stock		490	950

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Total iWatt Inc.				1,118	1,518
NEXX Systems, Inc. <sup>(4)</sup>	Semiconductors	Senior Debt			
		Matures March 2010			
		Interest rate Prime + 3.50% or			
		Floor rate of 11.25%	\$ 1,640	1,604	1,604
		Revolving Line of Credit			
		Matures December 2009			
		Interest rate Prime + 3.00% or			
		Floor rate of 11.25%	\$ 4,150	4,150	4,150
		Preferred Stock Warrants		165	349
Total NEXX Systems, Inc.				5,919	6,103
Quartics, Inc.	Semiconductors	Senior Debt			
		Matures May 2010			
		Interest rate 10.00%	\$ 305	286	286
		Preferred Stock Warrants		53	
Total Quartics, Inc.				339	286
Solarflare Communications, Inc. <sup>(4)</sup>	Semiconductors	Senior Debt			
		Matures August 2010			
		Interest rate 11.75%	\$ 334	304	304
		Preferred Stock Warrants		83	
Solarflare Communications, Inc.		Common Stock		641	3
Total Solarflare Communications, Inc.				1,028	307
<b>Total Semiconductors (4.19%)</b>				<b>15,610</b>	<b>15,251</b>
Labopharm USA, Inc. <sup>(5)</sup>	Drug Delivery	Senior Debt			
		Matures June 2012			
		Interest rate 10.95%	\$ 20,000	19,634	19,634
		Common Stock Warrants		849	1,755
Total Labopharm USA, Inc.				20,483	21,389
Transcept Pharmaceuticals, Inc.	Drug Delivery	Common Stock Warrants		36	25
		Common Stock Warrants		51	19
Transcept Pharmaceuticals, Inc.		Common Stock		500	215
Total Transcept Pharmaceuticals, Inc.				587	259
<b>Total Drug Delivery (5.95%)</b>				<b>21,070</b>	<b>21,648</b>
BARRX Medical, Inc.	Therapeutic	Senior Debt			
		Mature December 2011			
		Interest rate 11.00%	\$ 6,667	6,655	6,655

See notes to consolidated financial statements (unaudited).

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**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.**  
**CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)**

**June 30, 2009**

**(unaudited)**

**(dollars in thousands)**

Portfolio Company	Industry	Type of Investment <sup>(1)</sup>	Principal Amount	Cost <sup>(2)</sup>	Value <sup>(3)</sup>
		Revolving Line of Credit			
		Matures May 2010			
		Interest rate 10.00% or			
		Floor rate of 8.75%	\$ 1,000	\$ 1,000	\$ 1,000
BARRX Medical, Inc.		Preferred Stock Warrants		76	107
		Preferred Stock		1,500	2,130
Total BARRX Medical, Inc.				9,231	9,892
EKOS Corporation	Therapeutic	Senior Debt			
		Matures November 2010			
		Interest rate Prime + 2.00%	\$ 4,083	3,988	3,988
		Preferred Stock Warrants		175	41
		Preferred Stock Warrants		153	20
Total EKOS Corporation				4,316	4,049
Gelesis, Inc.	Therapeutic	Senior Debt			
		Matures May 2012			
		Interest rate Prime + 5.65% or			
		Floor rate of 10.75%	\$ 3,000	2,955	2,955
		Preferred Stock Warrants		57	33
Total Gelesis, Inc.				3,012	2,988
Gynesonics, Inc.	Therapeutic	Preferred Stock Warrants		17	245
Gynesonics, Inc.		Preferred Stock		250	594
Total Gynesonics, Inc.				267	839
Light Science Oncology, Inc.	Therapeutic	Preferred Stock Warrants		99	18
Total Light Science Oncology, Inc.				99	18
Novasys Medical, Inc. <sup>(4)</sup>	Therapeutic	Senior Debt	\$ 1,991	1,984	1,984

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		Matures February 2010			
		Interest rate 9.70%			
		Preferred Stock Warrants	71	153	
Novasys Medical, Inc.		Preferred Stock Warrants	54	51	
		Preferred Stock	555	683	
<b>Total Novasys Medical, Inc.</b>			<b>2,664</b>	<b>2,871</b>	
Power Medical Interventions, Inc.	Therapeutic	Common Stock Warrants	21	2	
<b>Total Power Medical Interventions, Inc.</b>			<b>21</b>	<b>2</b>	
<b>Total Therapeutic (5.67%)</b>			<b>19,610</b>	<b>20,659</b>	
Cozi Group, Inc.	Internet Consumer & Business Services				
		Preferred Stock Warrants	147		
Cozi Group, Inc.		Preferred Stock	177	7	
<b>Total Cozi Group, Inc.</b>			<b>324</b>	<b>7</b>	
Invoke Solutions, Inc.	Internet Consumer & Business Services	Senior Debt			
		Matures November 2009			
		Interest rate Prime + 3.75%	\$ 334	346	346
		Preferred Stock Warrants		56	14
		Preferred Stock Warrants		26	164
<b>Total Invoke Solutions, Inc.</b>			<b>428</b>	<b>524</b>	
Prism Education Group Inc.	Internet Consumer & Business Services	Senior Debt			
		Matures December 2010			
		Interest rate 11.25%	\$ 1,168	1,151	1,151
		Preferred Stock Warrants		43	117
<b>Total Prism Education Group Inc.</b>			<b>1,194</b>	<b>1,268</b>	
RazorGator Interactive Group, Inc. <sup>(4)</sup>	Internet Consumer & Business Services	Revolving Line of Credit			
		Matures May 2010			
		Interest rate Prime + 6.00% or			
		Floor rate of 12.00%	\$ 3,000	3,000	3,000
		Preferred Stock Warrants		13	999
		Preferred Stock Warrants		28	127
RazorGator Interactive Group, Inc.		Preferred Stock		1,000	2,240
<b>Total RazorGator Interactive Group, Inc.</b>			<b>4,041</b>	<b>6,366</b>	
Serious USA, Inc. <sup>(7)</sup>	Internet Consumer & Business Services	Senior Debt			
		Matures February 2011			
		Interest rate 14.00% or			
		Floor rate of 14.00%	\$ 2,318	2,278	778
		Preferred Stock Warrants		94	
<b>Total Serious USA, Inc.</b>			<b>2,372</b>	<b>778</b>	

See notes to consolidated financial statements (unaudited).



**Table of Contents****HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)****June 30, 2009****(unaudited)****(dollars in thousands)**

<b>Portfolio Company</b>	<b>Industry</b>	<b>Type of Investment<sup>(1)</sup></b>	<b>Principal Amount</b>	<b>Cost<sup>(2)</sup></b>	<b>Value<sup>(3)</sup></b>
Spa Chakra, Inc.	Internet Consumer & Business Services	Senior Debt Matures June 2010 Interest rate 14.45%	\$ 10,000	\$ 10,041	\$ 10,041
Total Spa Chakra, Inc.				10,041	10,041
<b>Total Internet Consumer &amp; Business Services (5.21%)</b>				<b>18,400</b>	<b>18,984</b>
Lilliputian Systems, Inc.	Energy	Preferred Stock Warrants Common Stock Warrants		106 49	127
Total Lilliputian Systems, Inc.				155	127
<b>Total Energy (0.03%)</b>				<b>155</b>	<b>127</b>
Active Response Group, Inc. <sup>(7)</sup>	Information Services	Senior Debt Matures July 2011 Interest rate LIBOR + 12.55% Revolving Line of Credit Matures December 2009 Interest rate Prime + 14.00% or Floor rate of 18.00%	\$ 6,158	6,131	861
			\$ 3,500	3,500	362
				92	
				46	
Active Response Group, Inc.		Common Stock		105	
Total Active Response Group, Inc.				9,874	1,223
Box.net, Inc.	Information Services	Senior Debt Matures May 2011 Interest rate Prime + 1.50%	\$ 894	862	862
		Senior Debt Matures September 2011	\$ 363	363	363

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		Interest rate Prime + 0.50%			
		Preferred Stock Warrants		73	55
Total Box.net, Inc.				1,298	1,280
Buzznet, Inc.	Information Services	Preferred Stock Warrants		9	
Buzznet, Inc.		Preferred Stock		250	74
Total Buzznet, Inc.				259	74
hi5 Networkss, Inc.	Information Services	Senior Debt			
		Matures December 2010			
		Interest rate Prime + 2.5%	\$ 2,033	2,033	2,033
		Senior Debt			
		Matures June 2011			
		Interest rate Prime + 0.5%	\$ 4,729	4,653	4,653
		Preferred Stock Warrants		213	
Total hi5 Networks, Inc.				6,899	6,686
Jab Wireless, Inc.	Information Services	Senior Debt			
		Matures November 2012			
		Interest rate Prime + 3.50% or			
		Floor rate of 9.50%	\$ 14,988	14,950	14,950
		Preferred Stock Warrants		265	188
Total Jab Wireless, Inc.				15,215	15,138
Solutionary, Inc.	Information Services	Senior Debt			
		Matures June 2010			
		Interest rate LIBOR + 5.00% or			
		Floor rate of 12.00%	\$ 3,151	3,389	3,389
		Revolving Line of Credit			
		Matures June 2010			
		Interest rate LIBOR + 5.00% or			
		Floor rate of 12.00%	\$ 1,500	1,575	1,575
		Preferred Stock Warrants		94	113
Solutionary, Inc.		Preferred Stock Warrants		2	3
		Preferred Stock		250	236
Total Solutionary, Inc.				5,310	5,316
Ancestry.com, Inc.(The Generation Networks, Inc.)	Information Services	Senior Debt			
		Matures December 2012			
		Interest rate 7.42%	\$ 5,221	5,221	5,130
The Generation Networks, Inc.		Common Stock		500	431

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Total The Generation Networks, Inc.		5,721	5,561
Good Technologies, Inc. (Visto Corporation)	Common Stock	603	603
Total Visto Corporation		603	603

See notes to consolidated financial statements (unaudited).

**Table of Contents****HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)****June 30, 2009****(unaudited)****(dollars in thousands)**

<b>Portfolio Company</b>	<b>Industry</b>	<b>Type of Investment<sup>(1)</sup></b>	<b>Principal Amount</b>	<b>Cost<sup>(2)</sup></b>	<b>Value<sup>(3)</sup></b>
Coveroo, Inc.	Information Services	Senior Debt			
		Matures July 2010			
		Interest rate Prime + 9.75%	\$ 110	\$ 108	\$
		Preferred Stock Warrants		7	
<b>Total Coveroo, Inc.</b>				<b>115</b>	
Zeta Interactive Corporation	Information Services	Senior Debt			
		Matures November 2012			
		Interest rate 9.50%	\$ 5,439	5,375	5,375
		Senior Debt			
		Matures November 2012			
		Interest rate 10.50%	\$ 7,396	7,486	7,486
		Preferred Stock Warrants		173	
Zeta Interactive Corporation		Preferred Stock		500	405
<b>Total Zeta Interactive Corporation</b>				<b>13,534</b>	<b>13,266</b>
<b>Total Information Services (13.50%)</b>				<b>58,828</b>	<b>49,147</b>
Novadaq Technologies, Inc.	Diagnostic	Common Stock		1,606	564
<b>Total Novadaq Technologies, Inc.</b>				<b>1,606</b>	<b>564</b>
Optiscan Biomedical, Corp.	Diagnostic	Senior Debt			
		Matures June 2011			
		Interest rate 10.25%	\$ 10,000	9,678	9,678
		Preferred Stock Warrants		760	299
Optiscan Biomedical, Corp.		Preferred Stock		3,000	3,000
<b>Total Optiscan Biomedical, Corp.</b>				<b>13,438</b>	<b>12,977</b>
<b>Total Diagnostic (3.72%)</b>				<b>15,044</b>	<b>13,541</b>
Kamada, LTD. <sup>(5)</sup>	Biotechnology Tools	Senior Debt	\$ 19,500	18,991	18,991

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		Matures February 2012			
		Interest rate 10.60%			
Kamada, LTD.		Common Stock Warrants		412	404
		Common Stock		500	674
Total Kamada, LTD.				19,903	20,069
NuGEN Technologies, Inc.	Biotechnology Tools	Senior Debt			
		Matures November 2010			
		Interest rate Prime + 3.45%	\$ 1,178	1,166	1,166
		Senior Debt			
		Matures November 2010			
		Interest rate Prime + 1.70%	\$ 671	671	671
		Preferred Stock Warrants		45	159
		Preferred Stock Warrants		33	13
NuGEN Technologies, Inc.		Preferred Stock		500	239
Total NuGEN Technologies, Inc.				2,415	2,248
Solace Pharmaceuticals, Inc. <sup>(4)</sup>	Biotechnology Tools	Senior Debt			
		Matures August 2012			
		Interest rate Prime + 4.25% or			
		Floor rate of 9.85%	\$ 5,000	4,916	4,916
		Preferred Stock Warrants		42	46
		Preferred Stock Warrants		55	50
Total Solace Pharmaceuticals, Inc.				5,013	5,012
<b>Total Biotechnology Tools (7.50%)</b>				<b>27,331</b>	<b>27,329</b>
Crux Biomedical, Inc.	Surgical Devices	Preferred Stock Warrants		37	
Crux Biomedical, Inc.		Preferred Stock		250	26
Total Crux Biomedical, Inc.				287	26
Transmedics, Inc. <sup>(4)</sup>	Surgical Devices	Senior Debt			
		Matures December 2011			
		Interest rate Prime + 5.25%	\$ 9,475	9,344	2,344
		Preferred Stock Warrants		225	
Total Transmedics, Inc.				9,569	2,344
<b>Total Surgical Devices (0.65%)</b>				<b>9,856</b>	<b>2,370</b>
Glam Media, Inc.	Media/Content/Info	Preferred Stock Warrants		482	283
Total Glam Media, Inc.				482	283
Waterfront Media Inc. <sup>(4)</sup>	Media/Content/Info	Senior Debt			
		Matures September 2010			
		Interest rate Prime + 3.00%	\$ 1,795	1,781	1,781

See notes to consolidated financial statements (unaudited).

**Table of Contents****HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)****June 30, 2009****(dollars in thousands)**

<b>Portfolio Company</b>	<b>Industry</b>	<b>Type of Investment<sup>(1)</sup></b>	<b>Principal Amount</b>	<b>Cost<sup>(2)</sup></b>	<b>Value<sup>(3)</sup></b>
		Revolving Line of Credit			
		Matures October 2009			
		Interest rate Prime + 3.75% or			
		Floor rate of 10.50%	\$ 7,000	\$ 7,000	\$ 7,000
		Preferred Stock Warrants		60	509
Waterfront Media Inc.		Preferred Stock		1,000	1,656
Total Waterfront Media Inc.				9,841	10,946
<b>Total Media/Content/Info (3.08%)</b>				10,323	11,229
Total Investments (124.20%)				490,119	452,390

\* 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 \$12,056, \$51,654 and \$39,598, respectively. The tax cost of investments is \$490,749.

(3) Except for warrants in six publicly traded companies and common stock in four publicly traded companies, all investments are restricted at June 30, 2009 and were valued at fair value as determined in good faith by the Board of Directors. 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 at least 5% but not more than 25% of the voting securities of the company. All other investments are less than 5% owned.

(7) Debt is on non-accrual status at June 30, 2009, and is therefore considered non-income producing.

See notes to consolidated financial statements (unaudited).

**Table of Contents****HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS****December 31, 2008****(dollars in thousands)**

<b>Portfolio Company</b>	<b>Industry</b>	<b>Type of Investment<sup>(1)</sup></b>	<b>Principal Amount</b>	<b>Cost<sup>(2)</sup></b>	<b>Value<sup>(3)</sup></b>
Acceleron Pharmaceuticals, Inc. (0.64%)* <sup>(4)</sup>	Drug Discovery	Senior Debt			
		Matures January 2010			
		Interest rate 10.25%	\$ 1,753	\$ 1,728	\$ 1,728
Acceleron Pharmaceuticals, Inc. (0.35%)		Preferred Stock Warrants		69	596
		Preferred Stock Warrants		35	116
		Preferred Stock		1,243	1,354
<b>Total Acceleron Pharmaceuticals, Inc.</b>				<b>3,075</b>	<b>3,794</b>
Aveo Pharmaceuticals, Inc. (3.99%) <sup>(4)</sup>	Drug Discovery	Senior Debt			
		Matures November 2011			
		Interest rate 11.13%	\$ 15,000	14,904	14,904
		Preferred Stock Warrants		190	257
		Preferred Stock Warrants		104	83
		Preferred Stock Warrants		24	28
<b>Total Aveo Pharmaceuticals, Inc.</b>				<b>15,222</b>	<b>15,272</b>
Elixir Pharmaceuticals, Inc. (2.91%) <sup>(4)</sup>	Drug Discovery	Senior Debt			
		Matures December 2010			
		Interest rate Prime + 4.50%	\$ 11,000	11,000	11,000
		Preferred Stock Warrants		217	116
<b>Total Elixir Pharmaceuticals, Inc.</b>				<b>11,217</b>	<b>11,116</b>
EpiCept Corporation (0.33%) <sup>(4)</sup>	Drug Discovery	Senior Debt			
		Matures April 2009			
		Interest rate 15.00%	\$ 8	8	8
		Common Stock Warrants		161	992
		Common Stock Warrants		40	250
<b>Total EpiCept Corporation</b>				<b>209</b>	<b>1,250</b>
Horizon Therapeutics, Inc. (1.92%) <sup>(4)</sup>	Drug Discovery	Senior Debt			
		Matures July 2011			
		Interest rate Prime + 1.50%	\$ 7,200	7,042	7,042
		Preferred Stock Warrants		231	281
<b>Total Horizon Therapeutics, Inc.</b>				<b>7,273</b>	<b>7,323</b>
Inotek Pharmaceuticals Corp. (0.30%)	Drug Discovery	Preferred Stock		1,500	1,144
<b>Total Inotek Pharmaceuticals Corp.</b>				<b>1,500</b>	<b>1,144</b>
Memory Pharmaceuticals Corp. (2.87%) <sup>(4)</sup>	Drug Discovery	Senior Debt			
		Matures December 2010			
		Interest rate 11.45%	\$ 11,879	10,979	10,979
		Common Stock Warrants		1,751	
<b>Total Memory Pharmaceuticals Corp.</b>				<b>12,730</b>	<b>10,979</b>



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Merrimack Pharmaceuticals, Inc. (0.19%) <sup>(4)</sup>	Drug Discovery	Preferred Stock Warrants	155	743
Merrimack Pharmaceuticals, Inc. (0.68%)		Preferred Stock	2,000	2,610
Total Merrimack Pharmaceuticals, Inc.			2,155	3,353
Paratek Pharmaceuticals, Inc. (0.04%) <sup>(4)</sup>	Drug Discovery	Preferred Stock Warrants	137	164
Paratek Pharmaceuticals, Inc. (0.24%)		Preferred Stock	1,000	926
Total Paratek Pharmaceuticals, Inc.			1,137	1,090
Portola Pharmaceuticals, Inc. (3.14%) <sup>(4)</sup>	Drug Discovery	Senior Debt		
		Matures September 2011		
		Interest rate Prime + 2.16%	\$ 11,668	11,600
		Preferred Stock Warrants	152	399
Total Portola Pharmaceuticals, Inc.			11,752	11,999
See notes to consolidated financial statements.				

**Table of Contents****HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)****December 31, 2008****(dollars in thousands)**

<b>Portfolio Company</b>	<b>Industry</b>	<b>Type of Investment<sup>(1)</sup></b>	<b>Principal Amount</b>	<b>Cost<sup>(2)</sup></b>	<b>Value<sup>(3)</sup></b>
Recoly, N.V. (0.79%) <sup>(6)</sup>	Drug Discovery	Senior Debt Matures May 2012 Interest rate Prime + 4.25%	\$ 3,000	\$ 3,000	\$ 3,000
Total Recoly, N.V.				3,000	3,000
<b>Total Drug Discovery (18.39%)</b>				<b>69,270</b>	<b>70,320</b>
Affinity Videonet, Inc. (1.70%) <sup>(4)</sup>	Communications & Networking	Senior Debt Matures June 2012 Interest rate Prime + 4.50%	\$ 4,000	3,942	3,942
		Senior Debt Matures June 2012 Interest rate Prime + 5.50%	\$ 2,000	2,000	2,000
		Revolving Line of Credit Matures June 2012 Interest rate Prime + 3.50%	\$ 500	500	500
		Preferred Stock Warrants		75	57
Total Affinity Videonet, Inc.				6,517	6,499
E-Band Communications, Inc. (0.24%) <sup>(7)</sup>	Communications & Networking	Preferred Stock		2,000	904
Total E-Band Communications, Inc.				2,000	904
IKANO Communications, Inc. (3.22%) <sup>(4)</sup>	Communications & Networking	Senior Debt Matures April 2011 Interest rate 11.00%	\$ 11,946	11,946	11,946
		Preferred Stock Warrants		45	147
		Preferred Stock Warrants		73	221
Total IKANO Communications, Inc.				12,064	12,314
Kadoink, Inc. (0.50%) <sup>(4)</sup>	Communications & Networking	Senior Debt Matures April 2011 Interest rate Prime + 2.00%	\$ 1,879	1,832	1,832
		Preferred Stock Warrants		73	72
Kadoink, Inc. (0.07%)		Preferred Stock		250	250
Total Kadoink, Inc.				2,155	2,154
Neonova Holding Company (2.35%)	Communications & Networking	Senior Debt Matures September 2012 Interest rate Prime + 3.25%	\$ 9,000	8,931	8,931
		Preferred Stock Warrants		94	66
Neonova Holding Company (0.06%)		Preferred Stock		250	224
Total Neonova Holding Company				9,275	9,221

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Peerless Network, Inc. (0.34%)(5)(7)	Communications & Networking	Senior Debt Matures June 2011			
		Interest rate Prime + 3.25%	\$ 1,378	1,318	1,318
		Preferred Stock Warrants		95	
Peerless Network, Inc. (0.00%)		Preferred Stock		1,000	
Total Peerless Network, Inc.				2,413	1,318
Ping Identity Corporation (0.00%)(4)	Communications & Networking	Preferred Stock Warrants		52	2
Total Ping Identity Corporation				52	2
	See notes to consolidated financial statements.				

**Table of Contents****HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)****December 31, 2008****(dollars in thousands)**

<b>Portfolio Company</b>	<b>Industry</b>	<b>Type of Investment<sup>(1)</sup></b>	<b>Principal Amount</b>	<b>Cost<sup>(2)</sup></b>	<b>Value<sup>(3)</sup></b>
Purcell Systems, Inc. (2.55%)	Communications & Networking	Senior Debt Matures June 2010 Interest rate Prime + 3.50%	\$ 1,659	\$ 1,601	\$ 1,601
		Revolving Line of Credit Matures July 2009 Interest rate Prime + 2.75%	\$ 6,000	6,000	6,000
		Senior Debt Matures July 2011 Interest rate Prime + 3.50%	\$ 1,600	1,600	1,600
		Preferred Stock Warrants		123	538
<b>Total Purcell Systems, Inc.</b>				<b>9,324</b>	<b>9,739</b>
Rivulet Communications, Inc. (0.51%) <sup>(5)</sup>	Communications & Networking	Senior Debt Matures April 2010 Interest rate 10.50%	\$ 1,982	1,960	1,960
		Preferred Stock Warrants		50	
Rivulet Communications, Inc. (0.00%)		Preferred Stock		250	4
<b>Total Rivulet Communications, Inc.</b>				<b>2,260</b>	<b>1,964</b>
Seven Networks, Inc. (2.64%) <sup>(4)</sup>	Communications & Networking	Senior Debt Matures April 2010 Interest rate Prime + 6.00%	\$ 6,941	6,875	6,875
		Revolving Line of Credit Matures September 2009 Interest rate Prime + 5.00%	\$ 3,000	3,000	3,000
		Preferred Stock Warrants		174	208
<b>Total Seven Networks, Inc.</b>				<b>10,049</b>	<b>10,083</b>
Stoke, Inc. (0.71%)	Communications & Networking	Senior Debt Matures August 2010 Interest rate 10.55%	\$ 574	545	545
		Senior Debt Matures August 2010 Interest rate 10.05%	\$ 1,144	1,144	1,144
		Senior Debt Matures August 2010 Interest rate 7.30%	\$ 946	946	946
		Preferred Stock Warrants		53	91
<b>Total Stoke, Inc.</b>				<b>2,688</b>	<b>2,726</b>
Tectura Corporation (6.54%) <sup>(4)</sup>	Communications & Networking	Senior Debt Matures April 2012 Interest rate LIBOR + 6.90%	\$ 7,232	7,439	7,439
		Revolving Line of Credit Matures April 2009 Interest rate LIBOR + 6.35%	\$ 12,000	12,000	12,000
			\$ 5,507	5,507	5,507

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	Revolving Line of Credit Matures March 2009 Interest rate LIBOR + 7.50%		
	Preferred Stock Warrants	51	77
Total Tectura Corporation		24,997	25,023

See notes to consolidated financial statements.

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<b>Portfolio Company</b>	<b>Industry</b>	<b>Type of Investment<sup>(1)</sup></b>	<b>Principal Amount</b>	<b>Cost<sup>(2)</sup></b>	<b>Value<sup>(3)</sup></b>
Wireless Channels, Inc. (3.04%) <sup>(4)</sup>	Communications & Networking	Senior Debt			
		Matures April 2010			
		Interest rate Prime + 4.25%	\$ 10,000	\$ 10,384	\$ 10,384
		Senior Debt			
		Matures August 2010			
		Interest rate Prime + 0.50%	\$ 895	895	895
		Preferred Stock Warrants		155	344
Total Wireless Channels, Inc.			11,434	11,623	
Zayo Bandwidth, Inc. (6.42%)	Communications & Networking	Senior Debt			
		Matures November 2013			
		Interest rate Libor + 5.25%	\$ 25,000	25,000	24,563
Total Zayo Bandwidth, Inc.				25,000	24,563
<b>Total Communications &amp; Networking (30.89%)</b>				120,228	118,133
Atrenta, Inc. (2.36%) <sup>(5)</sup>	Software	Senior Debt			
		Matures January 2010			
		Interest rate 11.50%	\$ 2,789	2,742	2,742
		Revolving Line of Credit			
		Matures October 2009			
		Interest rate Prime + 2.00%	\$ 6,000	6,000	6,000
		Preferred Stock Warrants		103	176
		Preferred Stock Warrants		34	58
		Preferred Stock Warrants		71	43
Atrenta, Inc. (0.05%)		Preferred Stock		250	197
Total Atrenta, Inc.				9,200	9,216
Blurb, Inc. (1.76%)	Software	Senior Debt			
		Matures December 2009			
		Interest rate 9.55%	\$ 1,414	1,405	1,405
		Senior Debt			
		Matures June 2011			
		Interest rate Prime + 3.50%	\$ 5,000	4,701	4,701
		Preferred Stock Warrants		25	350
		Preferred Stock Warrants		299	276
Total Blurb, Inc.				6,430	6,732
Braxton Technologies, LLC. (2.64%) <sup>(5)</sup>	Software	Senior Debt			
		Matures July 2012			
		Interest rate Libor + 7.25%	\$ 10,000	9,916	9,916
		Preferred Stock Warrants		188	172
Total Braxton Technologies, LLC.				10,104	10,088
Bullhorn, Inc. (0.26%)	Software		\$ 782	760	760

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		Senior Debt			
		Matures November 2010			
		Interest rate Prime + 3.75%			
		Preferred Stock Warrants		43	222
Total Bullhorn, Inc.				803	982
Cittio, Inc. (0.19%)	Software	Senior Debt			
		Matures May 2010			
		Interest rate 11.00%	\$ 731	720	720
		Preferred Stock Warrants		53	
Total Cittio, Inc.				773	720
	See notes to consolidated financial statements.				

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<b>Portfolio Company</b>	<b>Industry</b>	<b>Type of Investment<sup>(1)</sup></b>	<b>Principal Amount</b>	<b>Cost<sup>(2)</sup></b>	<b>Value<sup>(3)</sup></b>
Clickfox, Inc. (0.65%)	Software	Senior Debt Matures September 2011 Interest rate 10.25%	\$ 2,500	\$ 2,357	\$ 2,357
		Preferred Stock Warrants		163	131
<b>Total Clickfox, Inc.</b>				<b>2,520</b>	<b>2,488</b>
Forescout Technologies, Inc. (0.40%) <sup>(4)</sup>	Software	Senior Debt Matures August 2009 Interest rate 11.15%	\$ 906	892	892
		Revolving Line of Credit Matures March 2009 Interest rate Prime + 2.25%	\$ 500	500	500
		Preferred Stock Warrants		99	130
<b>Total Forescout Technologies, Inc.</b>				<b>1,491</b>	<b>1,522</b>
GameLogic, Inc. (0.00%) <sup>(4)</sup>	Software	Preferred Stock Warrants		92	3
<b>Total GameLogic, Inc.</b>				<b>92</b>	<b>3</b>
Gomez, Inc. (0.22%) <sup>(4)</sup>	Software	Preferred Stock Warrants		35	833
<b>Total Gomez, Inc.</b>				<b>35</b>	<b>833</b>
HighJump Acquisition, LLC. (3.92%) <sup>(4)</sup>	Software	Senior Debt Matures May 2013 Interest rate Prime + 7.50%	\$ 15,000	15,000	15,000
<b>Total HighJump Acquisition, LLC.</b>				<b>15,000</b>	<b>15,000</b>
HighRoads, Inc. (0.02%) <sup>(4)</sup>	Software	Preferred Stock Warrants		44	59
<b>Total HighRoads, Inc.</b>				<b>44</b>	<b>59</b>
Infologix, Inc. (5.49%) <sup>(4)</sup>	Software	Senior Debt Matures May 2012 Interest rate Prime + 8.75%	\$ 12,000	12,007	12,007
		Revolving Line of Credit Matures November 2009 Interest rate Prime + 6.75%	\$ 9,000	9,000	9,000
<b>Total Infologix, Inc.</b>				<b>21,007</b>	<b>21,007</b>
Intelliden, Inc. (0.37%)	Software	Senior Debt Matures February 2010 Interest rate 13.20%	\$ 1,399	1,394	1,394
		Preferred Stock Warrants		18	38
<b>Total Intelliden, Inc.</b>				<b>1,412</b>	<b>1,432</b>



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Oatsystems, Inc. (0.00%)(4)	Software	Preferred Stock Warrants		67
<b>Total Oatsystems, Inc.</b>				<b>67</b>
Proficiency, Inc. (0.00%)(6)(7)(8)	Software	Senior Debt Matures August 2012 Interest rate 8.00%	\$ 1,500	1,497
<b>Proficiency, Inc. (0.00%)</b>				<b>97</b>
<b>Proficiency, Inc. (0.00%)</b>				<b>2,750</b>
<b>Total Proficiency, Inc.</b>				<b>4,344</b>
See notes to consolidated financial statements.				

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<b>Portfolio Company</b>	<b>Industry</b>	<b>Type of Investment<sup>(1)</sup></b>	<b>Principal Amount</b>	<b>Cost<sup>(2)</sup></b>	<b>Value<sup>(3)</sup></b>
PSS Systems, Inc. (0.65%) <sup>(4)</sup>	Software	Senior Debt Matures May 2010 Interest rate 11.48%	\$ 2,423	\$ 2,403	\$ 2,403
		Preferred Stock Warrants		51	96
<b>Total PSS Systems, Inc.</b>				<b>2,454</b>	<b>2,499</b>
Rockyou, Inc. (0.72%) <sup>(4)</sup>	Software	Senior Debt Matures May 2011 Interest rate Prime + 2.50%	\$ 2,750	2,674	2,674
		Preferred Stock Warrants		117	66
<b>Total Rockyou, Inc.</b>				<b>2,791</b>	<b>2,740</b>
Savvion, Inc. (1.42%) <sup>(4)</sup>	Software	Senior Debt Matures April 2009 Interest rate Prime + 3.45%	\$ 331	279	279
		Revolving Line of Credit Matures March 2009 Interest rate Prime + 4.45%	\$ 3,366	3,366	3,366
		Revolving Line of Credit Matures March 2009 Interest rate Prime + 3.00%	\$ 1,619	1,619	1,619
		Preferred Stock Warrants		53	168
<b>Total Savvion, Inc.</b>				<b>5,317</b>	<b>5,432</b>
Sportvision, Inc. (0.02%) <sup>(4)</sup>	Software	Preferred Stock Warrants		39	91
<b>Total Sportvision, Inc.</b>				<b>39</b>	<b>91</b>
WildTangent, Inc. (0.01%)	Software	Preferred Stock Warrants		238	41
<b>Total WildTangent, Inc.</b>				<b>238</b>	<b>41</b>
<b>Total Software (21.15%)</b>				<b>84,161</b>	<b>80,885</b>
Luminus Devices, Inc. (3.08%) <sup>(4)</sup>	Electronics & Computer Hardware	Senior Debt Matures December 2010 Interest rate 12.875%	\$ 11,792	11,514	11,514
		Preferred Stock Warrants		183	50
		Preferred Stock Warrants		84	25
		Preferred Stock Warrants		334	189
<b>Total Luminus Devices, Inc.</b>				<b>12,115</b>	<b>11,778</b>
Maxvision Holding, LLC. (2.71%) <sup>(4)</sup>	Electronics &	Senior Debt Matures October 2012	\$ 5,000	5,000	5,000

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	Computer	Interest rate Prime + 5.50%			
	Hardware				
		Senior Debt Matures April 2012 Interest rate Prime + 2.25%	\$ 5,167	5,363	5,363
Maxvision Holding, LLC. (0.07%) <sup>(4)</sup>		Common Stock		81	268
<b>Total Maxvision Holding, LLC</b>				<b>10,444</b>	<b>10,631</b>
Shocking Technologies, Inc. (0.94%)	Electronics & Computer	Senior Debt Matures December 2010 Interest rate 9.75%			
	Hardware		\$ 225	192	192
		Senior Debt Matures December 2010 Interest rate 7.50%	\$ 3,365	3,365	3,365
		Preferred Stock Warrants		63	55
<b>Total Shocking Technologies, Inc.</b>				<b>3,620</b>	<b>3,612</b>
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<b>Portfolio Company</b>	<b>Industry</b>	<b>Type of Investment<sup>(1)</sup></b>	<b>Principal Amount</b>	<b>Cost<sup>(2)</sup></b>	<b>Value<sup>(3)</sup></b>
SiCortex, Inc. (1.83%)	Electronics & Computer	Senior Debt Matures December 2010 Interest rate 10.95%			
	Hardware		\$ 7,364	\$ 7,274	\$ 6,774
		Preferred Stock Warrants		164	216
<b>Total SiCortex, Inc.</b>				<b>7,438</b>	<b>6,990</b>
Spatial Photonics, Inc. (0.97%)(4)	Electronics & Computer	Senior Debt Matures April 2011 Interest rate 10.066%			
	Hardware		\$ 3,216	3,146	3,146
		Senior Debt Mature April 2011 Interest rate 9.217%	\$ 321	321	321
		Preferred Stock Warrants		131	251
Spatial Photonics, Inc. (0.13%)		Preferred Stock		500	500
<b>Total Spatial Photonics Inc.</b>				<b>4,098</b>	<b>4,218</b>
VeriWave, Inc. (0.85%)	Electronics & Computer	Senior Debt Matures May 2010 Interest rate 10.75%			
	Hardware		\$ 2,549	2,507	2,507
		Revolving Line of Credit Matures September 2009 Interest rate Prime + 4.50%	\$ 630	630	630
		Preferred Stock Warrants		54	76
		Preferred Stock Warrants		46	38
<b>Total VeriWave, Inc.</b>				<b>3,237</b>	<b>3,251</b>
<b>Total Electronics &amp; Computer Hardware (10.58%)</b>				<b>40,952</b>	<b>40,480</b>
Aegerion Pharmaceuticals, Inc. (2.08%)(5)	Specialty	Senior Debt Matures September 2011 Interest rate Prime + 2.50%			
	Pharmaceuticals		\$ 7,525	7,525	7,525
		Convertible Senior Debt Matures December 2009 Interest rate Prime + 2.50%	\$ 178	178	178
		Preferred Stock Warrants		69	272
Aegerion Pharmaceuticals, Inc. (0.26%)(4)		Preferred Stock		1,000	1,000
<b>Total Aegerion Pharmaceuticals, Inc.</b>				<b>8,772</b>	<b>8,975</b>

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		Specialty		
Panacos Pharmaceuticals, Inc. (0.00%) <sup>(4)</sup>	Pharmaceuticals	Common Stock Warrants	877	11
Panacos Pharmaceuticals, Inc. (0.01%)		Common Stock	410	28
Total Panacos Pharmaceuticals, Inc.			1,287	39
Quatrx Pharmaceuticals Company (5.26%) <sup>(4)</sup>	Specialty	Senior Debt		
		Matures October 2011		
	Pharmaceuticals	Interest rate Prime +4.85%	\$ 20,000	19,761
		Covertible Senior Debt Matures May 2009 Interest rate		
		Prime + 2.50%	\$ 82	82
		Preferred Stock Warrants	220	143
		Preferred Stock Warrants	308	120
Quatrx Pharmaceuticals Company (0.20%)		Preferred Stock	750	750
Total Quatrx Pharmaceuticals Company			21,121	20,856
<b>Total Specialty Pharmaceuticals (7.81%)</b>			<b>31,180</b>	<b>29,870</b>

See notes to consolidated financial statements.

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<b>Portfolio Company</b>	<b>Industry</b>	<b>Type of Investment<sup>(1)</sup></b>	<b>Principal Amount</b>	<b>Cost<sup>(2)</sup></b>	<b>Value<sup>(3)</sup></b>
Annie's, Inc. (1.59%)	Consumer &				
	Business	Senior Debt - Second Lien Matures April 2011			
	Products	Interest rate LIBOR + 6.50%	\$ 6,000	\$ 5,824	\$ 5,824
		Preferred Stock Warrants		321	273
<b>Total Annie's, Inc.</b>				<b>6,145</b>	<b>6,097</b>
IPA Holdings, LLC. (4.50%) <sup>(4)</sup>	Consumer &				
	Business	Senior Debt Matures November 2012			
	Products	Interest rate Prime + 3.50%	\$ 10,000	10,000	10,000
		Senior Debt Matures May 2013			
		Interest rate Prime + 6.00%	\$ 6,500	6,590	6,590
		Revolving Line of Credit Matures November 2012			
		Interest rate Prime + 2.50%	\$ 600	600	600
IPA Holding, LLC.(0.12%)		Common Stock		500	447
<b>Total IPA Holding, LLC.</b>				<b>17,690</b>	<b>17,637</b>
Market Force Information, Inc. (0.01%) <sup>(4)</sup>	Consumer &				
	Business				
	Products	Preferred Stock Warrants		24	40
Market Force Information, Inc. (0.07%)		Preferred Stock		500	274
<b>Total Market Force Information, Inc.</b>				<b>524</b>	<b>314</b>
OnTech Operations, Inc. (0.01%) <sup>(8)</sup>	Consumer &				
	Business	Revolving Line of Credit Matures June 2009			
	Products	Interest rate Prime + 5.625%	\$ 54	54	54
		Preferred Stock Warrants		453	
		Preferred Stock Warrants		218	
OnTech Operations, Inc. (0.00%)		Preferred Stock		1,000	
<b>Total OnTech Operations, Inc.</b>				<b>1,725</b>	<b>54</b>
Wageworks, Inc. (0.23%) <sup>(4)</sup>	Consumer &	Preferred Stock Warrants		252	881
	Business				

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Products					
Wageworks, Inc. (0.07%)		Preferred Stock		250	266
Total Wageworks, Inc.				502	1,147
<b>Total Consumer &amp; Business Products (6.60%)</b>				26,586	25,249
Custom One Design, Inc. (0.14%) <sup>(8)</sup>	Semiconductors	Senior Debt			
		Matures September 2010			
		Interest rate 11.50%	\$ 775	765	523
		Common Stock Warrants		18	
Total Custom One Design, Inc.				783	523
Enpirion, Inc. (1.97%)	Semiconductors	Senior Debt			
		Matures August 2011			
		Interest rate Prime + 4.00%	\$ 7,500	7,389	7,389
		Preferred Stock Warrants		157	136
Total Enpirion, Inc.				7,546	7,525
iWatt Inc. (0.07%) <sup>(4)</sup>	Semiconductors	Preferred Stock Warrants		46	28
		Preferred Stock Warrants		51	13
		Preferred Stock Warrants		73	13
		Preferred Stock Warrants		458	222
iWatt Inc. (0.25%)		Preferred Stock		490	961
Total iWatt Inc.				1,118	1,237
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NEXX Systems, Inc. (2.03%) <sup>(4)</sup>	Semiconductors	Senior Debt Matures March 2010 Interest rate Prime + 3.50%	\$ 2,659	\$ 2,593	\$ 2,593
		Revolving Line of Credit Matures December 2009 Interest rate Prime + 3.00%	\$ 4,605	4,605	4,605
		Revolving Line of Credit Matures December 2009 Interest rate Prime + 5.00%	\$ 395	395	395
		Preferred Stock Warrants		165	182
<b>Total NEXX Systems, Inc.</b>				<b>7,758</b>	<b>7,775</b>
Quartics, Inc. (0.08%) <sup>(4)(8)</sup>	Semiconductors	Senior Debt Matures August 2010 Interest rate 8.80%	\$ 629	601	286
		Preferred Stock Warrants		53	
<b>Total Quartics, Inc.</b>				<b>654</b>	<b>286</b>
Solarflare Communications, Inc. (0.11%) <sup>(4)</sup>	Semiconductors	Senior Debt Matures August 2010 Interest rate 11.75%	\$ 464	420	420
		Preferred Stock Warrants		83	
Solarflare Communications, Inc. (0.00%)		Preferred Stock		641	
<b>Total Solarflare Communications, Inc.</b>				<b>1,144</b>	<b>420</b>
<b>Total Semiconductors (4.65%)</b>				<b>19,003</b>	<b>17,766</b>
Labopharm, Inc. (5.55%) <sup>(4)(6)</sup>	Drug Delivery	Senior Debt Matures December 2011 Interest rate 10.95%	\$ 20,000	19,582	19,582
		Common Stock Warrants		458	1,206
		Common Stock Warrants		143	422
<b>Total Labopharm USA, Inc.</b>				<b>20,183</b>	<b>21,210</b>
Transcept Pharmaceuticals, Inc. (0.90%) <sup>(5)</sup>	Drug Delivery	Senior Debt Matures October 2009 Interest rate 10.69%	\$ 3,353	3,334	3,334
		Preferred Stock Warrants		35	46
Transcept Pharmaceuticals, Inc. (0.07%) <sup>(4)</sup>		Preferred Stock Warrants		51	75
		Preferred Stock		500	287
<b>Total Transcept Pharmaceuticals, Inc.</b>				<b>3,920</b>	<b>3,742</b>
<b>Total Drug Delivery (6.52%)</b>				<b>24,103</b>	<b>24,952</b>



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BARRX Medical, Inc.(0.86%)(4)	Therapeutic	Senior Debt			
		Mature December 2011			
		Interest rate 11.00%	\$ 3,333	3,270	3,270
		Preferred Stock Warrants		63	41
BARRX Medical, Inc. (0.36%)		Preferred Stock		1,500	1,388
Total BARRX Medical, Inc.				4,833	4,699

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EKOS Corporation (1.29%)	Therapeutic	Senior Debt Matures November 2010 Interest rate Prime + 2.00%	\$ 5,000	\$ 4,846	\$ 4,846
		Preferred Stock Warrants		175	51
		Preferred Stock Warrants		153	25
Total EKOS Corporation				5,174	4,922
Gelesis, Inc. (0.39%)	Therapeutic	Senior Debt Matures May 2012 Interest rate Prime + 5.65%	\$ 1,500	1,477	1,477
		Preferred Stock Warrants		27	27
Total Gelesis, Inc.				1,504	1,504
Gynesonics, Inc. (0.02%) <sup>(4)</sup>	Therapeutic	Preferred Stock Warrants		18	92
Gynesonics, Inc. (0.08%)		Preferred Stock		250	304
Total Gynesonics, Inc.				268	396
Light Science Oncology, Inc. (0.01%)	Therapeutic	Preferred Stock Warrants		98	26
Total Light Science Oncology, Inc.				98	26
Novasys Medical, Inc. (0.96%) <sup>(4)</sup>	Therapeutic	Senior Debt Matures February 2010 Interest rate 9.70%	\$ 3,607	3,588	3,588
		Preferred Stock Warrants		71	56
		Preferred Stock Warrants		54	25
Novasys Medical, Inc.(0.12%)		Preferred Stock		555	444
Total Novasys Medical, Inc.				4,268	4,113
Power Medical Interventions, Inc. (0.00%)	Therapeutic	Common Stock Warrants		21	1
Total Power Medical Interventions, Inc.				21	1
<b>Total Therapeutic (4.09%)</b>				<b>16,166</b>	<b>15,661</b>
Cozi Group, Inc. (0.04%)	Internet Consumer  & Business				
	Services	Preferred Stock Warrants		147	150
Cozi Group, Inc. (0.06%)		Preferred Stock		177	225
Total Cozi Group, Inc.				324	375

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Invoke Solutions, Inc. (0.29%)(4)	Internet Consumer				
	& Business	Senior Debt Matures November 2009			
	Services	Interest rate Prime + 3.75%	\$ 983	990	990
		Preferred Stock Warrants		56	101
		Preferred Stock Warrants		26	23
<b>Total Invoke Solutions, Inc.</b>				<b>1,072</b>	<b>1,114</b>
Prism Education Group Inc. (0.42%)	Internet Consumer				
	& Business	Senior Debt Matures December 2010			
	Services	Interest rate 11.25%	\$ 1,516	1,492	1,492
		Preferred Stock Warrants		43	115
<b>Total Prism Education Group Inc.</b>				<b>1,535</b>	<b>1,607</b>
	See notes to consolidated financial statements.				

**Table of Contents****HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)****December 31, 2008****(dollars in thousands)**

<b>Portfolio Company</b>	<b>Industry</b>	<b>Type of Investment<sup>(1)</sup></b>	<b>Principal Amount</b>	<b>Cost<sup>(2)</sup></b>	<b>Value<sup>(3)</sup></b>
RazorGator Interactive Group, Inc. (0.94%) <sup>(5)</sup>	Internet Consumer				
	& Business	Revolving Line of Credit Matures January 2009			
	Services	Interest rate Prime + 1.80%	\$ 3,000	\$ 3,000	\$ 3,000
		Preferred Stock Warrants		13	562
		Preferred Stock Warrants		29	42
RazorGator Interactive Group, Inc. (0.45%)		Preferred Stock		1,000	1,708
<b>Total RazorGator Interactive Group, Inc.</b>				<b>4,042</b>	<b>5,312</b>
Serious USA, Inc. (0.36%)	Internet Consumer				
	& Business	Senior Debt Matures February 2011			
	Services	Interest rate Prime + 7.00%	\$ 2,906	2,851	1,351
		Preferred Stock Warrants		93	
<b>Total Serious USA, Inc.</b>				<b>2,944</b>	<b>1,351</b>
Spa Chakra, Inc. (2.61%)	Internet Consumer				
	& Business	Senior Debt Matures June 2010			
	Services	Interest rate 14.45%%	\$ 10,000	10,000	10,000
<b>Total Spa Chakra, Inc.</b>				<b>10,000</b>	<b>10,000</b>
<b>Total Internet Consumer &amp; Business Services (5.17%)</b>				<b>19,917</b>	<b>19,759</b>
Lilliputian Systems, Inc. (1.15%) <sup>(4)</sup>	Energy				
		Senior Debt Matures March 2010			
		Interest rate Prime + 6.00%	\$ 4,324	4,204	4,204
		Preferred Stock Warrants		155	190
<b>Total Lilliputian Systems, Inc.</b>				<b>4,359</b>	<b>4,394</b>
<b>Total Energy (1.15%)</b>				<b>4,359</b>	<b>4,394</b>
Active Response Group, Inc. (2.58%) <sup>(4)</sup>	Information				
	Services	Senior Debt Matures March 2012			
		Interest rate LIBOR + 6.55%	\$ 6,905	6,863	6,863
		Revolving Line of Credit Matures December 2009			
		Interest rate Prime + 14.00%	\$ 3,000	3,000	3,000

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		Common Stock Warrants		92	11
		Preferred Stock Warrants		46	11
Active Response Group, Inc. (0.03%) <sup>(4)</sup>		Common Stock		105	105
<b>Total Active Response Group, Inc.</b>				<b>10,106</b>	<b>9,990</b>
Box.net, Inc. (0.37%)	Information	Senior Debt Matures June 2011			
	Services	Interest rate Prime + 1.50%	\$ 1,000	950	950
		Senior Debt Matures September 2011			
		Interest rate Prime + 0.50%	\$ 400	400	400
		Preferred Stock Warrants		73	48
<b>Total Box.net, Inc.</b>				<b>1,423</b>	<b>1,398</b>
Buzznet, Inc. (0.00%)	Information				
	Services	Preferred Stock Warrants		9	
Buzznet, Inc. (0.06%)		Preferred Stock		250	224
<b>Total Buzznet, Inc.</b>				<b>259</b>	<b>224</b>

See notes to consolidated financial statements.

**Table of Contents****HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)****December 31, 2008****(dollars in thousands)**

<b>Portfolio Company</b>	<b>Industry</b>	<b>Type of Investment<sup>(1)</sup></b>	<b>Principal Amount</b>	<b>Cost<sup>(2)</sup></b>	<b>Value<sup>(3)</sup></b>
hi5 Networkss, Inc. (2.21%)	Information	Senior Debt			
		Matures December 2010			
	Services	Interest rate Prime + 2.5%	\$ 3,000	\$ 3,000	\$ 3,000
		Senior Debt			
		Matures June 2011			
		Interest rate Prime + 0.5%	\$ 5,496	5,363	5,363
		Preferred Stock Warrants		213	75
Total hi5 Networks, Inc.				8,576	8,438
Jab Wireless, Inc. (3.94%) <sup>(4)</sup>	Information	Senior Debt			
		Matures November 2012			
	Services	Interest rate Prime + 6.50%	\$ 15,000	14,822	14,822
		Preferred Stock Warrants		264	246
Total Jab Wireless, Inc.				15,086	15,068
Solutionary, Inc. (1.68%) <sup>(4)</sup>	Information	Senior Debt			
		Matures June 2010			
	Services	Interest rate LIBOR + 5.50%	\$ 4,599	4,809	4,809
		Revolving Line of Credit			
		Matures June 2010			
		Interest rate LIBOR + 5.00%	\$ 1,500	1,500	1,500
		Preferred Stock Warrants		94	125
		Preferred Stock Warrants		2	3
Solutionary, Inc. (0.04%)		Preferred Stock		250	162
Total Solutionary, Inc.				6,655	6,599
The Generation Networks, Inc. (1.52%) <sup>(4)</sup>	Information	Senior Debt Matures			
		December 2012			
	Services	Interest rate 7.42%	\$ 5,930	5,930	5,826
The Generation Networks, Inc. (0.12%)		Common stock		500	471
Total The Generation Networks, Inc.				6,430	6,297
Visto Corporation		Common Stock		603	603
Total Visto Corporation (0.16%)				603	603
Wallop Technologies, Inc. (0.03%)	Information	Senior Debt			
		Matures April 2010			
	Services	Interest rate 10.00%	\$ 134	131	131
		Preferred Stock Warrants		7	
Total Wallop Technologies, Inc.				138	131
Zeta Interactive Corporation (3.74%) <sup>(4)</sup>	Information	Senior Debt			
		Matures November 2011			
	Services	Interest rate Prime +2.00%	\$ 6,164	6,063	6,063

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	Senior Debt			
	Matures November 2011			
	Interest rate Prime +3.00%	\$ 8,000	8,000	8,000
	Preferred Stock Warrants		172	222
Zeta Interactive Corporation (0.13%)	Preferred Stock		500	500
Total Zeta Interactive Corporation			14,735	14,785
<b>Total Information Services (16.61%)</b>			<b>64,011</b>	<b>63,533</b>
Novadaq Technologies, Inc. (0.05%)	Diagnostic	Common Stock	1,626	193
Total Novadaq Technologies, Inc.			1,626	193

See notes to consolidated financial statements.

**Table of Contents****HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)****December 31, 2008****(dollars in thousands)**

<b>Portfolio Company</b>	<b>Industry</b>	<b>Type of Investment<sup>(1)</sup></b>	<b>Principal Amount</b>	<b>Cost<sup>(2)</sup></b>	<b>Value<sup>(3)</sup></b>
Optiscan Biomedical, Corp. (2.69%) <sup>(4)</sup>	Diagnostic	Senior Debt Matures June 2011 Interest rate 10.25%	\$ 10,000	\$ 9,518	\$ 9,518
		Preferred Stock Warrants		760	783
Optiscan Biomedical, Corp. (0.79%)		Preferred Stock		3,000	3,000
Total Optiscan Biomedical, Corp.				13,278	13,301
<b>Total Diagnostic (3.53%)</b>				<b>14,904</b>	<b>13,494</b>
Guava Technologies, Inc. (1.28%)	Biotechnology Tools	Senior Debt Matures May 2011 Interest rate Prime + 10.50%	\$ 2,800	2,797	2,797
		Convertible Debt	\$ 250	250	250
		Revolving Line of Credit Matures December 2009 Interest rate Prime + 9.50%	\$ 1,840	1,840	1,840
		Preferred Stock Warrants		106	
		Preferred Stock Warrants		68	
Total Guava Technologies, Inc.				5,061	4,887
Kamada, LTD. (5.13%) <sup>(6)</sup>	Biotechnology Tools	Senior Debt Matures February 2012 Interest rate 10.60%	\$ 20,000	19,572	19,572
		Common Stock Warrants		531	41
		Common Stock Warrants		20	8
Total Kamada, LTD.				20,123	19,621
NuGEN Technologies, Inc. (0.67%)	Biotechnology Tools	Senior Debt Matures November 2010 Interest rate Prime + 3.45%	\$ 1,548	1,520	1,520
		Senior Debt Matures November 2010 Interest rate Prime + 1.70%	\$ 892	892	892
		Preferred Stock Warrants		45	161
		Preferred Stock Warrants		33	18
NuGEN Technologies, Inc. (0.07%)		Preferred Stock		500	265
Total NuGEN Technologies, Inc.				2,990	2,856
Solace Pharmaceuticals, Inc. (0.46%) <sup>(5)</sup>	Biotechnology Tools	Senior Debt Matures August 2012 Interest rate Prime + 4.25%	\$ 1,750	1,711	1,711
		Preferred Stock Warrants		42	49
Total Solace Pharmaceuticals, Inc.				1,753	1,760



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<b>Total Biotechnology Tools (7.61%)</b>		29,927	29,124
Crux Biomedical, Inc. (0.00%)	Surgical Devices	Preferred Stock Warrants	37
Crux Biomedical, Inc. (0.01%)		Preferred Stock	250
			26
Total Crux Biomedical, Inc.			287
	See notes to consolidated financial statements.		26

**Table of Contents****HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)****December 31, 2008****(dollars in thousands)**

<b>Portfolio Company</b>	<b>Industry</b>	<b>Type of Investment<sup>(1)</sup></b>	<b>Principal Amount</b>	<b>Cost<sup>(2)</sup></b>	<b>Value<sup>(3)</sup></b>
Transmedics, Inc. (2.61%) <sup>(5)</sup>	Surgical Devices	Senior Debt Matures December 2011 Interest rate Prime + 5.25%	\$ 10,000	\$ 9,814	\$ 9,814
		Preferred Stock Warrants		224	173
<b>Total Transmedics, Inc.</b>				10,038	9,987
<b>Total Surgical Devices (2.62%)</b>				10,325	10,013
Glam Media, Inc. (2.18%)	Media/Content/Info	Revolving Line of Credit Matures April 2009 Interest rate Prime + 1.50%	\$ 8,285	8,139	8,139
		Preferred Stock Warrants		483	209
<b>Total Glam Media, Inc.</b>				8,622	8,348
Waterfront Media Inc. (2.08%) <sup>(5)</sup>	Media/Content/Info	Senior Debt Matures September 2010 Interest rate Prime + 3.00%	\$ 2,597	2,574	2,574
		Revolving Line of Credit Matures October 2009 Interest rate Prime + 1.25%	\$ 5,000	5,000	5,000
		Preferred Stock Warrants		60	393
Waterfront Media Inc. (0.36%)		Preferred Stock		1,000	1,353
<b>Total Waterfront Media Inc.</b>				8,634	9,320
<b>Total Media/Content/Info (4.62%)</b>				17,256	17,668
<b>Total Investments (151.99%)</b>				\$ 592,348	\$ 581,301

\* 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 \$7,976, \$22,551 and \$14,575, respectively. The tax cost of investments is \$595,876.

(3) Except for warrants in six publicly traded companies and common stock in three publicly traded companies, all investments are restricted at December 31, 2008 and were valued at fair value as determined in good faith by the Board of Directors. 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 and warrant investments of this portfolio company have been pledged as collateral under the Credit Facility. Citigroup has an equity participation right on loans collateralized under the Credit Facility. The value of their participation right on unrealized gains in the related equity investments was approximately \$498,000 at December 31, 2008 and is included in accrued liabilities and reduced the cumulative unrealized gain recognized by the Company at December 31, 2008.

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

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

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- (7) 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. All other investments are less than 5% owned.
- (8) Debt is on non-accrual status at December 31, 2008, and is therefore considered non-income producing.  
See notes to consolidated financial statements.

**Table of Contents****HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED STATEMENT OF OPERATIONS****(unaudited)****(dollars in thousands, except per share data)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
<b>Investment income:</b>				
Interest	\$ 15,857	\$ 16,081	\$ 33,832	\$ 30,320
Fees	3,623	2,941	6,098	4,302
Total investment income	19,480	19,022	39,930	34,622
<b>Operating expenses:</b>				
Interest	2,106	2,914	5,265	4,765
Loan fees	329	564	1,274	946
General and administrative	1,880	2,211	3,351	3,385
<b>Employee Compensation:</b>				
Compensation and benefits	2,828	2,854	5,712	5,653
Stock-based compensation	516	507	948	901
Total employee compensation	3,344	3,361	6,660	6,554
Total operating expenses	7,659	9,050	16,550	15,650
Net investment income	11,821	9,972	23,380	18,972
Net realized gain (loss) on investments	(4,186)	1,909	(5,332)	4,867
Net increase in unrealized depreciation on investments	(20,694)	(3,523)	(26,625)	(4,444)
Net realized and unrealized gain (loss)	(24,880)	(1,614)	(31,957)	423
Net increase (decrease) in net assets resulting from operations	\$ (13,059)	\$ 8,358	\$ (8,577)	\$ 19,395
<b>Net investment income before investment gains and losses per common share:</b>				
Basic	\$ 0.34	\$ 0.30	\$ 0.69	\$ 0.58
Diluted	\$ 0.34	\$ 0.30	\$ 0.69	\$ 0.58
<b>Change in net assets per common share:</b>				
Basic	\$ (0.38)	\$ 0.25	\$ (0.26)	\$ 0.59
Diluted	\$ (0.38)	\$ 0.25	\$ (0.26)	\$ 0.59
<b>Weighted average shares outstanding</b>				
Basic	34,632	32,832	33,702	32,731
Diluted	34,632	32,832	33,702	32,731

See notes to consolidated financial statements (unaudited).



**Table of Contents****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 Appreciation (Depreciation) on Investments	Accumulated Realized Gains (Losses) on Investments	Distributions in Excess of Investment Income	Provision for Income Taxes on Investment Gains	Net Assets
Balance at January 1, 2008	32,541	\$ 33	\$ 393,452	\$ 10,129	\$ 819	\$ (3,557)	\$ (139)	\$ 400,737
Net increase (decrease) in net assets resulting from operations				(4,444)	4,867	18,972		19,395
Issuance of common stock	3		28					28
Issuance of common stock under dividend reinvestment plan	88		933					933
Issuance of common stock under restricted stock plan	205							
Dividends declared						(20,927)		(20,927)
Stock-based compensation			916					916
Balance at June 30, 2008	32,837	\$ 33	\$ 395,329	\$ 5,685	\$ 5,686	\$ (5,512)	\$ (139)	\$ 401,082
Balance at January 1, 2009	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

See notes to consolidated financial statements (unaudited).

**Table of Contents****HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED STATEMENT OF CASH FLOWS****(unaudited)****(dollars in thousands)**

	<b>Six Months Ended June 30,</b>	
	<b>2009</b>	<b>2008</b>
<b>Cash flows from operating activities:</b>		
Net increase (decrease) in net assets resulting from operations	\$ (8,577)	\$ 19,395
Adjustments to reconcile net increase in net assets resulting from operations to net cash used in and provided by operating activities:		
Purchase of investments	(68,622)	(197,722)
Principal payments received on investments	167,464	123,087
Proceeds from sale of investments	2,589	6,445
Net unrealized depreciation on investments	26,625	4,444
Net unrealized appreciation due to lender		(247)
Net realized (gain) loss on investments	5,332	(4,867)
Accretion of paid-in-kind principal	(1,074)	(387)
Accretion of loan discounts	(3,351)	(2,782)
Accretion of loan exit fees	(1,115)	(275)
Depreciation	183	131
Stock-based compensation	989	916
Common stock issued in lieu of Director compensation	22	28
Amortization of deferred loan origination revenue	(2,776)	(2,579)
Change in operating assets and liabilities:		
Interest receivable	607	(1,249)
Prepaid expenses and other assets	954	544
Accounts payable	(282)	685
Income tax payable	(192)	(121)
Accrued liabilities	(2,363)	(80)
Deferred loan origination revenue	177	3,882
Net cash provided by (used in) operating activities	116,590	(50,752)
<b>Cash flows from investing activities:</b>		
Purchases of capital equipment	(44)	(506)
Other long-term assets	3	(134)
Net cash used in investing activities	(41)	(640)
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of common stock, net		933
Dividends paid	(10,659)	(20,927)
Borrowings of credit facilities	64,823	173,700
Repayments of credit facilities	(150,588)	(94,000)
Fees paid for credit facilities and debentures		(2,319)
Net cash provided by (used in) financing activities	(96,424)	57,387
Net increase in cash	20,125	5,995
Cash and cash equivalents at beginning of period	17,242	7,856
Cash and cash equivalents at end of period	\$ 37,367	\$ 13,851

See notes to consolidated financial statements (unaudited).



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**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 all stages of development from seed and emerging growth to expansion and established stages of development. We primarily finance privately-held companies backed by leading venture capital and private equity firms, and may also finance 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 the Boston, Massachusetts, Boulder, Colorado and Chicago, Illinois. The Company was incorporated under the General Corporation Law of the State of Maryland in December 2003. The Company commenced operations on February 2, 2004 and commenced investment activities in September 2004.

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, to operate as a Small Business Investment Company (SBIC) under the authority of the Small Business Administration (SBA). As an SBIC, the Fund is subject to a variety of regulations concerning, among other things, the size and nature of the companies in which it 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 sole limited partner of HT II and HTM is the general partner (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 distributed to our stock holders. 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, 2008. 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 of 1940 Act and the Statement of Financial Accounting Standards (SFAS) No.157, *Fair Value Measurements* (FAS 157). FAS 157 defines fair value, establishes a framework for measuring fair value, outlines a fair value hierarchy based on inputs used to measure fair value and enhances disclosure requirements for fair value measurements. FAS 157 does not change existing guidance as to whether or not an instrument is carried at fair value. FAS 157 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.



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In October 2008, the Financial Accounting Standards Board, or the FASB, issued FASB Staff Position ( FSP ) No. 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active*. FSP No. 157-3 clarifies the application of SFAS No. 157 in a market that is not active. More specifically, FSP No. 157-3 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. FSP No. 157-3 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, FSP No. 157-3 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.

In April 2009, the FASB issued FASB Staff Position (FSP) Financial Accounting Standard (FAS) 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly*. Based on the guidance, if an entity determines that the level of activity for an asset or liability has significantly decreased and that a transaction is not orderly, further analysis of transactions or quoted prices is needed, and a significant adjustment to the transaction or quoted prices may be necessary to estimate fair value in accordance with SFAS No. 157, *Fair Value Measurements*. This FSP is to be applied prospectively and is effective for interim and annual periods ending after June 15, 2009 with early adoption permitted for periods ending after March 15, 2009. The Company adopted this FSP in the quarter ended June 30, 2009, and there was no material impact on the Consolidated Financial Statements.

Consistent with FAS 157, 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 FAS 157, 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. FAS 157 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 initial cost of the investment, represents the fair value of the investment.

Determining fair value requires that judgment be applied to the specific facts and circumstances of each portfolio investment, although the Company's valuation policy is intended to provide a consistent basis for determining the fair value of portfolio investments. 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 providing debt and equity capital primarily to technology-related companies, 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 criteria similar to those used in its original investment decision, including, among other things, the underlying investment performance, the current portfolio company's financial condition and market changing events that impact valuation, estimated remaining life. 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.

At June 30, 2009, approximately 90% of the Company's total assets represented investments in portfolio companies of which greater than 99% 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. Since there is typically no readily available market value for the investments in the Company's portfolio, it values substantially all of its investments at fair value as determined in good faith pursuant to a consistent valuation policy and the Company's Board of Directors in accordance with the provisions of FAS 157 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 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.



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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. The Company has 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.

An unrealized loss 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 FAS 157 based upon the level of judgment associated with the inputs used to measure their fair value. Hierarchical levels, defined by FAS 157 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:

(in thousands)	Assets at Fair Value as of June 30, 2009				Assets at Fair Value as of December 31, 2008				
	Quoted Prices		Significant		Quoted Prices		Significant		
	In Active Markets		Other		In Active Markets		Other		
	Identical Assets	Observable Inputs	Unobservable Inputs	Significant	Identical Assets	Observable Inputs	Unobservable Inputs	Significant	
Description	(Level 1)	(Level 2)	(Level 3)	Total	(Level 1)	(Level 2)	(Level 3)	Total	
Senior secured debt	\$	\$	\$	405,723	\$	\$	\$	534,230	\$ 534,230
Senior debt-second lien				5,943				5,824	5,824
Preferred stock				22,494				21,249	21,249
Common stock	1,461			2,902	221			1,894	2,115

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Warrants	2,616	12,712	15,328	2,931	14,952	17,883
	\$ 1,461	\$ 2,616	\$ 448,313	\$ 221	\$ 2,931	\$ 578,149
			\$ 452,390			\$ 581,301

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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 three and six months ended June 30, 2009 and June 30, 2008:

Fair Value Measurements Using Significant Unobservable Inputs (in thousands)	Three months Ended June 30,	
	2009	2008
Balance at April 1	\$ 530,366	\$ 525,764
Total gains or losses:		
Net Realized gains/(losses) <sup>(1)</sup>	(4,995)	(49)
Net change in unrealized appreciation or depreciation <sup>(2)</sup>	(21,779)	(1,804)
Purchases, repayments, and exits, net	(55,279)	75,857
Transfer in and/or out of level 3		
<b>Balance at June 30</b>	<b>\$ 448,313</b>	<b>\$ 599,498</b>
Net unrealized appreciation (depreciation) during the period relating to assets still held at the reporting date <sup>(3)</sup>	\$ (21,779)	\$ (1,804)

Fair Value Measurements Using Significant Unobservable Inputs (in thousands)	Six months Ended June 30, 2009	
	2009	2008
Balance at January 1	\$ 578,149	\$ 522,740
Total gains or losses:		
Net Realized gains/(losses) <sup>(1)</sup>	(4,980)	(216)
Net change in unrealized appreciation or depreciation <sup>(2)</sup>	(28,536)	(145)
Purchases, repayments, and exits, net	(96,320)	77,119
Transfer in and/or out of level 3		
<b>Balance at June 30</b>	<b>\$ 448,313</b>	<b>\$ 599,498</b>
Net unrealized appreciation (depreciation) during the period relating to assets still held at the reporting date <sup>(3)</sup>	\$ (28,536)	\$ (145)

(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.

(3) Net change in unrealized appreciation or depreciation includes net unrealized appreciation (depreciation) resulting from changes in portfolio investment values during the reporting period and the reversal of previously recorded unrealized appreciation or depreciation when gains or losses are realized.

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 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, 2009 and December 31, 2008, the Company 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.

Security transactions are recorded on the trade-date basis.





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A summary of the composition of the Company's investment portfolio as of June 30, 2009 and December 31, 2008 at fair value is shown as follows:

(in thousands)	June 30, 2009		December 31, 2008	
	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
Senior secured debt with warrants	\$ 357,212	78.9%	\$ 445,574	76.6%
Senior secured debt	63,644	14.1	106,266	18.2
Preferred stock	22,494	5.0	21,249	3.8
Senior debt-second lien with warrants	6,138	1.4	6,097	1.0
Common Stock	2,902	0.6	2,115	0.4
	\$ 452,390	100.0%	\$ 581,301	100.0%

A summary of the Company's investment portfolio, at value, by geographic location is as follows:

(in thousands)	June 30, 2009		December 31, 2008	
	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
United States	\$ 407,932	90.2%	\$ 537,470	92.5%
Canada	21,389	4.7	21,210	3.6
Israel	20,069	4.4	19,621	3.4
Netherlands	3,000	0.7	3,000	0.5
	\$ 452,390	100.0%	\$ 581,301	100.0%

The following table shows the fair value of our portfolio by industry sector at June 30, 2009 and December 31, 2008 (excluding unearned income):

(in thousands)	June 30, 2009		December 31, 2008	
	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
Communications & networking	\$ 73,813	16.3%	\$ 118,133	20.3%
Software	63,758	14.1	80,885	13.9
Drug discovery	56,620	12.5	70,320	12.1
Information services	49,147	10.9	63,533	10.9
Electronics & computer hardware	30,249	6.7		