

FITCH SANFORD
Form 4
August 21, 2017

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Check this box
if no longer
subject to
Section 16.
Form 4 or
Form 5
obligations
may continue.
See Instruction
1(b).

**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF
SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934,
Section 17(a) of the Public Utility Holding Company Act of 1935 or Section
30(h) of the Investment Company Act of 1940

OMB APPROVAL

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(Print or Type Responses)

1. Name and Address of Reporting Person *
FITCH SANFORD

(Last) (First) (Middle)

C/O MASIMO CORPORATION, 52
DISCOVERY

(Street)

IRVINE, CA 92618

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading
Symbol
MASIMO CORP [MASI]

3. Date of Earliest Transaction
(Month/Day/Year)
08/17/2017

4. If Amendment, Date Original
Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to
Issuer

(Check all applicable)

☒ Director ☐ 10% Owner
☐ Officer (give title below) ☐ Other (specify
below)

6. Individual or Joint/Group Filing(Check
Applicable Line)
☒ Form filed by One Reporting Person
☐ Form filed by More than One Reporting
Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Ownership Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price
Common Stock	08/17/2017		S(1)		11,000	D	\$ 87.25 (1)
							72,249
							D

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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information contained in this form are not
required to respond unless the form
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number.**

SEC 1474
(9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(e.g., puts, calls, warrants, options, convertible securities)

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1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Own Follo Repor Trans (Instr
				Code	V (A) (D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares

Reporting Owners

Reporting Owner Name / Address	Relationships
	Director 10% Owner Officer Other
FITCH SANFORD C/O MASIMO CORPORATION 52 DISCOVERY IRVINE, CA 92618	X

Signatures

/s/ David J. Van Ramshorst,
Attorney-In-Fact

08/21/2017

__Signature of Reporting Person

Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

The Reporting Person contributed shares of the Issuer's common stock to an exchange fund in exchange for shares of the exchange fund.

(1) The shares of the Issuer's common stock were valued at \$87.25 per share, the NASDAQ closing price on August 17, 2017, for the purpose of determining the number of shares of the exchange fund issuable to the Reporting Person.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. 15, 2009 0.300

August 6, 2009

August 14, 2009 September 14, 2009 0.300

October 15, 2009

October 20, 2009 November 23, 2009 0.300

December 16, 2009

December 24, 2009 December 30, 2009 0.040

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February 11, 2010

February 19, 2010 March 19, 2010 0.200

May 3, 2010

May 12, 2010 June 18, 2010 0.200

August 2, 2010

August 12, 2010 September 17, 2010 0.200

November 4, 2010

November 10, 2010 December 17, 2010 0.200

March 1, 2011

March 10, 2011 March 24, 2011 0.220

May 5, 2011

May 11, 2011 June 23, 2011 0.220

August 4, 2011

August 15, 2011 September 15, 2011 0.220

November 3, 2011

November 14, 2011 November 29, 2011 0.220

\$6.685

* Dividend paid in cash and stock.

On November 3, 2011, the Board of Directors announced a cash dividend of \$0.22 per share to be paid on November 29, 2011 to shareholders of record as of November 14, 2011. This dividend is the Company's twenty-sixth consecutive quarterly dividend declaration since its initial public offering, and will bring the total cumulative dividend declared to date to \$6.69 per share.

Our Board of Directors maintains a variable dividend policy with the objective of distributing four quarterly distributions in an amount that approximates 90 - 100% of our taxable quarterly income or potential annual income for a particular year. In addition, at the end of the year, we may also pay an additional special dividend or fifth dividend, such that we may distribute approximately all of our annual taxable income in the year it was earned, while maintaining the option to spill over our excess taxable income.

Explanation of Responses:

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Distributions in excess of our current and accumulated earnings and profits would generally be treated first as a return of capital to the extent of the stockholder's tax basis, and any remaining distributions would be treated as a capital gain. The determination of the tax attributes of our distributions is made annually as of the end of our fiscal year based upon our taxable income for the full year and distributions paid for the full year, therefore a determination made on a quarterly basis may not be representative of the tax attributes of our 2011 distributions

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to stockholders. If we had determined the tax attributes of our distributions year-to-date as of September 30, 2011, approximately 97% would be from ordinary income and spillover earnings from 2010, and 3% would be a return of capital.

We intend to distribute quarterly dividends to our stockholders. In order to avoid certain excise taxes imposed on RICs, we currently intend to distribute during each calendar year an amount at least equal to the sum of (1) 98% of our ordinary income for the calendar year, (2) 98.2% of our capital gains in excess of capital losses for the one year period ending on October 31 of the calendar year, and (3) any ordinary income and net capital gains for the preceding year that were not distributed during such year. We will not be subject to excise taxes on amounts on which we are required to pay corporate income tax (such as retained net capital gains). In order to obtain the tax benefits applicable to RICs, we will be required to distribute to our stockholders with respect to each taxable year at least 90% of our ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses.

We can offer no assurance that we will achieve results that will permit the payment of any cash distributions and, if we issue senior securities, we will be prohibited from making distributions if doing so causes us to fail to maintain the asset coverage ratios stipulated by the 1940 Act or if distributions are limited by the terms of any of our borrowings. See Regulation in the accompanying prospectus.

We maintain an opt-out dividend reinvestment plan for our common stockholders. As a result, if we declare a dividend, cash dividends will be automatically reinvested in additional shares of our common stock unless the stockholder specifically opts out of the dividend reinvestment plan and chooses to receive cash dividends. See Dividend Reinvestment Plan in the accompanying prospectus.

Our ability to make distributions will be limited by the asset coverage requirements under the 1940 Act.

Critical Accounting Policies

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

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

Our investments are carried at fair value in accordance with the 1940 Act and Accounting Standards Codification (ASC) topic 820 Fair Value Measurements and Disclosures, (formerly known as SFAS No. 157, Fair Value Measurements). At September 30, 2011, approximately 83.7% of the Company's total assets represented investments in portfolio companies that are valued at fair value by the Board of Directors. Value, as defined in Section 2(a)(41) of the 1940 Act, is (i) the market price for those securities for which a market quotation is readily available and (ii) for all other securities and assets, fair value is as determined in good faith by the Board of Directors. Our debt securities are primarily invested in equity sponsored technology-related companies including life science, clean technology and select lower middle market technology companies. Given the nature of lending to these types of businesses, our investments in these portfolio companies are generally considered Level 3 assets under ASC 820 because there is no known or accessible market or market indexes for these investment securities to be traded or exchanged. As such, it values substantially all of its investments at fair value as determined in good faith pursuant to a consistent valuation policy and our Board of Directors in

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accordance with the provisions of ASC 820 and the 1940 Act. Due to the inherent uncertainty in determining the fair value of investments that do not have a readily available market value, the fair value of our investments determined in good faith by our Board may differ significantly from the value that would have been used had a readily available market existed for such investments, and the differences could be material.

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

With respect to investments for which market quotations are not readily available or when such market quotations are deemed not to represent fair value, our Board of Directors has approved a multi-step valuation process each quarter, as described below:

- (1) our quarterly valuation process begins with each portfolio company or investment being initially valued by the investment professionals responsible for the portfolio investment;
- (2) preliminary valuation conclusions are then documented and discussed with our investment committee;
- (3) the valuation committee of the Board of Directors reviews the preliminary valuation of the investment committee and that of the independent valuation firm and responds to the valuation recommendation of the independent valuation firm to reflect any comments, if any, and
- (4) the Board of Directors discusses valuations and determines the fair value of each investment in our portfolio in good faith based on the input of, where applicable, the respective independent valuation firm and the valuation committee.

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

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

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

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

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

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Debt Investments

We follow the guidance set forth in ASC 820 which establishes a framework for measuring the fair value of assets and liabilities and outlines a fair value hierarchy which prioritizes the inputs used to measure fair value and the effect of fair value measures on earnings. Our debt securities are primarily invested in equity sponsored technology, life science and clean technology companies. Given the nature of lending to these types of businesses, our investments in these portfolio companies are considered Level 3 assets under ASC 820 because there is no known or accessible market or market indexes for these investment securities to be traded or exchanged.

We apply a procedure that assumes a sale of investment in a hypothetical market to a hypothetical market participant where buyers and sellers are willing participants. The hypothetical market does not include scenarios where the underlying security was simply repaid or extinguished, but includes an exit concept. Under this process, we also evaluate the collateral for recoverability of the debt investments as well as apply all of its historical fair value analysis. We use pricing on recently issued comparable debt securities to determine the baseline hypothetical market yields as of the measurement date. We consider each portfolio company's credit rating, security liens and other characteristics of the investment to adjust the baseline yield to derive a hypothetical yield for each investment as of the measurement date. The anticipated future cash flows from each investment are then discounted at the hypothetical yield to estimate each investment's fair value as of the measurement date.

Our process includes, among other things, the underlying investment performance, the current portfolio company's financial condition and market changing events that impact valuation, estimated remaining life, current market yield and interest rate spreads of similar securities as of the measurement date. If there is a significant deterioration of the credit quality of a debt investment, we may consider other factors than those a hypothetical market participant would use to estimate fair value, including the proceeds that would be received in a liquidation analysis.

We record unrealized depreciation on investments when it believes that an investment has decreased in value, including where collection of a loan is doubtful or if under the in exchange premise when the value of a debt security were to be less than amortized cost of the investment. Conversely, where appropriate, we record unrealized appreciation if we believe that the underlying portfolio company has appreciated in value and, therefore, that our investment has also appreciated in value or if under the in exchange premise the value of a debt security were to be greater than amortized cost.

When originating a debt instrument, we generally receive warrants or other equity-related securities from the borrower. We determine 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.

Equity-Related Securities and Warrants

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. We have a limited number of equity securities in public companies. In accordance with the 1940 Act, unrestricted publicly traded securities for which market quotations are readily available are valued at the closing market quote on the valuation date.

We estimate the fair value of warrants using a Black Scholes pricing model. At each reporting date, privately held warrant and equity related 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, price to enterprise value or price to equity ratios, discounted cash flow, valuation comparisons to comparable public companies or other industry benchmarks. When an external event occurs, such as a purchase

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transaction, public offering, or subsequent equity sale, the pricing indicated by that external event is utilized to corroborate our valuation of the warrant and equity related. We periodically review the valuation of our portfolio companies that have not been involved in a qualifying external event to determine if the enterprise value of the portfolio company may have increased or decreased since the last valuation measurement date.

Income Recognition.

We record interest income on the accrual basis and we recognize it as earned in accordance with the contractual terms of the loan agreement to the extent that such amounts are expected to be collected. Original Issue Discount (OID) initially represents the value of detachable equity warrants obtained in conjunction with the acquisition of debt securities and is accreted into interest income over the term of the loan as a yield enhancement. When a loan becomes 90 days or more past due, or if management otherwise does not expect the portfolio company to be able to service its debt and other obligations, we will generally place the loan on non-accrual status and cease recognizing interest income on that loan until all principal has been paid. Any uncollected interest related to prior periods is reversed from income in the period that collection of the interest receivable is determined to be doubtful. However, we may make exceptions to this policy if the investment has sufficient collateral value and is in the process of collection. As of September 30, 2011, we had one portfolio company on non-accrual status with a fair value of zero. There were two loans on non-accrual status with a fair value of approximately \$4.0 million as of December 31, 2010. During the three months ended March 31, 2011 we wrote off our warrant, equity and debt investments in one of these portfolio companies for a realized loss of approximately \$5.2 million.

Paid-In-Kind and End of Term Income.

Contractual paid-in-kind (PIK) interest, which represents contractually deferred interest added to the loan balance that is generally due at the end of the loan term, is generally recorded on the accrual basis to the extent such amounts are expected to be collected. We will generally cease accruing PIK interest if there is insufficient value to support the accrual or we do not expect the portfolio company to be able to pay all principal and interest due. In addition, we may also be entitled to an end-of-term payment that we amortize into income over the life of the loan. To maintain our status as a RIC, PIK and end-of-term income must be paid out to stockholders in the form of dividends even though we have not yet collected the cash. Amounts necessary to pay these dividends may come from available cash or the liquidation of certain investments. The Company recorded approximately \$285,000 and \$1.4 million in PIK income in the three and nine-month periods ended September 30, 2011, respectively. The Company recorded approximately \$552,000 and \$1.7 million in the same periods ended September 30, 2010, respectively.

Fee Income.

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

We recognize nonrecurring fees amortized over the remaining term of the loan commencing in the quarter relating to specific loan modifications. Certain fees may still be recognized as one-time fees, including prepayment penalties, fees related to select covenant default waiver fees and acceleration of previously deferred loan fees and original issue discount (OID) related to early loan pay-off or material modification of the specific debt outstanding.

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Equity Offering Expenses

Our offering costs, excluding underwriter's fees, are charged against the proceeds from equity offerings when received.

Debt Issuance Costs

Debt issuance costs are being amortized over the life of the related debt instrument using the straight line method, which closely approximates the effective yield method.

Stock-Based Compensation.

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

Federal Income Taxes.

We intend to operate so as to qualify to be taxed as a RIC under Subchapter M of the Code and, as such, will not be subject to federal income tax on the portion of our taxable income and gains distributed to stockholders. To qualify as a RIC, we are required to distribute at least 90% of our investment company taxable income, as defined by the Code. We are subject to a non-deductible federal excise tax if we do not distribute at least 98% of our taxable income and 98.2% of our capital gain net income for each one year period ending on October 31. At December 31, 2010 and 2009, no excise tax was recorded. At December 31, 2008, we recorded a liability for excise tax of approximately \$203,000 on income and capital gains of approximately \$5.0 million which was distributed in 2009. Because federal income tax regulations differ from accounting principles generally accepted in the United States, distributions in accordance with tax regulations may differ from net investment income and realized gains recognized for financial reporting purposes. Differences may be permanent or temporary. Permanent differences are reclassified among capital accounts in the financial statement to reflect their tax character. Temporary differences arise when certain items of income, expense, gain or loss are recognized at some time in the future. Differences in classification may also result from the treatment of short-term gains as ordinary income for tax purposes.

Recent Accounting Pronouncements

In January 2010, the FASB issued ASU No. 2010-06, *Fair Value Measurements and Disclosures* (ASU 2010-06), which amends ASC 820 and requires additional disclosure related to recurring and nonrecurring fair value measurements with respect to transfers in and out of Levels 1 and 2 and activity in Level 3 fair value measurements. The update also clarifies existing disclosure requirements related to the level of disaggregation and disclosure about inputs and valuation techniques. ASU 2010-06 is effective for interim and annual periods beginning after December 15, 2009 except for disclosures related to activity in Level 3 fair value measurements which are effective for fiscal years beginning after December 15, 2010 and for interim periods within those fiscal years. The Company adopted the requirements of ASU-2010-06 in the fourth quarter of 2009 and its adoption did not have a material effect on our consolidated financial statements.

In May 2011, the FASB issued *Accounting Standards Update No. 2011-04 Fair Value Measurement: Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS*, or ASU 2011-04. ASU 2011-04 clarifies the application of existing fair value measurement and disclosure requirements, changes the application of some requirements for measuring fair value and requires additional disclosure for fair value measurements. The highest and best use valuation premise is only applicable to non-financial assets. In addition, the disclosure requirements are expanded to include for fair value measurements

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categorized in Level 3 of the fair value hierarchy: (1) a quantitative disclosure of the unobservable inputs and assumptions used in the measurement; (2) a description of the valuation processes in place; and (3) a narrative description of the sensitivity of the fair value to changes in unobservable inputs and interrelationships between those inputs. ASU 2011-04 is effective for interim and annual periods beginning after December 15, 2011, for public entities. We are evaluating the impact that our adoption of this update may have on our financial position or results of operations.

Subsequent Events*Closed and Pending Commitments*

As of November 3, 2011, we have closed commitments of approximately \$45.0 million to new and existing portfolio companies, and funded approximately \$30.0 million since the close of the third quarter. In addition, we have pending commitments (signed term sheets) of approximately \$129.0 million.

The table below summarizes our year-to-date closed and pending commitments as follows:

2011 Closed Commitments and Pending Commitments (in millions)	
January 1	
September 30	
Closed Commitments	\$ 465.0
Q4-11 Closed Commitments (as of November 3, 2011)	\$ 45.0
Total year to date 2011 Closed Commitments^(a)	\$ 510.0
Pending Commitments (as November 3, 2011) ^(b)	\$ 129.0
Total year to date	\$ 639.0

- a. Not all Closed Commitments result in future cash requirements. Commitments generally fund over the two succeeding quarters from close.
- b. Not all Pending Commitments (signed non-binding term sheets) are expected to close and do not necessarily represent any future cash requirements.

Portfolio Company Developments

In October 2011, Hercules' portfolio company LaboPharm, Inc. was acquired by Paladin Labs resulting in the full repayment of Hercules' debt of approximately \$12.0 million and the cancellation of the remaining warrants.

Company Developments

In October 2011, Hercules announced the opening of its new office in McLean, Virginia, thereby expanding to the Mid-Atlantic and South-Atlantic regions where the Company was previously under represented.

On November 2, 2011, the Company renewed and amended the Union Bank Facility. The Union Bank Facility will mature on November 2, 2014, revolving through the first 24 months with a term out provision for the remaining 12 months. The Union Bank Facility requires the payment of a non-use fee of 0.50% annually. The other terms of the Union Bank Facility generally remain unchanged, including the stated interest rate.

Quantitative and Qualitative Disclosures About Market Risk

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

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As of September 30, 2011, approximately 91.1% of our portfolio loans were at variable rates or variable rates with a floor and 8.9% of our loans were at fixed rates. Over time additional investments may be at variable rates. We do not currently engage in any hedging activities. However, we may, in the future, hedge against interest rate fluctuations by using standard hedging instruments such as futures, options, and forward contracts. While hedging activities may insulate us against changes in interest rates, they may also limit our ability to participate in the benefits of lower interest rates with respect to our borrowed funds and higher interest rates with respect to our portfolio of investments. Interest rates on our borrowings are based primarily on LIBOR. Borrowings under our SBA program are fixed at the ten year treasury rate every March and September for borrowings of the preceding six months. Borrowings under the program are charged interest based on ten year treasury rates plus a spread and the rates are generally set for a pool of debentures issued by the SBA in three-month periods. The rates of borrowings under the various draws from the SBA beginning in April 2007 and set semiannually in March and September range from 3.22% to 5.73%. In addition, the SBA charges a fee that is set annually, depending on the Federal fiscal year the leverage commitment was delegated by the SBA, regardless of the date that the leverage was drawn by the SBIC. The annual fee related to HT III debentures that pooled on September 21, 2011 was 0.285%. The annual fees related to HT II debentures that pooled on September 22, 2010 were 0.406% and 0.285%, depending upon the year the underlying commitment was closed in. The annual fees on other debentures have been set at 0.906%. The average amount of debentures outstanding for the quarter ended September 30, 2011 for HT II was approximately \$125.0 million with an average interest rate of approximately 5.0%, and for HT III was approximately \$63.75 million with an average interest rate of approximately 3.5%. Interest is payable semiannually and there are no principal payments required on these issues prior to maturity. Debentures under the SBA generally mature ten years after being borrowed. Based on the initial draw down date of April 2007, the initial maturity of SBA debentures will occur in April 2017.

Borrowings under the Wells Facility will generally bear interest at a rate per annum equal to LIBOR plus 3.50% with a floor of 5.0%. The Wells Facility is collateralized by debt investment in our portfolio companies, and includes an advance rate equal to 50% of eligible loans placed in the collateral pool. The Wells Facility generally requires payment of interest on a monthly basis. The Wells Facility requires the monthly payment of a non-use fee of 0.3% for each payment date on or before September 1, 2011. From September 1, 2011 through September 30, 2011, this non-use fee was 0.75%. The monthly payment of a non-use fee thereafter shall depend on the average balance that was outstanding on a scale between 0.0% and 0.75%. All outstanding principal is due upon maturity. There were no borrowings outstanding under this facility at September 30, 2011. The facility expires in June 2014.

Borrowings under the Union Bank Facility will generally bear interest at a rate per annum equal to LIBOR plus 2.25% with a floor of 4.0%. The Union Bank Facility required the payment of an unused fee of 0.25% annually. The Union Bank Facility is collateralized by debt investments in our portfolio companies, and includes an advance rate equal to 50% of eligible loans placed in the collateral pool. The Union Bank Facility generally requires payment of interest on a monthly basis. All outstanding principal is due upon maturity. There were no outstanding borrowings under this facility at September 30, 2011. In June 2011, the maturity date under the credit facility was extended from July 31, 2011 to December 31, 2011, subject to the same terms and conditions. On November 2, 2011, we renewed and amended the Union Bank Facility. The Union Bank Facility requires the payment of a non-use fee of 0.50% annually. The other terms of the Union Bank Facility generally remain unchanged, including the stated interest rate. The Union Bank Facility will mature on November 2, 2014, revolving through the first 24 months with a term out provision for the remaining 12 months.

Borrowings under the Convertible Senior Notes mature on April 15, 2016 (the Maturity Date), unless previously converted or repurchased in accordance with their terms. The Convertible Senior Notes bear interest at a rate of 6.00% per year payable semiannually in arrears on April 15 and October 15 of each year, commencing on October 15, 2011. The Convertible Senior Notes are our senior unsecured obligations and rank senior in right of payment to our existing and future indebtedness that is expressly subordinated in right of payment to the Convertible Senior Notes; equal in right of payment to our existing and future unsecured indebtedness that is not so subordinated; effectively junior in right of payment to any of our secured indebtedness.

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(including unsecured indebtedness that we later secure) to the extent of the value of the assets securing such indebtedness; and structurally junior to all existing and future indebtedness (including trade payables) incurred by our subsidiaries, financing vehicles or similar facilities.

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

Disclosure Controls and Procedures

The Company carried out an evaluation, under the supervision and with the participation of its management, including its Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial officer), of the effectiveness of the design and operation of these disclosure controls and procedures, as such term is defined in Exchange Act Rules 13a-15(e) and 15d-15(e), as of September 30, 2011. Based on this evaluation, the Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial officer) concluded that its disclosure controls and procedures were not effective as of as of September 30, 2011, the end of the period covered by its Quarterly Report on Form 10-Q, because of the continuing remediation efforts discussed below.

Changes in Internal Control Over Financial Reporting

As described in Item 9A of the Company's Annual Report on Form 10-K for the year ended December 31, 2010 and in the Company's Quarterly Report on Form 10-Q for the three months ended March 31, 2011, management identified remedial steps that were implemented with respect to disclosed material weaknesses. In light of these material weaknesses, the Company refined its procedures to ensure its financial statements were prepared in accordance with generally accepted accounting principles. The status of the remediation efforts, as discussed below, was regularly reviewed with management and the Company's Audit Committee of the Board of Directors. The Audit Committee was advised of issues encountered and key decisions reached by management relating to the remediation efforts. Accordingly, management believes that the financial statements included in its Quarterly Report on Form 10-Q and this Registration Statement present fairly in all material respects the Company's financial condition, results of operations and cash flows for the periods presented.

During the three month period ended December 31, 2010, and in connection with the year-end audit process, the Company corrected the valuation process to refine its application of ASC 820. The Company applied a new procedure that assumes a sale of an investment in a hypothetical market to a hypothetical market participant where buyers and sellers are willing participants. The hypothetical market does not include scenarios where the underlying security was simply repaid or extinguished, but includes an exit concept. Under the new process, the Company has continued to evaluate the collateral for recoverability of the debt investments as well as apply all of its historical fair value analysis. The Company uses pricing on recently issued comparable debt securities to determine the baseline hypothetical market yields as of the measurement date. The Company considers each portfolio company's credit rating, security liens and other characteristics of the investment to adjust the baseline yield to derive a hypothetical yield for each investment. The anticipated future cash flows from each investment are then discounted at the hypothetical yield to estimate each investment's fair value as of the measurement date. The Company has completed its evaluation and testing of these additional processes. During the three months ended March 31, 2011, management evaluated the remedial action, assessed the operating effectiveness of the remediated controls and concluded that it has remediated the material weakness described above.

In connection with the preparation of the Company's Consolidated Financial Statements for the three-month period ended March 31, 2011, the Company identified a material weakness in its internal control over financial

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reporting. A material weakness is a deficiency, or combination of control deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the registrant's annual or interim financial statements will not be prevented or detected on a timely basis. In particular, management became aware of matters where existing controls did not operate effectively to detect manual input errors in calculations used to derive the fair value of some investment portfolio holdings as of the measurement date, thereby impacting reported amounts with respect to investments and net increase (decrease) in unrealized appreciation on investments. This control deficiency could result in misstatements of the aforementioned accounts and disclosures that would result in a material misstatement of the consolidated financial statements that would not be prevented or detected. Because of this material weakness, management concluded that the Company did not maintain effective control over financial reporting as of March 31, 2011. The Company designed and implemented its remediation efforts, as outlined below, to address the material weakness identified as of March 31, 2011 and to strengthen its internal control over financial reporting. Beginning in the second quarter of 2011, the Company has implemented the following remediation steps to address the material weakness as it relates to manual input errors in calculations used and to improve its internal control over financial reporting:

adding additional layers of review to ensure accuracy, existence and completeness of the number of equity security holdings as of the measurement date;

adding additional review steps, particularly surrounding any manually input data, in the calculations used to support the fair value of investments as of the measurement date; and

seeking to recruit additional experienced professionals to augment and upgrade its financial staff to address issues of timeliness and completeness in financial reporting.

As of September 30, 2011, management believes it has placed in operation controls to address the material weakness, however given the timing of certain remediation activities there was not sufficient evidence to conclude upon their sustained effectiveness. As a result, during 2011, management continued to monitor and test the controls that have been implemented to ensure sustained effectiveness and will further remediate should any evidence of ineffectiveness be found.

The Audit Committee has directed management to monitor and test the controls implemented and develop additional controls should any of these new controls require further enhancement. In addition, under the direction of the Audit Committee, management will continue to review and make necessary changes to the overall design of the Company's internal control environment, as well as policies and procedures to improve the overall effectiveness of internal control over financial reporting.

Management believes the measures described above and others that will be implemented as necessary will remediate the control deficiencies the Company has identified and strengthen its internal control over financial reporting. Management is committed to continuous improvement of the Company's internal control processes and will continue to diligently review the Company's financial reporting controls and procedures. As management continues to evaluate and work to improve internal control over financial reporting, the Company may determine to take additional measures to address control deficiencies or to determine to modify, or in appropriate circumstances not to complete, certain of the remediation measures described above.

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BUSINESS

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

We also make investments in qualifying small businesses through two wholly-owned, small business investment company (SBIC) subsidiaries, Hercules Technology II, L.P. (HT II) and Hercules Technology III, L.P. (HT III). As SBICs, HT II and HT III are subject to a variety of regulations concerning, among other things, the size and nature of the companies in which they may invest and the structure of those investments. As of September 30, 2011, we held investments in HT II in 84 companies with a fair value of approximately \$180.8 million. HT II s portfolio companies accounted for approximately 31.4% of our total portfolio at September 30, 2011. As of September 30, 2011, we held investments in HT III in 20 companies with a fair value of approximately \$92.4 million. HT III s portfolio accounted for approximately 16.0% of our total portfolio at September 30, 2011.

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

We focus our investments in companies active in the technology industry sub-sectors characterized by products or services that require advanced technologies, including, but not limited to, computer software and hardware, networking systems, semiconductors, semiconductor capital equipment, information technology infrastructure or services, Internet consumer and business services, telecommunications, telecommunications equipment, renewable or alternative energy, media and life sciences. Within the life sciences sub-sector, we generally focus on medical devices, bio-pharmaceutical, drug discovery, drug delivery, health care services and information systems companies. Within the clean technology sub-sector, we focus on sustainable and renewable energy technologies and energy efficiency and monitoring technologies. We refer to all of these companies as technology-related companies and intend, under normal circumstances, to invest at least 80% of the value of our assets in such businesses.

Our investment objective is to maximize our portfolio total return by generating current income from our debt investments and capital appreciation from our equity-related investments. Our primary business objectives are to increase our net income, net operating income and net asset value by investing in structured debt with warrants and equity of venture capital and private equity backed technology-related companies with attractive current yields and the potential for equity appreciation and realized gains. Our structured debt investments typically include warrants or other equity interests, giving us the potential to realize equity-like returns on a portion of our investments. Our equity ownership in our portfolio companies may represent a controlling interest. In some cases, we receive the right to make additional equity investments in our portfolio companies in connection with future equity financing rounds. Capital that we provide directly to venture capital and private equity backed technology-related companies is generally used for growth and general working capital purposes as well as in select cases for acquisitions or recapitalizations.

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

Current Market Conditions

Beginning in the fall of 2008, the global economy entered a financial crisis and recession. Volatile capital and credit markets, declining business and consumer confidence and increased unemployment precipitated a continuing economic slowdown. Although there have been signs of recovery in many regions, economic weakness could continue or worsen. For example, the current U.S. debt ceiling and budget deficit concerns, together with signs of deteriorating sovereign debt conditions in Europe, have increased the possibility of credit-rating downgrades and economic slowdowns. Although U.S. lawmakers passed legislation to raise the federal debt ceiling, Standard & Poor's Ratings Services lowered its long-term sovereign credit rating on the United States from AAA to AA+ on August 5, 2011. The impact of this or any further downgrades to the U.S. government's sovereign credit rating, or its perceived creditworthiness, and the impact of the current crisis in Europe with respect to the ability of certain European Union countries to continue to service their sovereign debt obligations is inherently unpredictable and could adversely effect the U.S. and global financial markets and economic conditions. There can be no assurance that governmental or other measures to aid economic recovery will be effective. Given our level of liquidity and pipeline, we believe that we are well positioned despite the uncertainty in the market. Continued adverse economic conditions could have a material adverse effect on our business, financial condition and results of operations.

We may acquire a portfolio of investments or sell a portion of our portfolio on an opportunistic basis. We, from time to time, engage in discussions with counterparties in respect of various potential transactions. Some of these transactions could be material to our business. Consummation of any such transaction will be subject to completion of due diligence, finalization of key business and financial terms (including price) and negotiation of final definitive documentation as well as a number of other factors and conditions including, without limitation, the approval of our Board of Directors and required third party consents and, in certain cases, the approval of our stockholders. Accordingly, there can be no assurance that any such transaction would be consummated.

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

Corporate History and Offices

We are a Maryland Corporation formed in December 2003 that began investment operations in September 2004. We are an internally managed, non-diversified, closed-end investment company that has elected to be treated as a business development company under the Investment Company Act of 1940 Act. As a business development company, we are required to meet various regulatory tests. A business development company is required to invest at least 70% of its total assets in qualifying assets, including securities of private and thinly traded public U.S. companies, cash, cash equivalents, U.S. government securities and high-quality debt investments that mature in one year or less. A business development company also must meet a coverage ratio of

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total net assets to total senior securities, which include all of our borrowings (including accrued interest payable) except for debentures issued by the Small Business Administration, and any preferred stock we may issue in the future, of at least 200% subsequent to each borrowing or issuance of senior securities. See Regulation .

From incorporation through December 31, 2005, we were taxed as a corporation under Subchapter C of the Internal Revenue Code of 1986 or as amended (the Code). We have elected to be treated for federal income tax purposes as a regulated investment company, or RIC, under the Code. In order to continue to qualify as a RIC for federal income tax purposes, we must meet certain requirements, including certain minimum distribution requirements. See Certain United States Federal Income Tax Considerations.

Our principal executive offices are located at 400 Hamilton Avenue, Suite 310, Palo Alto, California 94301 and our telephone number is (650) 289-3060. We also have additional offices in Boston, MA, Boulder, CO and McLean, VA. We maintain a website on the Internet at www.herculestech.com. Information contained in our website is not incorporated by reference into this Prospectus, and you should not consider that information as part of this Prospectus. Our annual reports on Form 10-K, quarterly reports on Form 10-Q and our current reports on Form 8-K, as well as any amendments to those reports, are available free of charge through our website as soon as reasonably practicable after we file them with the Securities and Exchange Commission (SEC). These reports are also available on the SEC s website at www.sec.gov.

We may acquire a portfolio of investments or sell a portion of our portfolio on an opportunistic basis. We, from time to time, engage in discussions with counterparties in respect of various potential transactions. Some of these transactions could be material to our business. Consummation of any such transaction will be subject to completion of due diligence finalization of key business and financial terms (including price) and negotiation of final definitive documentation as well as a number of other factors and conditions including, without limitation, the approval of our board of directors and required third party consents and, in certain cases, the approval of our stockholders. Accordingly, there can be no assurance that any such transaction would be consummated.

Our Market Opportunity

We believe that technology-related companies compete in one of the largest and most rapidly growing sectors of the U.S. economy and that continued growth is supported by ongoing innovation and performance improvements in technology products as well as the adoption of technology across virtually all industries in response to competitive pressures. We believe that an attractive market opportunity exists for a specialty finance company focused primarily on investments in structured debt with warrants in technology-related companies for the following reasons:

Technology-related companies have generally been underserved by traditional lending sources;

Unfulfilled demand exists for structured debt financing to technology-related companies as the number of lenders has declined due to the recent financial market turmoil; and

Structured debt with warrants products are less dilutive and complement equity financing from venture capital and private equity funds.

Technology-Related Companies are Under served by Traditional Lenders. We believe many viable technology-related companies backed by financial sponsors have been unable to obtain sufficient growth financing from traditional lenders, including financial services companies such as commercial banks and finance companies, particularly due to the recent credit market dislocation and because traditional lenders have continued to consolidate and have adopted a more risk-averse approach to lending. More importantly, we believe traditional lenders are typically unable to underwrite the risk associated with financial sponsor-backed emerging growth or expansion-stage companies effectively.

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The unique cash flow characteristics of many technology-related companies include significant research and development expenditures and high projected revenue growth thus often making such companies difficult to evaluate from a credit perspective. In addition, the balance sheets of emerging-growth and expansion-stage companies often include a disproportionately large amount of intellectual property assets, which can be difficult to value. Finally, the speed of innovation in technology and rapid shifts in consumer demand and market share add to the difficulty in evaluating technology-related companies.

Due to the difficulties described above, we believe traditional lenders are generally refraining from entering the structured mezzanine marketplace, instead preferring the risk-reward profile of asset based lending. Traditional lenders generally do not have flexible product offerings that meet the needs of technology-related companies. The financing products offered by traditional lenders typically impose on borrowers many restrictive covenants and conditions, including limiting cash outflows and requiring a significant depository relationship to facilitate rapid liquidation.

Unfulfilled Demand for Structured Debt Financing to Technology-Related Companies. Private debt capital in the form of structured debt financing from specialty finance companies continues to be an important source of funding for technology-related companies. We believe that the level of demand for structured debt financing is a function of the level of annual venture equity investment activity. In the first nine months of 2011, venture capital-backed companies received, in approximately 2,229 transactions, equity financing in an aggregate amount of approximately \$23.3 billion, representing a 29.4% increase from the same period of the preceding year, as reported by Dow Jones VentureSource. In addition, overall, the median round size during the three-month periods ended September 30, 2011 and 2010 was approximately \$6.0 million and \$5.0 million, respectively. We believe the larger number of venture-backed companies receiving financing provides us a greater opportunity to provide debt financing to these venture backed companies. Overall, seed- and first-round deals made up 42% of the deal flow in the three months ended September 30, 2011 and later-stage deals made up roughly 37% of the deal activity in the quarter.

We believe that demand for structured debt financing is currently underserved, in part because of the credit market collapse in 2008 and the resulting exit of debt capital providers to technology-related companies. The venture capital market for the technology-related companies in which we invest has been active and is continuing to show signs of increased investment activity. In addition, lending requirements of traditional lenders have become more stringent due to the significant write-offs in the financial services sector, the re-pricing of credit risk in the broadly syndicated market and the financial turmoil affecting the banking system and financial market, which have negatively impacted the debt and equity capital market in the United States and most other markets. At the same time, the venture capital market for the technology-related companies in which we invest has continued to be active. Therefore, to the extent we have capital available, we believe this is an opportune time to be active in the structured lending market for technology-related companies.

Structured Debt with Warrants Products Complement Equity Financing From Venture Capital and Private Equity Funds. We believe that technology-related companies and their financial sponsors will continue to view structured debt securities as an attractive source of capital because it augments the capital provided by venture capital and private equity funds. We believe that our structured debt with warrants product provides access to growth capital that otherwise may only be available through incremental investments by existing equity investors. As such, we provide portfolio companies and their financial sponsors with an opportunity to diversify their capital sources. Generally, we believe technology-related companies at all stages of development target a portion of their capital to be debt in an attempt to achieve a higher valuation through internal growth. In addition, because financial sponsor-backed companies have reached a more mature stage prior to reaching a liquidity event, we believe our investments could provide the debt capital needed to grow or recapitalize during the extended period prior to liquidity events.

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Our Business Strategy

Our strategy to achieve our investment objective includes the following key elements:

Leverage the Experience and Industry Relationships of Our Management Team and Investment Professionals. We have assembled a team of experienced investment professionals with extensive experience as venture capitalists, commercial lenders, and originators of structured debt and equity investments in technology-related companies. Our investment professionals have, on average, more than 15 years of experience as equity investors in, and/or lenders to, technology-related companies. In addition, at Hercules, our team members have originated structured debt, debt with warrants and equity investments in over 180 technology-related companies, representing over \$2.6 billion in commitments from inception to September 30, 2011, and have developed a network of industry contacts with investors and other participants within the venture capital and private equity communities. In addition, members of our management team also have operational, research and development and finance experience with technology-related companies. We have established contacts with leading venture capital and private equity fund sponsors, public and private companies, research institutions and other industry participants, which should enable us to identify and attract well-positioned prospective portfolio companies.

We concentrate our investing activities generally in industries in which our investment professionals have investment experience. We believe that our focus on financing technology-related companies will enable us to leverage our expertise in structuring prospective investments, to assess the value of both tangible and intangible assets, to evaluate the business prospects and operating characteristics of technology-related companies and to identify and originate potentially attractive investments with these types of companies.

Mitigate Risk of Principal Loss and Build a Portfolio of Equity-Related Securities. We expect that our investments have the potential to produce attractive risk adjusted returns through current income, in the form of interest and fee income, as well as capital appreciation from equity-related securities. We believe that we can mitigate the risk of loss on our debt investments through the combination of loan principal amortization, cash interest payments, relatively short maturities, security interests in the assets of our portfolio companies, and on select investment covenants requiring prospective portfolio companies to have certain amounts of available cash at the time of our investment and the continued support from a venture capital or private equity firm at the time we make our investment.

Historically our structured debt investments to technology-related companies, typically include warrants or other equity interests, giving us the potential to realize equity-like returns on a portion of our investment. In addition, in some cases, we receive the right to make additional equity investments in our portfolio companies in connection with future equity financing rounds. We believe these equity interests will create the potential for meaningful long-term capital gains in connection with the future liquidity events of these technology-related companies.

Provide Customized Financing Complementary to Financial Sponsors' Capital. We offer a broad range of investment structures and possess expertise and experience to effectively structure and price investments in technology-related companies. Unlike many of our competitors that only invest in companies that fit a specific set of investment parameters, we have the flexibility to structure our investments to suit the particular needs of our portfolio companies. We offer customized financing solutions ranging from senior debt to equity capital, with a focus on structured debt with warrants.

We use our relationships in the financial sponsor community to originate investment opportunities. Because venture capital and private equity funds typically invest solely in the equity securities of their portfolio companies, we believe that our debt investments will be viewed as an attractive and complimentary source of capital, both by the portfolio company and by the portfolio company's financial sponsor. In addition, we believe that many venture capital and private equity fund sponsors encourage their portfolio companies to use debt financing for a portion of their capital needs as a means of potentially enhancing equity returns, minimizing equity dilution and increasing valuations prior to a subsequent equity financing round or a liquidity event.

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Invest at Various Stages of Development. We provide growth capital to technology-related companies at all stages of development, from emerging-growth companies, to expansion-stage companies and established-stage companies, including select publicly listed companies and select lower middle market companies. We believe that this provides us with a broader range of potential investment opportunities than those available to many of our competitors, who generally focus their investments on a particular stage in a company's development. Because of the flexible structure of our investments and the extensive experience of our investment professionals, we believe we are well positioned to take advantage of these investment opportunities at all stages of prospective portfolio companies' development.

Benefit from Our Efficient Organizational Structure. We believe that the perpetual nature of our corporate structure enables us to be a long-term partner for our portfolio companies in contrast to traditional mezzanine and investment funds, which typically have a limited life. In addition, because of our access to the equity markets, we believe that we may benefit from a lower cost of capital than that available to private investment funds. We are not subject to requirements to return invested capital to investors nor do we have a finite investment horizon. Capital providers that are subject to such limitations are often required to seek a liquidity event more quickly than they otherwise might, which can result in a lower overall return on an investment.

Deal Sourcing Through Our Proprietary Database. We have developed a proprietary and comprehensive structured query language-based (SQL) database system to track various aspects of our investment process including sourcing, originations, transaction monitoring and post-investment performance. As of September 30, 2011, our proprietary SQL-based database system included over 25,000 technology-related companies and approximately 6,300 venture capital, private equity sponsors/investors, as well as various other industry contacts. This proprietary SQL system allows us to maintain, cultivate and grow our industry relationships while providing us with comprehensive details on companies in the technology-related industries and their financial sponsors.

Our Investments and Operations

We principally invest in debt securities and, to a lesser extent, equity securities, with a particular emphasis on structured debt with warrants.

We generally seek to invest in companies that have been operating for at least six to 12 months prior to the date of our investment. We anticipate that such entities may, at the time of investment, be generating revenues or will have a business plan that anticipates generation of revenues within 24 to 48 months. Further, we anticipate that on the date of our investment we will generally obtain a lien on available assets, which may or may not include intellectual property, and these companies will have sufficient cash on their balance sheet to operate as well as potentially amortize their debt for at least three to nine months following our investment. We generally require that a prospective portfolio company, in addition to having sufficient capital to support leverage, demonstrate an operating plan capable of generating cash flows or raising the additional capital necessary to cover its operating expenses and service its debt, for an additional six to 12 months subject to market conditions.

We expect that our investments will generally range from \$1.0 million to \$25.0 million. We typically structure our debt securities to provide for amortization of principal over the life of the loan, but may include an interest-only period of three to 18 months for emerging growth and expansion-stage companies and longer for established-stage companies. Our loans will be collateralized by a security interest in the borrower's assets, although we may not have the first claim on these assets and the assets may not include intellectual property. Our debt investments carry fixed or variable contractual interest rates which generally ranged from PRIME to 14% as of September 30, 2011. As of September 30, 2011, 91.1% of our loans were at variable rates or variable rates with a floor and 8.9% of the loans were at fixed rates. In addition to the cash yields received on our loans, in some instances, certain loans may also include any of the following: end of term payments, exit fees, balloon payment fees, success fees, payment-in-kind (PIK) provisions or prepayment fees, which we may be required to include in income prior to receipt. We also generate revenue in the form of commitment and facility fees.

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In addition, the majority of our venture capital-backed companies structured debt investments generally have equity enhancement features, typically in the form of warrants or other equity-related securities designed to provide us with an opportunity for potential capital appreciation. The warrants typically will be immediately exercisable upon issuance and generally will remain exercisable for the lesser of five to seven years or one to three years after completion of an initial public offering. The exercise prices for the warrants varies from nominal exercise prices to exercise prices that are at or above the current fair market value of the equity for which we receive warrants. We may structure warrants to provide minority rights provisions or on a very select basis put rights upon the occurrence of certain events. We generally target a total annualized return (including interest, fees and value of warrants) of 12% to 25% for our debt investments.

Typically, our structured debt and equity investments take one of the following forms:

Structured debt with warrants. We seek to invest a majority of our assets in structured debt with warrants of prospective portfolio companies. Traditional mezzanine debt is a layer of high-coupon financing between debt and equity that most commonly takes the form of subordinated debt coupled with warrants, combining the cash flow and risk characteristics of both senior debt and equity. However, our investments in structured debt with warrants may be the only debt capital on the balance sheet of our portfolio companies, and in many cases we have a first priority security interest in all of our portfolio company's assets, or in certain investments we may have a negative pledge on intellectual property. Our structured debt with warrants typically have maturities of between two and seven years, with full amortization after an interest only period for emerging-growth or expansion-stage companies and longer deferred amortization for select established-stage companies. Our structured debt with warrants generally carry a contractual interest rate between PRIME and 14% and may include an additional end-of-term payment or PIK (Paid in Kind), and are in an amount between \$1.0 million and \$25.0 million. In most cases we collateralize our investments by obtaining security interests in our portfolio companies' assets, which may include their intellectual property. In other cases we may prohibit a company from pledging or otherwise encumbering their intellectual property. We may structure our structured debt with warrants with restrictive affirmative and negative covenants, default penalties, prepayment penalties, lien protection, equity calls, change-in-control provisions or board observation rights.

Senior Debt. We seek to invest a limited portion of our assets in senior debt. Senior debt may be collateralized by accounts receivable and/or inventory financing of prospective portfolio companies. Senior debt has a senior position with respect to a borrower's scheduled interest and principal payments and holds a first priority security interest in the assets pledged as collateral. Senior debt also may impose covenants on a borrower with regard to cash flows and changes in capital structure, among other items. We generally collateralize our investments by obtaining security interests in our portfolio companies' assets, which may include their intellectual property. In other cases we may obtain a negative pledge covering a company's intellectual property. Our senior loans, in certain instances, may be tied to the financing of specific assets. In connection with a senior debt investment, we may also provide the borrower with a working capital line-of-credit that will carry an interest rate ranging from Prime or LIBOR plus a spread with a floor, generally maturing in one to three years, and will be secured by accounts receivable and/or inventory.

Equipment Loans. We intend to invest a limited portion of our assets in equipment-based loans to early-stage prospective portfolio companies. Equipment-based loans are secured by a first priority security interest in only the specific assets financed. These loans are generally for amounts up to \$3.0 million, carry a contractual interest rate between PRIME and PRIME plus 10%, and have an average term between three and four years. Equipment loans may also include end of term payments.

Equity-Related Securities. The equity-related securities we hold consist primarily of warrants or other equity interests generally obtained in connection with our structured debt investments. In addition to the warrants received as a part of a structured debt financing, we typically receive the right to make equity investments in a portfolio company in connection with that company's next round of equity financing. We may also on certain debt investments have the right to convert a portion of the debt

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investment into equity. These rights will provide us with the opportunity to further enhance our returns over time through opportunistic equity investments in our portfolio companies. These equity-related investments are typically in the form of preferred or common equity and may be structured with a dividend yield, providing us with a current return, and with customary anti-dilution protection and preemptive rights. In the future, we may achieve liquidity through a merger or acquisition of a portfolio company, a public offering of a portfolio company's stock or by exercising our right, if any, to require a portfolio company to buy back the equity-related securities we hold. We may also make stand alone direct equity investments into portfolio companies in which we may not have any debt investment in the company. As of September 30, 2011, we held equity interests in 39 portfolio companies.

A comparison of the typical features of our various investment alternatives is set forth in the chart below.

Typical Structure	Structured Debt with Warrants Term debt with warrants	Senior Debt Term or revolving debt	Equipment Loans Term debt with warrants	Equity-Related Securities Preferred stock or common stock
Investment Horizon	Long term, ranging from 2 to 7 years, with an average of 3 years	Usually under 3 years	Ranging from 3 to 4 years	Ranging from 3 to 7 years
Ranking/Security	Senior secured, either first out or last out second lien	Senior/First lien	Secured only by underlying equipment	None/unsecured
Covenants	Less restrictive; Mostly financial; Maintenance-based	Generally borrowing base and financial	None	None
Risk Tolerance	Medium/High	Low	High	High
Coupon/Dividend	Cash pay fixed and floating rate; Payment-in-kind in limited cases	Cash pay floating or fixed rate	Cash pay-floating or fixed rate and may include Payment-in-kind	Generally none
Customization or Flexibility	More flexible	Little to none	Little to none	Flexible
Equity Dilution	Low to medium	None to low	Low	High

Investment Criteria

We have identified several criteria, among others, that we believe are important in achieving our investment objective with respect to prospective portfolio companies. These criteria, while not inclusive, provide general guidelines for our investment decisions.

Portfolio Composition. While we generally focus our investments in venture capital and private equity-backed technology-related companies, we seek to diversify across various financial sponsors as well as across various stages of companies' development and various technology industry sub-sectors and geographies. During 2010, we began increasing our investments in lower middle market companies that may be or are

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approaching an operational level where they are EBITDA positive and possibly cash flow positive thereby decreasing their reliance on additional venture capital or private equity investments. At September 30, 2011, our investments in lower middle market companies accounted for approximately 27.2% of our total investments.

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Continuing Support from One or More Financial Sponsors. We generally invest in companies in which one or more established financial sponsors have previously invested and continue to make a contribution to the management of the business. We believe that having established financial sponsors with meaningful commitments to the business is a key characteristic of a prospective portfolio company. In addition, we look for representatives of one or more financial sponsors to maintain seats on the Board of Directors of a prospective portfolio company as an indication of such commitment.

Company Stage of Development. While we invest in companies at various stages of development, we generally require that prospective portfolio companies be beyond the seed stage of development and generally have received or anticipate to have commitments for their first institutional round of equity financing for early stage companies. Starting in 2008, we began shifting our focus to expansion and established-stage companies that have revenues or significant anticipated revenue growth. We expect a prospective portfolio company to demonstrate progress in its product development or demonstrate a path towards revenue generation or increase its revenues and operating cash flow over time. The anticipated growth rate of a prospective portfolio company is a key factor in determining the value that we ascribe to any warrants or other equity securities that we may acquire in connection with an investment in debt securities.

Operating Plan. We generally require that a prospective portfolio company, in addition to having potential access to capital to support leverage, demonstrate an operating plan capable of generating cash flows or the ability to potentially raise the additional capital necessary to cover its operating expenses and service its debt for a specific period. Specifically, we require that a prospective portfolio company demonstrate at the time of our proposed investment that it has cash on its balance sheet, or is in the process of completing a financing so that it will have cash on its balance sheet, sufficient to support its operations for a minimum of three to nine months.

Security Interest. In many instances we seek a first priority security interest in all of the portfolio company's tangible and intangible assets as collateral for our debt investment, subject in some cases to permitted exceptions. In other cases we may obtain a negative pledge prohibiting a company from pledging or otherwise encumbering their intellectual property. Although we do not intend to operate as an asset-based lender, the estimated liquidation value of the assets, if any, collateralizing the debt securities that we hold is an important factor in our credit analysis and subject to assumptions that may change over the life of the investment especially when attempting to estimate the value of intellectual property. We generally evaluate both tangible assets, such as accounts receivable, inventory and equipment, and intangible assets, such as intellectual property, customer lists, networks and databases.

Covenants. Our investments may include one or more of the following covenants; cross-default, or material adverse change provisions, require the portfolio company to provide periodic financial reports and operating metrics and will typically limit the portfolio company's ability to incur additional debt, sell assets, dividend recapture, engage in transactions with affiliates and consummate an extraordinary transaction, such as a merger or recapitalization without our consent. In addition, we may require other performance or financial based covenants, as we deem appropriate.

Exit Strategy. Prior to making a debt investment that is accompanied by an equity-related security in a prospective portfolio company, we analyze the potential for that company to increase the liquidity of its equity through a future event that would enable us to realize appreciation in the value of our equity interest. Liquidity events may include an initial public offering, a private sale of our equity interest to a third party, a merger or an acquisition of the company or a purchase of our equity position by the company or one of its stockholders.

Investment Process

We have organized our management team around the four key elements of our investment process:

Origination;

Underwriting;

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Documentation; and

Loan and Compliance Administration.

Our investment process is summarized in the following chart:

Origination

The origination process for our investments includes sourcing, screening, preliminary due diligence and deal structuring and negotiation, all leading to an executed non-binding term sheet. Our investment origination team, which consists of approximately 29 investment professionals, is headed by our Senior Managing Directors of Technology, Clean Technology and Life Science, and our Chief Executive Officer. The origination team is responsible for sourcing potential investment opportunities and members of the investment origination team use their extensive relationships with various leading financial sponsors, management contacts within technology-related companies, trade sources, technology conferences and various publications to source prospective portfolio companies. Our investment origination team is divided into middle market, technology and life sciences sub-teams to better source potential portfolio companies.

In addition, we have developed a proprietary and comprehensive SQL-based database system to track various aspects of our investment process including sourcing, originations, transaction monitoring and post-investment performance. As of September 30, 2011, our proprietary SQL-based database system included over 25,000 technology-related companies and approximately 6,300 venture capital private equity sponsors/investors, as well as various other industry contacts. This proprietary SQL system allows our origination team to maintain, cultivate and grow our industry relationships while providing our origination team with comprehensive details on companies in the technology-related industries and their financial sponsors.

If a prospective portfolio company generally meets certain underwriting criteria, we perform preliminary due diligence, which may include high level company and technology assessments, evaluation of its financial sponsors' support, market analysis, competitive analysis, identify key management, risk analysis and transaction size, pricing, return analysis and structure analysis. If the preliminary due diligence is satisfactory, and the origination team recommends moving forward, we then structure, negotiate and execute a non-binding term sheet

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with the potential portfolio company. Upon execution of a term sheet, the investment opportunity moves to the underwriting process to complete formal due diligence review and approval.

Underwriting

The underwriting review includes formal due diligence and approval of the proposed investment in the portfolio company.

Due Diligence. Our due diligence on a prospective investment is typically completed by two or more investment professionals whom we define as the underwriting team. The underwriting team for a proposed investment consists of the deal sponsor who typically possesses general industry knowledge and is responsible for originating and managing the transaction, other investment professional(s) who perform due diligence, credit and corporate financial analyses and, as needed, our Chief Legal Officer and other legal professionals. To ensure consistent underwriting, we generally use our standardized due diligence methodologies, which include due diligence on financial performance and credit risk as well as an analysis of the operations and the legal and applicable regulatory framework of a prospective portfolio company. The members of the underwriting team work together to conduct due diligence and understand the relationships among the prospective portfolio company's business plan, operations and financial performance.

As part of our evaluation of a proposed investment, the underwriting team prepares an investment memorandum for presentation to the investment committee. In preparing the investment memorandum, the underwriting team typically interviews with select key management of the company and select financial sponsors and assembles information necessary to the investment decision. If and when appropriate, the investment professionals may also contact industry experts and customers, vendors or, in some cases, competitors of the company.

Approval Process. The sponsoring managing director or principal presents the investment memorandum to our investment committee for consideration. The approval of a majority of our investment committee and an affirmative vote by our Chief Executive Officer is required before we proceed with any investment. The members of our investment committee are our Chief Executive Officer, our Chief Legal Officer, our Chief Financial Officer, our Chief Credit Officer and the Senior Managing Directors of Technology, Clean Technology and Life Science. The investment committee generally meets weekly and more frequently on an as-needed basis. The Senior Managing Directors abstain from voting with respect to investments they originate.

Documentation

Our documentation group, headed by our Chief Legal Officer, administers the front-end documentation process for our investments. This group is responsible for documenting the term sheet approved by the investment committee to memorialize the transaction with a prospective portfolio company. This group negotiates loan documentation and, subject to the approval of the Chief Legal Officer and/or the Associate General Counsel, final documents are prepared for execution by all parties. The documentation group generally uses the services of external law firms to complete the necessary documentation.

Loan and Compliance Administration

Our loan and compliance administration group, headed by our Chief Financial Officer and Senior Credit Officer, administers loans and tracks covenant compliance, if applicable, of our investments and oversees periodic reviews of our critical functions to ensure adherence with our internal policies and procedures. After funding of a loan in accordance with the investment committee's approval, the loan is recorded in our loan administration software and our SQL-based database system. The loan and compliance administration group is also responsible for ensuring timely interest and principal payments and collateral management as well as advising the investment committee on the financial performance and trends of each portfolio company, including

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any covenant violations that occur, to aid us in assessing the appropriate course of action for each portfolio company and evaluating overall portfolio quality. In addition, the loan and compliance administration group advises the investment committee and the Valuation Committee of our Board of Directors, accordingly, regarding the credit and investment grading for each portfolio company as well as changes in the value of collateral that may occur.

The loan and compliance administration group monitors our portfolio companies in order to determine whether the companies are meeting our financing criteria and their respective business plans and also monitors the financial trends of each portfolio company from its monthly or quarterly financial statements to assess the appropriate course of action for each company and to evaluate overall portfolio quality. In addition, our management team closely monitors the status and performance of each individual company through our SQL-based database system and periodic contact with our portfolio companies' management teams and their respective financial sponsors.

Credit and Investment Grading System. Our loan and compliance administration group uses an investment grading system to characterize and monitor our outstanding loans. Our loan and compliance administration group monitors and, when appropriate, recommends changes to investment grading. Our investment committee reviews the recommendations and/or changes to the investment grading, which are submitted on a quarterly basis to the Valuation Committee and our Board of Directors for approval.

From time to time, we will identify investments that require closer monitoring or become workout assets. We develop a workout strategy for workout assets and our investment committee monitors the progress against the strategy. We will incur losses from our investing activities, however, we work with our troubled portfolio companies in order to recover as much of our investments as is practicable, including possibly taking control of the portfolio company. There can be no assurance that principal will be recovered.

We use the following investment grading system approved by our Board of Directors:

- Grade 1. Loans involve the least amount of risk in our portfolio. The borrower is performing above expectations, and the trends and risk profile is generally favorable.
- Grade 2. The borrower is performing as expected and the risk profile is neutral to favorable. All new loans are initially graded 2.
- Grade 3. The borrower may be performing below expectations, and the loan's risk has increased materially since origination. We increase procedures to monitor a borrower that may have limited amounts of cash remaining on the balance sheet, is approaching its next equity capital raise within the next three to six months, or if the estimated fair value of the enterprise may be lower than when the loan was originated. We will generally lower the loan grade to a level 3 even if the company is performing in accordance to plan as it approaches the need to raise additional cash to fund its operations. Once the borrower closes its new equity capital raise, we may increase the loan grade back to grade 2.
- Grade 4. The borrower is performing materially below expectations, and the loan risk has substantially increased since origination. Loans graded 4 may experience some partial loss or full return of principal but are expected to realize some loss of interest which is not anticipated to be repaid in full, which, to the extent not already reflected, may require the fair value of the loan to be reduced to the amount we anticipate will be recovered. Grade 4 investments are closely monitored.
- Grade 5. The borrower is in workout, materially performing below expectations and a significant risk of principal loss is probable. Loans graded 5 will experience some partial principal loss or full loss of remaining principal outstanding is expected. Grade 5 loans will require the fair value of the loans be reduced to the amount, if any, we anticipate will be recovered.

At September 30, 2011, our investments had a weighted average investment grading of 1.96.

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Managerial Assistance

As a business development company, we are required to offer, and provide upon request, managerial assistance to our portfolio companies. This assistance could involve, among other things, monitoring the operations of our portfolio companies, participating in board and management meetings, consulting with and advising officers of portfolio companies and providing other organizational and financial guidance. We may receive fees for these services.

Competition

Our primary competitors provide financing to prospective portfolio companies and include non-bank financial institutions, federally or state chartered banks, venture debt funds, financial institutions, venture capital funds, private equity funds, investment funds and investment banks. Many of these entities have greater financial and managerial resources than we have, and the 1940 Act imposes certain regulatory restrictions on us as a business development company to which many of our competitors are not subject. However, we believe that few of our competitors possess the expertise to properly structure and price debt investments to venture capital and private equity backed technology-related companies. We believe that our specialization in financing technology-related companies will enable us to determine a range of potential values of intellectual property assets, evaluate the business prospects and operating characteristics of prospective portfolio companies and, as a result, identify investment opportunities that produce attractive risk-adjusted returns. For additional information concerning the competitive risks we face, see **Risk Factors** **Risks Related to our Business Structure and Current Economic and Market Conditions**. We operate in a highly competitive market for investment opportunities, and we may not be able to compete effectively.

Corporate Structure

We are a Maryland corporation and an internally-managed, non-diversified, closed-end investment company that has elected to be regulated as a business development company under the 1940 Act. Hercules Technology II, L.P. (**HT II**) and Hercules Technology III, L.P. (**HT III**), our wholly-owned subsidiaries, are licensed under the Small Business Investment Act of 1958 as SBICs. Hercules Technology SBIC Management, LLC (**HTM**), another wholly-owned subsidiary, serves as the general partner of HT II and HT III. We also use wholly owned subsidiaries, all of which are structured as Delaware corporations and limited liability companies, to permit us to hold portfolio companies organized as limited liability companies, or LLCs, (or other forms of pass-through entities) and still satisfy the RIC tax requirement that at least 90% of our gross income for income tax purposes is investment income. Our wholly owned subsidiary, Hercules Funding II, LLC, functions as a vehicle to collateralize loans under our securitized facility with Wells Fargo Capital Finance.

Our principal executive offices are located at 400 Hamilton Avenue, Suite 310, Palo Alto, California 94301. We also have offices in Boston, MA, Boulder, CO and McLean, VA.

Employees

As of September 30, 2011, we had 52 employees, including 29 investment and portfolio management professionals all of whom have extensive experience working on financing transactions for technology-related companies.

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(dollars in thousands)

The following tables set forth certain information as of September 30, 2011 regarding each portfolio company in which we had a debt or equity investment. The general terms of our loans and other investments are described in Business Our Investments. We offer to make available significant managerial assistance to our portfolio companies. In addition, we may receive rights to observe the Board of Directors meetings of our portfolio companies.

Portfolio Company	Industry	Type of Investment ⁽¹⁾	Percentage of Class Held on a Fully Diluted Basis ⁽⁸⁾	Principal Amount	Cost ⁽²⁾	Value ⁽³⁾
Acceleron Pharmaceuticals, Inc. 149 Sidney Street Cambridge, MA 02139	Drug Discovery	Preferred Stock Warrants Preferred Stock Warrants Preferred Stock Warrants Preferred Stock	0.48% 0.12% 0.05% 0.82%		69 35 39 1,341	878 186 85 2,473
Total Acceleron Pharmaceuticals, Inc.					1,484	3,622
Anthera Pharmaceuticals inc. 6160 Stoneridge Mall Road, Ste 330 Pleasanton, CA 94588	Drug Discovery	Senior Debt Matures September 2014 Interest rate Prime + 7.3% or Floor rate of 10.55%		\$ 25,000	24,269	25,019
		Common Stock Warrants Common Stock Warrants	0.43% 0.36%		541 443	378 308
Total Anthera Pharmaceuticals inc.					25,253	25,705
Aveo Pharmaceuticals, Inc. 75 Sidney Street 4th Floor Cambridge, MA 02139	Drug Discovery	Senior Debt Matures June 2014 Interest rate Prime + 7.15% or Floor rate of 11.9%		\$ 25,000	26,554	27,304
		Common Stock	0.39%		842	2,583
Total Aveo Pharmaceuticals, Inc.					27,396	29,887
Dicerna Pharmaceuticals, Inc. 480 Arsenal Street Bldg 1, Suite 120 Watertown, MA 02472	Drug Discovery	Senior Debt Matures January 2015 Interest rate Prime + 5.75% or Floor rate of 10.15%		\$ 7,000	6,986	6,986
		Preferred Stock Warrants Preferred Stock Warrants Preferred Stock Warrants Preferred Stock Warrants Preferred Stock	0.81% 0.07% 0.14% 0.60% 0.76%		206 31 28 187 502	90 26 15 143 439
Total Dicerna Pharmaceuticals, Inc.					7,940	7,699
EpiCept Corporation 777 Old Saw Mill River Road	Drug Discovery	Common Stock Warrants	0.46%		4	13

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Tarrytown, NY 10591					
Total EpiCept Corporation				4	12
Horizon Therapeutics, Inc. 1033 Skokie Boulevard, Suite 355	Drug Discovery	Preferred Stock Warrants	0.11%	231	1
Northbrook, IL 60062					
Total Horizon Therapeutics, Inc.				231	1
Inotek Pharmaceuticals Corp. 33 Hayden Avenue, 2nd Floor	Drug Discovery	Preferred Stock	0.10%	1,500	
Lexington, MA 02421					
Total Inotek Pharmaceuticals Corp.				1,500	
Merrimack Pharmaceuticals, Inc. One Kendall Square	Drug Discovery	Preferred Stock Warrants	0.31%	155	1,115
Building 700, 2nd Floor					
Cambridge, MA 02139		Preferred Stock	0.56%	2,000	3,825
Total Merrimack Pharmaceuticals, Inc.				2,155	4,940

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Portfolio Company	Industry	Type of Investment⁽¹⁾	Percentage of Class Held on a Fully Diluted Basis⁽⁸⁾	Principal Amount	Cost⁽²⁾	Value⁽³⁾
Paratek Pharmaceuticals, Inc. 75 Kneeland Street Boston, MA 02111	Drug Discovery	Preferred Stock Warrants	0.53%		137	140
		Preferred Stock	0.61%		1,000	1,348
Total Paratek Pharmaceuticals, Inc.					1,137	1,488
PolyMedix, Inc. 170 N. Radnor Chester Road Suite 300 Radnor, PA 19087	Drug Discovery	Senior Debt Matures September 2013 Interest rate Prime + 7.1% or Floor rate of 12.35% Preferred Stock Warrants	0.59%	\$ 9,224	7,394 480	7,546 78
Total PolyMedix, Inc.					7,874	7,624
Portola Pharmaceuticals, Inc. 270 E Grand Avenue South San Francisco, CA 94080	Drug Discovery	Preferred Stock Warrants	0.32%		152	285
Total Portola Pharmaceuticals, Inc.					152	285
Total Drug Discovery (19.25%)*					75,126	81,264
Affinity Videonet, Inc. 1641 California, 3rd Floor Denver, CO 80202	Communications & Networking	Preferred Stock Warrants	4.45%		102	149
Total Affinity Videonet, Inc.					102	149
E-band Communications, Corp.(6) 10095 Scripps Ranch Ct. Suite A. San Diego, CA 92131	Communications & Networking	Convertible Senior Debt Matures May 2013 Interest rate Fixed 6.00% Preferred Stock	10.38%	\$ 356	356 2,880	
Total E-Band Communications, Corp.					3,236	
IKANO Communications, Inc. 124 N. Charles Lindbergh Salt Lake City, UT 84111	Communications & Networking	Preferred Stock Warrants Preferred Stock Warrants	1.43% 2.18%		45 72	
Total IKANO Communications, Inc.					117	
Intelepeer, Inc. 2855 Campus Drive, Suite 450 San Mateo, CA 94404	Communications & Networking	Senior Debt Matures May 2013 Interest rate Prime + 8.12% or Floor rate of 11.37% Senior Debt Matures May 2012 Interest rate Prime + 4.25%		\$ 6,524 \$ 1,100	6,509 998	6,640 998

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		Preferred Stock Warrants	0.33%	102	123
Total Intelepeer, Inc.				7,609	7,761
Neonova Holding Company 1000 Perimeter Park Drive,	Communications & Networking				
Suite K		Preferred Stock Warrants	1.61%	94	21
Morrisville, NC 27560		Preferred Stock	1.79%	250	197
Total Neonova Holding Company				344	218
Opsource, Inc. 5201 Great America Parkway	Communications & Networking	Preferred Stock Warrants	0.58%	0	0
Suite 120					
Santa Clara, CA 95054					
Total Opsource, Inc.				0	0
Pac-West Telecomm, Inc. 555 12th Street	Communications & Networking	Senior Debt Matures October 2014			
Suite 250		Interest rate Prime + 7.50% or			
Oakland, CA 94607		Floor rate of 12.00%		\$ 4,369	4,164
		Preferred Stock Warrants	0.78%	121	4,164
Total Pac-West Telecomm, Inc.				4,285	4,164

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Portfolio Company	Industry	Type of Investment⁽¹⁾	Percentage of Class Held on a Fully Diluted Basis⁽⁸⁾	Principal Amount	Cost⁽²⁾	Value⁽³⁾
PeerApp, Inc. 375 Elliot Street, Suite 150K Newton Upper Falls, MA 02464	Communications & Networking	Senior Debt Matures April 2013 Interest rate Prime + 7.5% or Floor rate of 11.50%		\$ 2,072	2,091	2,112
		Preferred Stock Warrants	0.39%		61	91
Total PeerApp, Inc.					2,152	2,203
Peerless Network, Inc. 200 S. Wacker Drive, Suite 3100 Chicago, IL 60606	Communications & Networking	Preferred Stock Warrants Preferred Stock	0.43% 3.21%		95 1,000	187 2,370
Total Peerless Network, Inc.					1,095	2,557
Ping Identity Corporation 1099 18th Street, Suite 2950 Denver, CO 80202	Communications & Networking	Preferred Stock Warrants	0.68%		52	410
Total Ping Identity Corporation					52	410
PointOne, Inc.	Communications & Networking	Senior Debt Matures April 2013 Interest rate Libor + 9.0% or Floor rate of 11.50%		\$ 8,375	8,153	8,153
		Common Stock Warrants	1.50%		131	194
Total PointOne, Inc.					8,284	8,347
Purcell Systems, Inc. 16125 East Euclid Avenue Spokane, WA 99216	Communications & Networking	Preferred Stock Warrants	1.18%		123	89
Total Purcell Systems, Inc.					123	89
Seven Networks, Inc. 2100 Seaport Blvd, Suite 100 Redwood City, CA 94063	Communications & Networking	Preferred Stock Warrants	0.89%		174	
Total Seven Networks, Inc.					174	
Stoke, Inc. ⁽⁴⁾ 5403 Betsy Ross Drive Santa Clara, CA 94043	Communications & Networking	Senior Debt Matures May 2013 Interest rate Prime + 7.0% or Floor rate of 10.25%		\$ 3,051	2,995	3,025
		Preferred Stock Warrants	0.24%		53	68
		Preferred Stock Warrants	0.11%		65	54
		Preferred Stock	0.23%		500	500

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Total Stoke, Inc.				3,613	3,647
Tectura Corporation 333 Twin Dolphin Drive, Suite 750 Redwood City, CA 94065	Communications & Networking	Senior Debt			
		Matures December 2012			
		Interest rate 11% Revolving Line of Credit Matures July 2011	\$ 8,125	9,324	9,209
		Interest rate 11% Preferred Stock Warrants	\$ 17,207 0.22%	17,332 51	17,332 33
Total Tectura Corporation				26,707	26,574
Total Communications & Networking (13.30%)*				57,893	56,119
Atrenta, Inc. 2077 Gateway Place, Suite 300 San Jose, CA 95110	Software	Preferred Stock Warrants Preferred Stock Warrants Preferred Stock Warrants Preferred Stock	0.77% 0.25% 0.30% 0.25%	102 34 95 250	368 121 174 375
Total Atrenta, Inc.				481	1,038
Blurb, Inc. 580 California Street, Suite 300 San Francisco, CA 94104		Preferred Stock Warrants Preferred Stock Warrants	0.44% 0.44%	25 298	403 400
Total Blurb, Inc.				323	803

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Portfolio Company	Industry	Type of Investment⁽¹⁾	Percentage of Class Held on a Fully Diluted Basis⁽⁸⁾	Principal Amount	Cost⁽²⁾	Value⁽³⁾
Braxton Technologies, LLC. 770 Wooten Road, Suite 105 Colorado Springs, CO 80915	Software	Preferred Stock Warrants	0.62%		188	
Total Braxton Technologies, LLC.					188	
Bullhorn, Inc. 33-41 Farnsworth, 5th Floor Boston, MA 02210	Software	Preferred Stock Warrants	0.80%		43	188
Total Bullhorn, Inc.					43	188
Central Desktop, Inc. 100 North Lake Avenue, #205 Pasadena, CA 91101	Software	Senior Debt Matures April 2014 Interest rate Prime + 6.75% or Floor rate of 10.50% Preferred Stock Warrants	 1.95%	\$ 3,000	2,872 108	2,872 299
Total Central Desktop, Inc.					2,980	3,171
Clickfox, Inc. 3445 Peachtree Road, Suite 1250 Atlanta, GA 30326	Software	Senior Debt Matures July 2013 Interest rate Prime + 6.00% or Floor rate of 11.25% Preferred Stock Warrants Preferred Stock Warrants	 0.83% 0.75%	\$ 4,565	4,462 177 152	4,553 327 296
Total Clickfox, Inc.					4,791	5,176
Forescout Technologies, Inc. 10001 De Anza Blvd., Suite 220 Cupertino, CA 95014	Software	Preferred Stock Warrants	0.88%		99	47
Total Forescout Technologies, Inc.					99	47
GameLogic, Inc. 411 Waverly Oaks Road, Suite 312 Boston, MA 02452	Software	Preferred Stock Warrants	2.67%		92	
Total GameLogic, Inc.					92	
HighJump Acquisition, LLC. 6455 City West Parkway Eden Prairie, MN 55344	Software	Senior Debt Matures May 2013 Interest rate Libor + 8.75% or		\$ 0	0	0

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Floor rate of 12.00%					
Total HighJump Acquisition, LLC.				0	0
HighRoads, Inc.	Software	Preferred Stock Warrants	0.83%	44	7
150 Presidential Way					
Woburn, MA 01801					
Total HighRoads, Inc.				44	7
Kxen, Inc.	Software	Senior Debt			
201 Mission Street Suit 1950		Matures January 2015			
San Francisco, CA 94105		Interest rate Prime + 5.08% or			
		Floor rate of 8.33%		\$ 3,000	2,938
		Preferred Stock Warrants	0.46%	47	29
Total Kxen, Inc.				2,985	2,967
RichRelevance, Inc.	Software	Senior Debt			
275 Battery Street Suite 1150		Matures January 2015			
San Francisco, CA 94111		Interest rate Prime + 3.25% or			
		Floor rate of 7.50%		\$ 5,000	4,857
		Preferred Stock Warrants	0.20%	98	23
Total RichRelevance, Inc.				4,955	4,880
Rockyou, Inc.	Software	Preferred Stock Warrants	0.08%	117	7
585 Broadway Street, Suite A					
Redwood City, CA 94036					
Total Rockyou, Inc.				117	7

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Portfolio Company	Industry	Type of Investment⁽¹⁾	Percentage of Class Held on a Fully Diluted Basis⁽⁸⁾	Principal Amount	Cost⁽²⁾	Value⁽³⁾
Sportvision, Inc. 4619 N. Ravenswood Chicago, IL 60640 Total Sportvision, Inc.	Software	Preferred Stock Warrants	1.89%		39	
SugarSync Inc. 2121 South El Camino Real #600 San Mateo, CA 94403 Total SugarSync Inc.	Software	Senior Debt Matures April 2015 Interest rate Prime + 4.50% or Floor rate of 8.25% Preferred Stock Warrants	 0.47%	\$ 2,000	1,946 78 2,024	1,946 77 2,023
Unify Corporation 1420 Rocky Ridge Drive, Suite 380 Roseville, CA 95661 Total Unify Corporation	Software	Preferred Stock Warrants	3.69%		1,434	332
White Sky, Inc. 1825 S. Grant Street Suite 250 San Mateo, CA 94402 Total White Sky, Inc.	Software	Senior Debt Matures June 2014 Interest rate Prime + 7.00% or Floor rate of 10.25% Preferred Stock Warrants	 0.44%	\$ 1,500	1,443 54 1,497	1,443 1 1,444
WildTangent, Inc. 18578 NE 67th Court, Building 5 Redmond, WA 98052 Total WildTangent, Inc.	Software	Preferred Stock Warrants	0.17%		238	11
Total Software (5.23%)*					22,330	22,094
Luminus Devices, Inc. 1100 Technology Park Drive Billerica, MA 02821 Total Luminus Devices, Inc.	Electronics & Computer Hardware	Preferred Stock Warrants Preferred Stock Warrants Preferred Stock Warrants	0.06% 0.01% 0.02%		183 84 334	
Maxvision Holding, LLC. 495 Production Avenue Huntsville, AL 35758	Electronics & Computer Hardware	Senior Debt Matures December 2013 Interest rate Prime + 8.25% or		\$ 4,366	4,462	2,069

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		Floor rate of 12.00%, PIK			
		interest 5.00%			
		Senior Debt			
		Matures December 2013			
		Interest rate Prime + 6.25% or			
		Floor rate of 10.00%, PIK			
		interest 2.00%	\$	2,681	2,653
		Revolving Line of Credit			
		Matures December 2013			
		Interest rate Prime + 6.25% or			
		Floor rate of 10.00%	\$	923	914
		Common Stock	24.06%	3,581	914
Total Maxvision Holding, LLC				11,610	2,983
Shocking Technologies, Inc. 5870 Hellyer Avenue San Jose, CA 95138	Electronics & Computer Hardware	Preferred Stock Warrants	0.25%	63	57
Total Shocking Technologies, Inc.				63	57
Spatial Photonics, Inc. ⁽⁸⁾ 930 Hamlin Court Sunnyvale, CA 94086	Electronics & Computer Hardware	Preferred Stock Warrants	0.19%	130	
		Preferred Stock	0.84%	767	
Total Spatial Photonics Inc.				898	
VeriWave, Inc. 8770 SW Nimbus Avenue, Suite B Beaverton, OR 97008	Electronics & Computer Hardware	Preferred Stock Warrants	1.22%		
		Preferred Stock Warrants	0.31%		
Total VeriWave, Inc.					
Total Electronics & Computer Hardware (.72%)*				13,172	3,040

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Portfolio Company	Industry	Type of Investment⁽¹⁾	Percentage of Class Held on a Fully Diluted Basis⁽⁸⁾	Principal Amount	Cost⁽²⁾	Value⁽³⁾
Aegerion Pharmaceuticals, Inc. 1140 Route 22 East, Suite 304 Bridgewater, NJ 08807	Specialty Pharmaceuticals	Senior Debt Matures September 2014 Interest rate Prime + 5.65% or Floor rate of 10.40%		\$ 10,000	10,138	10,325
		Preferred Stock Warrants	0.52%		69	722
		Common Stock	0.69%		1,093	1,825
Total Aegerion Pharmaceuticals, Inc.					11,300	12,872
Althea Technologies, Inc. 11040 Roselle Street San Diego, CA 92121	Specialty Pharmaceuticals	Senior Debt Matures October 2013 Interest rate Prime + 7.70% or Floor rate of 10.95%		\$ 10,990	10,844	11,135
		Preferred Stock Warrants	3.04%		309	362
Total Althea Technologies, Inc.					11,153	11,497
Chroma Therapeutics, Ltd. ⁽⁵⁾ 93 Milton Park Abington, Oxon OX14 4RY	Specialty Pharmaceuticals	Senior Debt Matures September 2013 Interest rate Prime + 7.75% or Floor rate of 12.00%		\$ 8,540	8,738	8,738
		Preferred Stock Warrants	0.60%		490	345
Total Chroma Therapeutics, Ltd.					9,228	9,082
Pacira Pharmaceuticals, Inc. 5 Sylvan Way Parsippany, NJ 07054	Specialty Pharmaceuticals	Senior Debt Matures August 2014 Interest rate Prime + 6.25% or Floor rate of 10.25%		\$ 11,250	11,237	11,237
		Senior Debt Matures August 2014 Interest rate Prime + 8.65% or Floor rate of 12.65%		\$ 15,000	14,255	14,443
		Preferred Stock Warrants	1.04%		1,086	584
Total Pacira Pharmaceuticals, Inc.					26,578	26,264
QuatRx Pharmaceuticals Company 777 East Eisenhower Pkwy Suite 100 Ann Arbor, MI 48108		Convertible Senior Debt Matures March 2012 Preferred Stock Warrants Preferred Stock Warrants Preferred Stock		\$ 1,888	1,888	1,888
			0.51%		220	
			0.42%		307	
			0.46%		750	
Total Quatrx Pharmaceuticals Company					3,165	1,888
Total Specialty Pharmaceuticals (14.60%)*					61,424	61,603

Annie s, Inc.

Consumer

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564 Gateway Drive	& Business	Preferred Stock Warrants	0.47%	321	96
Napa, CA 94558	Products			321	96
Total Annie's, Inc.					
IPA Holdings, LLC ⁽⁴⁾		Preferred Stock Warrants	2.26%	275	24
2775 Premiere Parkway,					
Suite 100		Common Stock	1.74%	500	260
Deluth, GA 30097					
Total IPA Holding, LLC				775	284
Market Force Information, Inc.	Consumer	Preferred Stock Warrants	0.36%	24	105
1877 Broadway Suite 200	& Business	Preferred Stock	0.68%	500	481
Boulder, CO 80302	Products				
Total Market Force Information, Inc.				524	586
TV Guide, Inc.	Consumer &	Revolving Line of Credit			
11 W 42nd Street,	Business	Matures October 2011			
New York, NY 10036	Products	Interest rate Prime + 11.00% or			
		Floor rate of 13.00%	\$ 500	479	479
Total TV Guide, Inc.				479	479

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Portfolio Company	Industry	Type of Investment ⁽¹⁾	Percentage of Class Held on a Fully Diluted Basis ⁽⁸⁾	Principal Amount	Cost ⁽²⁾	Value ⁽³⁾
Wageworks, Inc. 1100 Park Place 4th Floor San Mateo, CA 94403 Total Wageworks, Inc.	Consumer & Business Products	Preferred Stock Warrants Preferred Stock	1% 0%		252 250	2,510 390
Total Consumer & Business Products (1.03%)*					2,601	4,345
Achronix Semiconductor Corporation 333 West San Carlo Street Suite 1050 San Jose, CA 95110	Semiconductors	Senior Debt Matures January 2015 Interest rate Prime + 10.60% or Floor rate of 13.85% Preferred Stock Warrants	 0.70%	\$ 2,500	2,396 160	2,396 152
Total Achronix Semiconductor Corporation					2,556	2,548
Enpirion, Inc. 53 Frontage Road, Suite 210 Perryville III Corporate Park Hampton, NJ 08807 Total Enpirion, Inc.	Semiconductors	Preferred Stock Warrants	0.21%		157	
iWatt, Inc. 90 Albright Way Los Gatos, CA 95032-1827	Semiconductors	Preferred Stock Warrants Preferred Stock Warrants Preferred Stock Warrants Preferred Stock Warrants Preferred Stock	0.23% 0.10% 0.12% 0.58% 0.99%		46 51 73 458 490	3 1 2 7 983
Total iWatt, Inc.					1,118	996
Kovio Inc. 233 S. Hillview Drive Milpitas, CA 95035	Semiconductors	Senior Debt Matures March 2015 Interest rate Prime + 5.50% or Floor rate of 9.25% Preferred Stock Warrants	 0.12%	\$ 1,250	1,213 27	1,213 27
Total Kovio Inc.					1,240	1,240
NEXX Systems, Inc. 900 Middlesex Turnpike Billerica, MA 01821-3929	Semiconductors	Preferred Stock Warrants Preferred Stock	1.99% 0.86%		297 277	1,330 802
Total NEXX Systems, Inc.					574	2,132
Quartics, Inc. 15241 Laguna Canyon Road Suite 200 Irvine, CA 92618 Total Quartics, Inc.	Semiconductors	Preferred Stock Warrants	0.04%		53	
					53	

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Solarflare Communications, Inc. 9501 Jeronino Rd. Suite 100	Semiconductors	Preferred Stock Warrants	0.00%		
Irvine, CA 92618		Common Stock	0.00%		
Total Solarflare Communications, Inc.					
Total Semiconductors (1.64%)*				5,698	6,916
AcelRX Pharmaceuticals, Inc. 575 Chesapeake Drive Redwood City, CA 94063	Drug Delivery	Senior Debt Matures December 2014 Interest rate Prime + 3.25% or Floor rate of 8.50%		\$ 5,000	4,889
		Senior Debt Matures December 2014 Interest rate Prime + 3.25% or Floor rate of 8.50%		\$ 5,000	4,889
		Common Stock Warrants	0.71%		178
		Common Stock Warrants	0.71%		178
Total AcelRX Pharmaceuticals, Inc.				10,134	9,982
Alexza Pharmaceuticals, Inc. ⁽⁴⁾ 2091 Stierlin Court Mountain View, CA 94303	Drug Delivery	Senior Debt Matures October 2013 Interest rate Prime + 6.5% or Floor rate of 10.75%		\$ 11,770	11,699
		Preferred Stock Warrants	0.52%		645
Total Alexza Pharmaceuticals, Inc.				12,344	12,224

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Portfolio Company	Industry	Type of Investment ⁽¹⁾	Percentage of Class Held on a Fully Diluted Basis ⁽⁸⁾	Principal Amount	Cost ⁽²⁾	Value ⁽³⁾
BIND Biosciences, Inc. 64 Sidney Street Cambridge, MA 02139	Drug Delivery	Senior Debt Matures July 2014				
		Interest rate Prime + 7.45% or Floor rate of 10.70%		\$ 5,000	4,655	4,805
		Preferred Stock Warrants			53	75
		Preferred Stock Warrants			50	76
		Preferred Stock Warrants	0.40%		188	312
Total BIND Biosciences, Inc.					4,946	5,268
Labopharm USA, Inc. ⁽⁵⁾ 480 Armand-Frappier Blvd. Laval, Canada H7V 4B4	Drug Delivery	Senior Debt Matures December 2012 Interest rate 10.95%		\$ 9,771	9,718	9,718
		Senior Debt Matures December 2012 Interest rate Prime + 3.20% or Floor rate of 10.95%		\$ 3,257	3,417	3,417
Total Labopharm USA, Inc.					13,135	13,135
Merrion Pharmaceuticals, Inc. ⁽⁵⁾ 3200 Lake Drive Citwest Business Campus Dublin, Ireland 2	Drug Delivery	Senior Debt Matures January 2015				
		Interest rate Prime + 9.20% or Floor rate of 12.45%		\$ 5,000	4,735	3,870
		Common Stock Warrants	1.40%		214	23
Total Merrion Pharmaceuticals, Inc.					4,948	3,893
Transcept Pharmaceuticals, Inc. 1003 W. Cutting Blvd, Suite 110 Point Richmond, CA 94804	Drug Delivery	Common Stock Warrants	0.18%		36	57
		Common Stock Warrants	0.27%		51	86
		Common Stock	0.31%		500	275
Total Transcept Pharmaceuticals, Inc.					587	418
Revanche Therapeutics, Inc. 2400 Bayshore Parkway Suite 100 Mountain View, CA 94043	Drug Delivery	Senior Debt Matures March 2015				
		Interest rate Prime + 6.60% or Floor rate of 9.85%		\$ 22,000	21,257	21,257
		Preferred Stock Warrants	0.69%		557	557
Total Revance Therapeutics, Inc.					21,814	21,814
Total Drug Delivery (15.81%)*					67,908	66,734
BARRX Medical, Inc. 540 Oakmead Parkway Sunnyvale, CA 94085	Therapeutic	Senior Debt Mature December 2011				
		Interest rate 11.00%		\$ 768	1,295	1,295
		Preferred Stock Warrants	0.11%		76	110
		Preferred Stock	1.23%		1,501	2,607
Total BARRX Medical, Inc.					2,872	4,012
EKOS Corporation 22030 20th Ave. Southeast,	Therapeutic	Preferred Stock Warrants	0.39%		175	
		Preferred Stock Warrants	0.77%		153	

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Suite 101 Bothell, WA 98021				
Total EKOS Corporation			328	
Gelesis, Inc. ⁽⁷⁾	Therapeutic	Senior Debt		
222 Berkley Street, Suite 1040		Matures May 2012		
Boston, MA 02116		Interest rate Prime + 7.5% or		
		Floor rate of 10.75%	\$ 2,771	2,820
Total Gelesis, Inc.			2,820	
Gynesonics, Inc.	Therapeutic	Senior Debt		
604 5th Avenue, Suite D		Mature October 2013		
Redwood City, CA 94063		Interest rate Prime + 8.25% or		
		Floor rate of 11.50%	\$ 6,500	5,775
		Preferred Stock Warrants	1.69%	228
		Preferred Stock	1.22%	532
Total Gynesonics, Inc.			6,535	6,533

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Portfolio Company	Industry	Type of Investment⁽¹⁾	Percentage of Class Held on a Fully Diluted Basis⁽⁸⁾	Principal Amount	Cost⁽²⁾	Value⁽³⁾
Light Science Oncology, Inc. 15405 SE 37th Street, Suite 100 Bellevue, WA 98006	Therapeutic	Preferred Stock Warrants	0.15%		99	176
Total Light Science Oncology, Inc.					99	176
Novasys Medical, Inc. 39684 Eureka Drive Newark, CA 94560	Therapeutic	Preferred Stock Warrants	0.19%		71	
		Preferred Stock Warrants	0.05%		54	1
		Preferred Stock	1.86%		1,000	1,001
Total Novasys Medical, Inc.					1,125	1,001
Oraya Therapeutics, Inc. 8000 Jarvis Avenue Menlo Park, CA 94560	Therapeutic	Senior Debt Matures March 2015				
		Interest rate Prime + 4.75% or Floor rate of 9.50%		\$ 7,500	7,317	7,317
		Preferred Stock Warrants	0.64%		232	232
Total Oraya Therapeutics, Inc.					7,549	7,549
Pacific Child & Family Associates, LLC 216 N. Eighth Street Santa Paula, CA 93060	Therapeutic	Senior Debt Matures January 2015				
		Interest rate LIBOR + 8.0% or Floor rate of 10.50%		\$ 5,685	5,592	5,592
		Revolving Line of Credit Matures January 2015				
		Interest rate LIBOR + 6.5% or Floor rate of 9.00%		\$ 1,500	1,483	1,396
		Senior Debt Matures January 2015				
		Interest rate LIBOR + 10.50% or Floor rate of 13.0%,				
		PIK interest 3.75%		\$ 5,900	6,185	6,302
Total Pacific Child & Family Associates, LLC					13,260	13,290
Total Therapeutic (7.72%)*					34,588	32,562
Cozi Group, Inc. 506 Second Avenue, Suite 710 Seattle, WA 98104	Internet Consumer & Business Services	Preferred Stock Warrants	0.81%		147	
		Preferred Stock	0.58%		177	48
Total Cozi Group, Inc.					324	48
Invoke Solutions, Inc. 375 Totten Pond Road, Suite	Internet Consumer & Business Services	Preferred Stock Warrants	1.48%		56	
		Preferred Stock Warrants	0.33%		26	

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400 Waltham, MA 02451

Total Invoke Solutions, Inc.				82	
InXpo, Inc. 770 N Halsted Street, Suite 6s Chicago, IL 60642	Internet Consumer & Business Services	Senior Debt Matures March 2014 Interest rate Prime + 7.5% or Floor rate of 10.75% Preferred Stock Warrants		\$ 3,500 3,403 98	3,403 82
Total InXpo, Inc.				3,501	3,484
Prism Education Group, Inc. 233 Needham Street Newton, MA 02464	Internet Consumer & Business Services	Preferred Stock Warrants	1.00%	43	109
Total Prism Education Group, Inc.				43	109
RazorGator Interactive Group, Inc. 11150 Santa Monica Blvd. Suite 500 Los Angeles, CA 90025	Internet Consumer & Business Services	Preferred Stock Warrants Preferred Stock Warrants Preferred Stock Warrants Preferred Stock	0.90% 0.11% 1.97% 1.20%	13 28 1,183 1,000	
Total RazorGator Interactive Group, Inc.				2,224	

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Portfolio Company	Industry	Type of Investment ⁽¹⁾	Percentage of Class Held on a Fully Diluted Basis ⁽⁸⁾	Principal Amount	Cost ⁽²⁾	Value ⁽³⁾
Reply! Inc. ⁽⁴⁾ 12667 Alcosta Blvd., Suite 200 San Ramon, CA 94583	Internet Consumer & Business Services	Senior Debt Matures June 2015 Interest rate Prime + 6.87% or Floor rate of 10.12% Preferred Stock Warrants	1.10%	\$ 13,000	12,862 320	12,862 206
Total Reply! Inc.					13,182	13,068
ScriptSave (Medical Security Card Company, LLC) 4911 E. Broadway, Suite 200 Tucson, AZ 85711	Internet Consumer & Business Services	Senior Debt Matures February 2016 Interest rate Prime + 8.75% or Floor rate of 11.25%		\$ 20,158	19,786	20,391
Total ScriptSave					19,786	20,391
Trulia, Inc. 500 Treat Avenue Suite 200 San Francisco, CA 94110	Internet Consumer & Business Services	Senior Debt Matures March 2015 Interest rate Prime + 2.75% or Floor rate of 6.00% Senior Debt Matures March 2015 Interest rate Prime + 5.50% or Floor rate of 8.75% Preferred Stock Warrants	0.19%	\$ 5,000 \$ 5,000	4,856 4,857 188	4,856 4,857 187
Total Trulia, Inc.					9,901	9,900
Vaultlogix, Inc. 75 Sylvan Street Danvers, MA 01923	Internet Consumer & Business Services	Senior Debt Matures September 2016 Interest rate Libor + 8.50% or Floor rate of 10.00%, PIK interest 2.50% Senior Debt Matures September 2015 Interest rate Libor + 7.00% or Floor rate of 8.50% Revolving Line of Credit Matures September 2015 Interest rate Libor + 6.00% or Floor rate of 7.50%		\$ 7,500 \$ 11,500 \$ 300	7,382 11,309 283	7,382 11,309 283
Total Vaultlogix, Inc.					18,974	18,974
Total Internet Consumer & Business Services (15.63%)					68,017	65,975
Lilliputian Systems, Inc.	Energy	Preferred Stock Warrants	0.09%		106	

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36 Jonspin Road Wilmington, MA 01887	Common Stock Warrants	0.01%	48	
Total Lilliputian Systems, Inc.			154	
Total Energy (0.00%)*			154	
Box.net, Inc. 1895 El Camino Real Palo Alto, CA 94306	Information Services	Senior Debt		
		Matures March 2015		
		Interest rate Prime + 3.75% or Floor rate of 7.50%	\$ 4,808	4,686
		Senior Debt Matures July 2014		4,686
		Interest rate Prime + 5.25% or Floor rate of 8.50%	\$ 1,590	1,602
		Preferred Stock Warrants	0.38%	73
		Preferred Stock Warrants	0.28%	117
		Preferred Stock Warrants	0.09%	194
		Preferred Stock	0.55%	500
		Preferred Stock	0.40%	1,500
Total Box.net, Inc.			8,672	15,270

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Portfolio Company	Industry	Type of Investment⁽¹⁾	Percentage of Class Held on a Fully Diluted Basis⁽⁸⁾	Principal Amount	Cost⁽²⁾	Value⁽³⁾
Buzznet, Inc. 6464 Sunset Blvd., Suite 650 Los Angeles, CA 90028	Information Services	Preferred Stock Warrants	0.01%		9	
		Preferred Stock	0.12%		250	34
Total Buzznet, Inc.					259	34
Cha Cha Search, Inc. 14550 Clay Terrace Blvd. Suite 130 Carmel, IN 46032	Information Services	Senior Debt Matures February 2015				
		Interest rate Prime + 6.25% or Floor rate of 9.50%		\$ 3,000	2,916	2,916
		Preferred Stock Warrants	0.24%		58	10
Total Cha Cha Search, Inc.					2,974	2,926
XL Education Corp. 185 Madison Avenue, 5th Floor New York, NY 10016	Information Services	Common Stock	0.01%		880	880
Total XL Education Corp.					880	880
hi5 Networks, Inc. 55 Second St., Suite 300 San Francisco, CA 94105	Information Services	Preferred Stock Warrants	0.10%		213	
		Preferred Stock	0.71%		250	741
Total hi5 Networks, Inc.					463	741
Jab Wireless, Inc. 5350 S. Roslyn St., Suite 306 Greenwood Village, CO 80111	Information Services	Senior Debt Matures August 2016				
		Interest rate Prime + 6.25% or Floor rate of 6.75%		\$ 18,121	17,858	17,858
		Preferred Stock Warrants	0.78%		265	281
Total Jab Wireless, Inc.					18,123	18,139
Solutionary, Inc. 9420 Underwood Avenue 3rd Floor Omaha, NE 68114	Information Services	Preferred Stock Warrants	0.60%		94	
		Preferred Stock Warrants	0.02%		2	
		Preferred Stock	0.26%		250	42
Total Solutionary, Inc.					346	42
Intelligent Beauty, Inc. 2301 Rosecrans Ave., Suite 4100 Manhattan Beach, CA 90245	Information Services	Preferred Stock Warrants	0.35%		230	90
Total Intelligent Beauty, Inc.					230	90
Good Technologies, Inc. 101 Redwood Shores Parkway Suite 400 Redwood Shores, CA 94065	Information Services	Common Stock	0.17%		603	95

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Total Good Technologies, Inc.				603	95
Coveroo, Inc.	Information				
333 Bryant Street	Services	Preferred Stock Warrants			
San Francisco, CA 94107			0.08%	0	
Total Coveroo, Inc.				0	
Zeta Interactive Corporation	Information	Preferred Stock Warrants	1.19%	172	110
99 Park Ave, 23rd Floor	Services	Preferred Stock			
New York, NY 10016			0.96%	501	485
Total Zeta Interactive Corporation				673	595
Total Information Services (9.20%)				33,223	38,812
Novadaq Technologies, Inc. ⁽⁵⁾	Diagnostic				
2585 Skymark Ave., Suite 306 Mississauga, Ontario L4W 4L5		Common Stock	0.56%	1,415	808
Total Novadaq Technologies, Inc.				1,415	808

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Portfolio Company	Industry	Type of Investment ⁽¹⁾	Percentage of Class Held on a Fully Diluted Basis ⁽⁸⁾	Principal Amount	Cost ⁽²⁾	Value ⁽³⁾
Optiscan Biomedical, Corp. 1105 Atlantic Ave., Suite 101 Alameda, CA 94501	Diagnostic	Senior Debt Matures December 2013 Interest rate Prime + 8.20% or Floor rate of 11.45%		\$ 10,750	10,792	11,162
		Preferred Stock Warrants	2.43%		1,069	668
		Preferred Stock	3.18%		3,655	2,251
Total Optiscan Biomedical, Corp.					15,517	14,081
Total Diagnostic (3.53%)*					16,932	14,889
deCODE genetics ehf. Sturlugata 8 IS-101 Reykjavik Reykjavik, Iceland	Biotechnology Tools	Senior Debt Matures September 2014 Interest rate Prime + 10.25% or Floor rate of 13.50%, PIK interest 2.00%		\$ 5,000	4,740	4,740
		Preferred Stock Warrants	1.36%		305	358
Total deCODE genetics ehf.					5,045	5,098
Kamada, LTD. Science Park, Kiryat Weizmann, Ness Ziona, Israel, 76327	Biotechnology Tools	Common Stock	0.26%		427	398
Total Kamada, LTD.					427	398
Labcyte, Inc. 1190 Borregas Avenue Sunnyvale, CA 94089	Biotechnology Tools	Senior Debt Matures May 2013 Interest rate Prime + 8.6% or Floor rate of 11.85%		\$ 2,800	2,774	2,849
		Common Stock Warrants	0.67%		192	190
		Common Stock Warrants	0.02%		5	5
Total Labcyte, Inc.					2,971	3,044
NeurogesX, Inc. 981F Industrial Road San Carlos, CA 94070	Biotechnology Tools	Senior Debt Matures February 2015 Interest rate Prime + 6.25% or Floor rate of 9.50%		\$ 15,000	14,433	14,433
		Preferred Stock Warrants	2.67%		503	132
Total NeurogesX, Inc.					14,936	14,565
NuGEN Technologies, Inc. 821 Industrial Road, Unit A San Carlos, CA 94070	Biotechnology Tools	Preferred Stock Warrants	1.00%		45	203
		Preferred Stock Warrants	0.15%		33	15
		Preferred Stock	0.92%		500	473
Total NuGEN Technologies, Inc.					578	691
Total Biotechnology Tools (5.64%)*					23,957	23,796
Entrigue Surgical, Inc. 12672 Silicon Drive Suite 150 San Antonio, TX 78249	Surgical Devices	Senior Debt Matures December 2014 Interest rate Prime + 5.90% or Floor rate of 9.65%		\$ 3,000	2,863	2,863
		Preferred Stock Warrants	0.55%		87	87
Total Entrigue Surgical, Inc.					2,950	2,950

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Transmedics, Inc. ⁽⁴⁾ 200 Minuteman Road, Suite 302 Andover, MA 01810	Surgical Devices	Senior Debt				
		Matures February 2014 Interest rate Prime + 9.70% or Floor rate of 12.95%		\$ 8,375	9,115	4,733
		Preferred Stock Warrants	0.31%		225	
		Preferred Stock	0.43%		1,169	
Total Transmedics, Inc.					10,509	4,733
Total Surgical Devices (1.82%)*					13,459	7,683
Glam Media, Inc. 8000 Marina Blvd., Suite 130 Brisbane, CA 94005	Media/Content/Info					
		Preferred Stock Warrants	0.22%		482	138
Total Glam Media, Inc.					482	138

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Portfolio Company	Industry	Type of Investment⁽¹⁾	Percentage of Class Held on a Fully Diluted Basis⁽⁸⁾	Principal Amount	Cost⁽²⁾	Value⁽³⁾
Everyday Health, Inc. (Waterfront Media, Inc.) 45 Main Street, Suite 800 Brooklyn, NY 11201		Preferred Stock Warrants Preferred Stock	0.27% 0.36%		60 1,000	364 945
Total Everyday Health					1,060	1,309
Women's Marketing, Inc. 1221 Post Road East Suite 201 Westport, CT 06880	Media/Content/Info	Senior Debt Matures May 2016 Interest rate Libor + 9.50% or Floor rate of 12.00%, PIK interest 3.00% Senior Debt Matures November 2015 Interest rate Libor + 7.50% or Floor rate of 10.0% Senior Debt Matures November 2015 Interest rate Libor + 7.50% or Floor rate of 10.0%		\$ 10,000 \$ 9,875 \$ 10,125	9,866 9,648 9,891	9,866 9,648 9,891
Total Women's Marketing, Inc.					29,405	29,405
Total Media/Content/Info (7.31%)*					30,947	30,852
BrightSource Energy, Inc. 1999 Harrison Street Suite 500 Oakland, CA 94612	Clean Tech	Senior Debt Matures December 2011 Interest rate Prime + 7.75% or Floor rate of 11.0% Senior Debt Matures December 2012 Interest rate Prime + 9.55% or Floor rate of 12.8% Preferred Stock Warrants		\$ 11,250 \$ 13,750 0.12%	11,096 13,542 675	11,096 13,542 623
Total BrightSource Energy, Inc.					25,313	25,261
Calera, Inc. 14600 Winchester Boulevard Los Gatos, CA 95032	Clean Tech	Preferred Stock Warrants	2.08%		513	660
Total Calera, Inc.					513	660
EcoMotors, Inc. 17000 Federal Dr., Suite 200 Allen Park, MI 48101	Clean Tech	Senior Debt Matures February 2014 Interest rate Prime + 6.1% or Floor rate of 9.35% Preferred Stock Warrants Common Stock Warrants		\$ 5,383 0.54% 0.54%	5,260 154 154	5,421 451 451
Total EcoMotors, Inc.					5,568	6,323
Enphase Energy, Inc. 201 1st Street Suite 111 Petaluma, CA 94952	Clean Tech	Senior Debt Matures June 2014 Interest rate Prime + 5.75% or Floor rate of 9.0% Preferred Stock Warrants		\$ 4,248 0.12%	4,135 102	4,135 17

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Total Enphase Energy, Inc.				4,237	4,152	
GreatPoint Energy, Inc. 222 Third Street Suite 2163 Cambridge, MA 02142	Clean Tech					
		Preferred Stock Warrants	0.13%	548	203	
		Total GreatPoint Energy, Inc.				548
NanoSolar, Inc. 2440 Embarcadero Way Palo Alto, CA 94303	Clean Tech	Senior Debt				
		Matures September 2014 Interest rate Prime + 7.75% or Floor rate of 11.0%		\$ 10,000	9,515	9,515
		Preferred Stock Warrants	0.03%	355	355	
Total NanoSolar, Inc.				9,870	9,870	

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Portfolio Company	Industry	Type of Investment ⁽¹⁾	Percentage of Class Held on a Fully Diluted Basis ⁽⁸⁾	Principal Amount	Cost ⁽²⁾	Value ⁽³⁾
Propel Biofuels, Inc. 2317 Broadway Street Redwood City, CA 94063	Clean Tech	Senior Debt Matures September 2013 Interest rate 11.0% Preferred Stock Warrants	1.52%	\$ 1,540	1,562 211	1,570 195
Total Propel Biofuels, Inc.					1,773	1,765
Scientific Conservation, Inc. 2107 Dwight Way #120 Berkely, CA 94704	Clean Tech	Senior Debt Matures October 2014 Interest rate 6.25% Preferred Stock Warrants	0.02%	\$ 202	196 8	196 2
Total Scientific Conservation, Inc.					204	198
Solexel, Inc. 1530 McCarthy Blvd. Milpitas, CA 95035	Clean Tech	Senior Debt Matures June 2013 Interest rate Prime + 8.25% or Floor rate of 11.50% Senior Debt Matures June 2013 Interest rate Prime + 7.25% or Floor rate of 10.50% Preferred Stock Warrants Preferred Stock Warrants Preferred Stock Warrants Preferred Stock Warrants	 0.09% 0.06% 0.05% 0.14%	\$ 1,031 \$ 8,927	966 9,660 335 259 142 426	966 9,660 11 71 142 427
Total Solexel, Inc.					11,788	11,278
Trilliant, Inc. 1100 Island Drive Redwood City, CA 94065	Clean Tech	Preferred Stock Warrants Preferred Stock Warrants	0.07% 0.06%		89 73	46 38
Total Trilliant, Inc.					162	84
Total Clean Tech (14.17%)*					59,976	59,793
Total Investments					587,405	576,477

* 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 \$28,443, \$40,649 and \$12,205 respectively. The tax cost of investments is \$588,807.

(3) Except for warrants in twelve publicly traded companies and common stock in five publicly traded companies, all investments are restricted at September 30, 2011. 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.

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

(8) Debt is on non-accrual status at September 30, 2011, and is therefore considered non-income producing.

Table of Contents**SENIOR SECURITIES**

Information about our senior securities is shown in the following table for the periods as of December 31, 2010, 2009, 2008, 2007, 2006, 2005 and 2004. The information for the periods ended December 31, 2009, 2008, 2007, 2006, 2005 and 2004 has been derived from our audited financial statements for these periods, which have been audited by Ernst & Young LLP, our former independent registered public accounting firm. The information for the period ended December 31, 2010 has been derived from our audited financial statement for fiscal 2010, which have been audited by PricewaterhouseCoopers LLP, our independent registered public accounting firm. See Management's Discussion and Analysis of Financial Condition and Results of Operations, Borrowings and Note 13 to the Notes to the Consolidated Financial Statements for updated senior securities information.

Class and Year	Total Amount Outstanding Exclusive of Treasury Securities⁽¹⁾	Asset Coverage per Unit⁽²⁾	Average Market Value per Unit⁽³⁾
Bridge Loan Credit Facility with Alcmene Funding L.L.C			
December 31, 2004			N/A
December 31, 2005	\$ 25,000,000	\$ 2,505	N/A
December 31, 2006			N/A
December 31, 2007			N/A
December 31, 2008			N/A
December 31, 2009			N/A
December 31, 2010			N/A
September 30, 2011 (unaudited)			N/A
Securitized Credit Facility with Wells Fargo Capital Finance			
December 31, 2004			N/A
December 31, 2005	\$ 51,000,000	\$ 2,505	N/A
December 31, 2006	\$ 41,000,000	\$ 7,230	N/A
December 31, 2007	\$ 79,200,000	\$ 6,755	N/A
December 31, 2008	\$ 89,582,000	\$ 6,689	N/A
December 31, 2009 ⁽⁶⁾			N/A
December 31, 2010 ⁽⁶⁾			N/A
September 30, 2011 ⁽⁶⁾ (unaudited)			N/A
Securitized Credit Facility with Union Bank, NA			
December 31, 2004			N/A
December 31, 2005			N/A
December 31, 2006			N/A
December 31, 2007			N/A
December 31, 2008			N/A
December 31, 2009			N/A
December 31, 2010 ⁽⁶⁾			N/A
September 30, 2011 (unaudited) ⁽⁶⁾			N/A
Small Business Administration Debentures (HT II)⁽⁴⁾			
Debentures⁽⁴⁾			
December 31, 2004			N/A
December 31, 2005			N/A
December 31, 2006			N/A
December 31, 2007	\$ 55,050,000	\$ 9,718	N/A
December 31, 2008	\$ 127,200,000	\$ 4,711	N/A
December 31, 2009	\$ 130,600,000	\$ 3,806	N/A
December 31, 2010	\$ 150,000,000	\$ 3,942	N/A
September 30, 2011 (unaudited)	\$ 125,000,000	\$ 4,595	N/A
Small Business Administration Debentures (HT III)⁽⁵⁾			
December 31, 2004			N/A
December 31, 2005			N/A
December 31, 2006			N/A
December 31, 2007			N/A
December 31, 2008			N/A
December 31, 2009			N/A
December 31, 2010	\$ 20,000,000	\$ 29,564	N/A
September 30, 2011 (unaudited)	\$ 38,750,000	\$ 14,823	N/A

Senior Convertible Notes				
September 30, 2012 (Unaudited)	\$	70,082,000	\$	9,826 875

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- (1) Total amount of each class of senior securities outstanding at the end of the period presented, rounded to nearest thousand.
- (2) The asset coverage ratio for a class of senior securities representing indebtedness is calculated as our consolidated total assets, less all liabilities and indebtedness not represented by senior securities, divided by senior securities representing indebtedness. This asset coverage ratio is multiplied by \$1,000 to determine the Asset Coverage per Unit.
- (3) Not applicable because senior securities are not registered for public trading.
- (4) Issued by HT II, one of our SBIC subsidiaries, to the SBA. These categories of senior securities were not subject to the asset coverage requirements of the 1940 Act.
- (5) Issued by HT III, one of our SBIC subsidiaries, to the SBA. These categories of senior securities were not subject to the asset coverage requirements of the 1940 Act.
- (6) The Company's Wells Facility and Union Bank Facility had no borrowings outstanding during the periods noted above.

Table of Contents**MANAGEMENT**

Our business and affairs are managed under the direction of our Board of Directors. Our Board of Directors elects our officers who serve at the discretion of the Board of Directors. Our Board of Directors currently consists of four members, one who is an interested person of Hercules Technology Growth Capital as defined in Section 2(a)(19) of the 1940 Act and three who are not interested persons and who we refer to as our independent directors.

Directors, Executive Officers and Key Employees

Our executive officers, directors and key employees and their positions are set forth below. The address for each executive officer, director and key employee is c/o Hercules Technology Growth Capital, Inc., 400 Hamilton Avenue, Suite 310, Palo Alto, California 94301.

Name	Age	Positions
<i>Interested Director:</i>		
Manuel A. Henriquez ⁽¹⁾	48	Chairman of the Board of Directors, President and Chief Executive Officer
<i>Independent Directors:</i>		
Robert P. Badavas ⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾	59	Director
Joseph W. Chow ⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾	59	Director
Allyn C. Woodward, Jr. ⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾	71	Director
<i>Executive Officers:</i>		
Jessica Baron	37	Vice President of Finance and Interim Chief Financial Officer
Scott Bluestein	33	Chief Credit Officer
Todd Jaquez-Fissori	41	Senior Managing Director, Technology Group Head and Clean Technology Group Head
Scott Harvey	57	Secretary and Chief Legal Officer
Parag I. Shah	40	Senior Managing Director and Life Sciences Group Head

(1) Mr. Henriquez is an interested person, as defined in section 2(a)(19) of the 1940 Act, of the Company due to his position as an executive officer of the Company.

(2) Member of the Audit Committee.

(3) Member of the Valuation Committee.

(4) Member of the Compensation Committee.

(5) Member of the Nominating and Corporate Governance Committee.

Set forth below is information regarding our current directors, including each director's (i) name and age; (ii) a brief description of their recent business experience, including present occupations and employment during at least the past five years; (iii) directorships, if any, that each director holds and has held during the past five years; and (iv) the year in which each person became a director of the Company. As the information that follows indicates, the nominee and each continuing director brings strong and unique experience, qualifications, attributes, and skills to the Board. This provides the Board, collectively, with competence, experience, and perspective in a variety of areas, including: (i) corporate governance and Board service; (ii) executive management, finance, and accounting; (iii) venture capital financing with a technology-related focus; (iv) business acumen; and (v) an ability to exercise sound judgment.

Moreover, the nominating and corporate governance committee believes that it is important to seek a broad diversity of experience, professions, skills, geographic representation and backgrounds. The nominating and corporate governance committee does not assign specific weights to particular criteria and no particular criterion is necessarily applicable to all prospective nominees. We believe that the backgrounds and qualifications of the

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directors, considered as a group, should provide a significant composite mix of experience, knowledge and abilities that will allow the Board to fulfill its responsibilities. Our Board does not have a specific diversity policy, but considers diversity of race, religion, national origin, gender, sexual orientation, disability, cultural background and professional experiences in evaluating candidates for Board membership.

Interested Director

Manuel A. Henriquez is a co-founder of the Company and has been our Chairman and CEO since December 2003 and our President since April 2005. Prior to co-founding the Company, Mr. Henriquez was a Partner at VantagePoint Venture Partners, a \$2.5 billion multi-stage technology venture fund, from August 2000 through July 2003. Prior to VantagePoint Venture Partners, Mr. Henriquez was the President and Chief Investment Officer of Comdisco Ventures, a division of Comdisco, Inc., a leading technology and financial services company, from November 1999 to March 2000. Prior to that, from March 1997 to November 1999, Mr. Henriquez was a Managing Director of Comdisco Ventures. Mr. Henriquez was a senior member of the investment team at Comdisco Ventures that originated over \$2.0 billion of equipment lease, debt and equity transactions from 1997 to 2000. Mr. Henriquez serves on the board of directors of one of the Company's portfolio companies, E-Band Communications Corporation, supplier of ultra high capacity of wireless solutions. Also, Mr. Henriquez serves on the board of directors of Charles Armstrong School, an independent elementary and middle school that serves students with language-based learning differences. Mr. Henriquez received a B.S. in Business Administration from Northeastern University.

Through his broad experience as an officer and director of several private and public companies, in addition to skills acquired with firms engaged in investment banking, banking and financial services, Mr. Henriquez brings to the Company a unique business expertise and knowledge of financing technology related companies as well as extensive financial and risk assessment abilities. Mr. Henriquez possesses a vast array of knowledge in venture capital financing which assists us in the markets in which we compete. Mr. Henriquez's years of experience as our Chairman and CEO since co-founding the Company demonstrates his leadership skills that are valuable in his role as our Chairman and CEO.

Independent Directors

Each of the following directors is independent under the Nasdaq Stock Market rules and are not interested directors as defined in Section 2(a)(19) of the 1940 Act.

Robert P. Badavas has served as a director since March 2006. Mr. Badavas is a private investor and, since his retirement from TAC Worldwide, a multi-national workforce management and business services company, has served as President of Petros Ventures, Inc., a management and advisory services company. Mr. Badavas served as President and Chief Executive Officer of TAC Worldwide from December 2005 through October 2009, and was Executive Vice President and Chief Financial Officer of TAC Worldwide from November 2003 to December 2005. Prior to joining TAC Worldwide, Mr. Badavas was Partner and Chief Operating Officer of Atlas Venture, an international venture capital firm, from September 2001 to September 2003. Mr. Badavas also serves on the board of directors and is chairman of the audit committee of both Airvana, Inc. (NASDAQ: AIRV), a provider of mobile broadband network infrastructure products, and Constant Contact, Inc. (NASDAQ: CTCT), a provider of on demand email marketing, event marketing and online survey solutions for small organizations. In addition, Mr. Badavas serves on the board of directors of The Learning Center for the Deaf in Framingham, MA, Hellenic College/Holy Cross School of Theology in Brookline, MA and Bentley University in Waltham, MA. In addition to being a certified public accountant with nine years of experience at PriceWaterhouseCoopers, an independent registered public accounting firm, and the chief financial officer of a publicly traded company, Mr. Badavas has completed a program that studied strategies to make corporate boards more effective at the Harvard Business School. Mr. Badavas is active in board of director organizations and regularly attends professional seminars addressing issues of current import to boards of directors. Mr. Badavas is a graduate of Bentley University with a BS in Accounting and Finance.

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Through his prior experience as a director, chief executive officer, chief operating officer and chief financial officer, Mr. Badavas brings business expertise, finance and audit skills to his Board service with the Company. Mr. Badavas' expertise, experience and skills closely align with our operations, and his prior investment experience with a venture capital firm facilitates an in-depth understanding of our investment business. Mr. Badavas' expertise and experience also qualify him to serve as Chairman of our audit committee and our audit committee financial expert.

Joseph W. Chow has served as a director since February 2004. Mr. Chow retired in March 2011 as Executive Vice President at State Street Corporation (NYSE: STT), a leading global provider of asset servicing and investment management services to institutional investors, where he was responsible for the development of business strategies for emerging economies. He served on the company's Asia Pacific and European Executive Boards, as a board director of State Street's Technology Center in China, and chaired State Street's Corporate Environmental Sustainability Committee. Previously, having retired from State Street in 2003 and returned in 2004, he assumed the role of Executive Vice President and chief risk and corporate administration officer responsible for Enterprise Risk Management, Compliance, Regulatory Affairs, Basel Capital Accord Implementation, and Community Affairs; he was a member of the Operating Group, the company's most senior 11-member strategy and policy management committee. Prior to 2003, Mr. Chow was State Street's Executive Vice President and head of credit and risk policy responsible for corporate-wide risk management, focusing on credit, market, operational, fiduciary, and compliance risks. He chaired the company's Major Risk Committee, Fiduciary Review Committee, and Securities Finance Risk Management Committee and served as a member of the Asset Liability Management Committee and Financial Policy Committee. Before joining State Street, Mr. Chow worked at Bank of Boston in various international and corporate banking roles from 1981 to 1990 and specialized in the financing of emerging-stage high technology companies. Mr. Chow is a director of the Hong Kong Association of Massachusetts and served on the board of directors of China Universal Asset Management, Inc. in Shanghai, the Greater Boston Chamber of Commerce, and the Asian Community Development Corporation, a not-for-profit community development corporation focused on building affordable housing in Boston. Mr. Chow is a graduate of Brandeis University with a B.A. in Economics. He also received a Master in City Planning from the Massachusetts Institute of Technology and an M.S. in Management (Finance) from the MIT Sloan School of Management.

Through his experience as a senior executive of a major financial institution, Mr. Chow brings business expertise, finance and risk assessment skills to his Board service with the Company. Mr. Chow's experience and skills closely align with our business, and his lending and credit experience facilitates an in-depth understanding of risk associated with the structuring of investments in technology related companies. Mr. Chow's risk management expertise and credit related experience also qualify him to serve as Chairman of our Valuation Committee.

Allyn C. Woodward, Jr. has served as a director since February 2004. Mr. Woodward was Vice Chairman of Adams Harkness Financial Group (AHFG-formerly Adams, Harkness & Hill) from April 2001 until January 2006 when AHFG was sold to Canaccord, Inc., an independent investment dealer. He previously served as President of AHFG from 1995 to 2001. AHFG was an independent institutional research, brokerage and investment banking firm headquartered in Boston, MA. Prior to joining AHFG, Mr. Woodward worked for Silicon Valley Bank from April 1990 to April 1995, initially as Executive Vice President and Co-founder of the Wellesley, MA office and more recently as Senior Executive Vice President and Chief Operating Officer of the parent bank in California. Silicon Valley Bank is a commercial bank, headquartered in Santa Clara, CA whose principal lending focus is directed toward the technology, healthcare and venture capital industries. Prior to joining Silicon Valley Bank, Mr. Woodward was Senior Vice President and Group Manager of the Technology group at Bank of New England, Boston, MA where he was employed from 1963-1990. Mr. Woodward is currently the Chairman of the Board of Directors and a member of the Compensation Committee of Lecroy Corporation (NASDAQ: LCRY), a leading provider of oscilloscopes, protocol analyzers and related test and measurement solutions. He is also a former Director of Viewlogic and Cayenne Software, Inc. Mr. Woodward serves on the boards of three private companies and is on the boards of advisors of five venture capital funds. Mr. Woodward holds a Masters Professional Director Certification from the American College of

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Corporate Directors, a public company director education and credentialing organization, and is a member of the National Association of Corporate Directors. Mr. Woodward is on the Board of Overseers and a member of the Finance Committee of Newton Wellesley Hospital, a 250 bed hospital located in Newton, MA. Mr. Woodward is on the Board of Overseers and the Investment Committee and the Finance Committee of Babson College in Babson Park, MA. Mr. Woodward graduated from Babson College with a degree in finance and accounting. He also graduated from the Stonier Graduate School of Banking at Rutgers University.

Mr. Woodward's executive and board experience brings extensive business, finance and investment expertise to his Board service with the Company. His experiences with financial services, bank and technology related companies provide a unique perspective on matters involving business, finance and technology. Mr. Woodward's many board related experiences makes him skilled in leading committees requiring substantive expertise. He is uniquely qualified to lead in the continued development of our Board's policies regarding compensation and governance best practices by serving as Chairman of our Compensation Committee and Nominating and Corporate Governance Committee and by serving as our Lead Independent Director.

Non-director Executive Officers

Jessica Baron joined our Company in October 2006 as Corporate Controller and was promoted to Vice President of Finance in October 2010. Effective June 1, 2011, our Board appointed Ms. Baron as Vice President of Finance and Interim Chief Financial Officer. During her tenure at Hercules, Ms. Baron has been involved in financial reporting, financial process and systems design and implementation. Prior to joining Hercules, she was served in strategic finance roles at Cisco Systems, Inc. from 2004 to 2006 and at Levi Strauss and Company from 2002 to 2004. Ms. Baron also served as a finance and accounting manager at Dominion Ventures and Dominion Capital Management from 2000 to 2002. She also was at PricewaterhouseCoopers LLP in supervisory roles in both its consulting and business assurance divisions from 1997 to 2000. Ms. Baron earned a Bachelor of Arts degree in Human Biology and a Master of Arts degree in Sociology from Stanford University and a Master of Business Administration degree with an emphasis in Finance from the University of California, Berkeley, Haas School of Business. She is a Certified Public Accountant in the state of California.

Scott Bluestein joined our Company in November 2010 as Chief Credit Officer. Mr. Bluestein previously served as founder and partner of Century Tree Capital Management from February 2009 until June 2010. Prior to that, he was managing director at Laurus-Valens Capital Management, a New York based investment firm specializing in providing financing to small and micro cap growth oriented businesses through a combination of secured debt and equity securities, including new investments, portfolio management, and restructurings from June 2003 until February 2010. Previously, Mr. Bluestein worked at UBS Investment Bank, where he was a member of their Financial Institutions Coverage Group focused on the Financial Technology space. Mr. Bluestein received his Bachelor of Business Administration from Emory University.

Todd Jaquez-Fissori joined our Company in November 2009 as Managing Director and was promoted by our Board to the position of Clean Technology Group Head in May 2011 and Technology Group Head in October 2011. Before joining Hercules Technology in 2009, Mr. Jaquez-Fissori served as a director at TriplePoint Capital from February 2008 to December 2008 and was the general partner in charge of clean technology investing at Siemens Venture Capital from March 2004 to February 2008. Prior to working at Siemens Venture Capital, Mr. Jaquez-Fissori served as a principal at Boulder Ventures from March 2000 to March 2004 and as an analyst at Mayfield from May 1996 to September 1998. Mr. Jaquez-Fissori received a B.A. from Penn State University and an M.B.A. from the University of Pennsylvania Wharton School of Business.

Scott Harvey is a co-founder of our Company and has been our Chief Legal Officer and Secretary since December 2003. Mr. Harvey has been our Chief Compliance Officer since February 2005. Mr. Harvey has over 24 years of legal and business experience with leveraged finance and financing public and private technology-related companies. Since July 2002, and prior to co-founding the Company, Mr. Harvey was in a diversified private law practice. Previously, Mr. Harvey was Deputy General Counsel of Comdisco, Inc., a leading technology and

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financial services company, from January 1997 to July 2002. From 1991 to 1997, Mr. Harvey served as Vice President of Marketing, Administration & Alliances with Comdisco, Inc. and was Corporate Counsel from 1983 to 1991. Mr. Harvey received a B.S. in Agricultural Economics from the University of Missouri, a J.D. and LLM in taxation from The John Marshall Law School and an M.B.A. from Illinois Institute of Technology.

Parag I. Shah joined our Company in November 2004 as Managing Director of Life Sciences and was promoted to Senior Managing Director in June 2006. During March 2008 Mr. Shah was promoted by our Board to the position of Life Science Group Head. Prior to joining Hercules, Mr. Shah served as Managing Director for Biogenesys Capital from April 2004 to November 2004. From April 2000 to April 2004, Mr. Shah was employed by Imperial Bank, where he served as a Senior Vice President in Imperial Bank's Life Sciences Group, beginning in October 2000, which was acquired by Comerica Bank in early 2001. Prior to working at Comerica Bank, Mr. Shah was an Assistant Vice President at Bank Boston from January 1997 to March 2000. Bank Boston was acquired by Fleet Bank in 1999. Mr. Shah completed his Masters degrees in Technology, Management and Policy as well as his Bachelor's degree in Molecular Biology at the Massachusetts Institute of Technology (MIT). During his tenure at MIT, Mr. Shah conducted research at the Whitehead Institute for Biomedical Research and was chosen to serve on the Whitehead Institute's Board of Associates in 2003.

Board of Directors

The number of directors is currently fixed at four directors.

Our Board of Directors is divided into three classes. Class I directors hold office for a term expiring at the annual meeting of stockholders to be held in 2011, Class II directors hold office for a term expiring at the annual meeting of stockholders to be held in 2012 and Class III directors hold office for a term expiring at the annual meeting of stockholders to be held in 2013. Each director holds office for the term to which he or she is elected and until his or her successor is duly elected and qualifies. Mr. Woodward's term expires in 2012, Mr. Henriquez's term expires in 2013 and Messrs. Badavas and Chow's terms expire in 2014. At each annual meeting of our stockholders, the successors to the class of directors whose terms expire at such meeting will be elected to hold office for a term expiring at the annual meeting of stockholders held in the third year following the year of their election and until their successors are duly elected and qualify.

Compensation of Directors

The Compensation Committee has the authority from the Board for the appointment, compensation and oversight of the Company's outside compensation consultant. The Compensation Committee generally engages a compensation consultant every other year to assist the Compensation Committee with its responsibilities related to the Company's director compensation program. In 2010, the Compensation Committee engaged Pearl Meyer & Partners, LLC ("Pearl Meyer"), an independent compensation consultant, to provide summary compensation information regarding the compensation to be awarded to the Company's directors for the fiscal year ended December 31, 2010 (the "2010 Report"). In the 2010 Report, Pearl Meyer made certain recommendations regarding the mix of cash and equity compensation to be offered to the Company's directors, as well as the types of long-term incentives to be granted to the Company's directors. The Compensation Committee reviewed the 2010 Report when evaluating the director compensation program for the fiscal year ended December 31, 2010. In connection with the retention, the Compensation Committee determined that Pearl Meyer had the necessary experience, skill and independence to advise the Committee. Pearl Meyer does not provide services to the Company other than under its engagement by the Compensation Committee related to compensation matters. For more information about the compensation information provided by Pearl Meyer, see "Executive Compensation Compensation Discussion and Analysis" below.

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The following table discloses the cash, equity awards and other compensation earned, paid or awarded, as the case may be, to each of our directors during the fiscal year ended December 31, 2010.

Name	Fees Earned or Paid in Cash (\$) ⁽¹⁾	Stock Awards (\$)	Option Awards (\$)	All Other Compensation (\$) ⁽³⁾	Total (\$)
Robert P. Badavas	\$ 160,000			\$ 2,221	\$ 162,221
Joseph W. Chow	\$ 160,000			\$ 2,221	\$ 162,221
Allyn C. Woodward, Jr.	\$ 175,000			\$ 3,777	\$ 178,777
Manuel A. Henriquez ⁽²⁾					

(1) Mr. Badavas, Mr. Chow and Mr. Woodward earned \$125,000, \$125,000 and \$140,000, respectively, and elected to receive an additional retainer fee as 3,493 shares of our common stock in lieu of cash. The total value of the shares issued to Mr. Badavas, Mr. Chow and Mr. Woodward for services in fiscal 2010 was \$35,000 each.

(2) As an employee director, Mr. Henriquez does not receive any compensation for his service as a director. The compensation Mr. Henriquez receives as Chief Executive Officer of the Company is disclosed in the Summary Compensation Table as set forth herein.

(3) Represents dividends paid on unvested restricted stock awards during 2010.

As compensation for serving on our Board, each of our independent directors receives an annual fee of \$50,000 and the chairperson of each committee receives an additional \$15,000 annual fee. Each independent director also receives \$2,000 for each Board or committee meeting they attend, whether in person or telephonically. In 2010, we granted each independent director an additional retainer of \$35,000, which was distributed as shares of common stock in lieu of cash. Employee directors and non-independent directors do not receive compensation for serving on the Board. In addition, we reimburse our directors for their reasonable out-of-pocket expenses incurred in attending Board meetings.

Directors do not receive any perquisites or other personal benefits from the Company.

Under current SEC rules and regulations applicable to business development companies (BDC), a BDC may not grant options or restricted stock to non-employee directors unless it receives exemptive relief from the SEC. The Company filed an exemptive relief request with the SEC to allow options and restricted stock to be issued to its non-employee directors, which was approved on October 10, 2007. On June 22, 2010, the Company received approval from the SEC regarding its exemptive relief request permitting its employees to exercise their stock options and restricted stock and pay any related income taxes using a cashless exercise program.

On June 21, 2007, the stockholders approved amendments to the 2004 Equity Incentive Plan and the 2006 Non-Employee Director Plan allowing for the grant of restricted stock. The 2004 Equity Incentive Plan and 2006 Non-Employee Director Plan limit the combined maximum amount of restricted stock that may be issued under both of the 2004 Equity Incentive Plan and 2006 Non-Employee Director Plan to 10% of the outstanding shares of the Company's common stock on the effective date of the 2004 Equity Incentive Plan and 2006 Non-Employee Director Plan plus 10% of the number of shares of common stock issued or delivered by the Company during the terms of the 2004 Equity Incentive Plan and 2006 Non-Employee Director Plan. See the Notes to Consolidated Financial Statements for the year ended December 31, 2010 for more information.

Stock Ownership Guidelines

The Company implemented stock ownership guidelines which are outlined in the Company's Corporate Governance Guidelines. The Company has implemented stock ownership guidelines because it believes that material stock ownership by directors plays a role in effectively aligning the interests of directors with those of our stockholders and strongly motivates the building of long-term stockholder value. Pursuant to the Company's stock ownership guidelines, each director is required to beneficially own at least three times the individual's annual retainer fee in Company stock, based on market value, within three years of joining the Company. The Board may make exceptions to this requirement based on particular circumstances. Each director has exceeded his respective guideline as of December 31, 2010.

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CORPORATE GOVERNANCE

Our business, property and affairs are managed under the direction of our Board. Members of our Board are kept informed of our business through discussions with our Chairman and Chief Executive Officer, our Chief Financial Officer, our Chief Credit Officer, our Chief Legal Officer, and other officers and employees, and by reviewing materials provided to them and participating in meetings of the Board and its committees.

Corporate Governance Changes in Fiscal Year 2010 and for Fiscal Year 2011

Because our Board is committed to strong and effective corporate governance, it regularly monitors our corporate governance policies and practices to ensure we meet or exceed the requirements of applicable laws, regulations and rules, and the Nasdaq's listing standards. During fiscal year 2010 and for fiscal year 2011, our Board made the following changes to our corporate governance policies and practices:

adopting and implementing Corporate Governance Guidelines which address, among other topics: (i) Board responsibilities, composition, leadership, compensation and performance, (ii) management's responsibilities; and (iii) the Board's relationship to senior management.;

recommending an annual vote on executive compensation be held annually; and

adopting and implementing a succession plan for our Chief Executive Officer; and

implementing stock ownership guidelines for management and directors.

The changes made to our corporate governance policies and practices build upon our solid corporate governance structure, which is exemplified by:

using a Lead Independent Director whose duties and responsibilities are set forth in our Corporate Governance Guidelines;

adopting committee charters, which clearly establish the roles and responsibilities of each of the committees;

establishing Board committees that are comprised of and chaired solely by independent directors;

scheduling regular executive session meetings of non-employee and independent directors;

implementing a strong risk management program with specific responsibilities assigned to management, the Board, and the Board's committees;

adopting our clear code of ethics;

limiting the use of perquisites for directors and executive officers; and

engaging an independent compensation consultant by the Compensation Committee.

Board Leadership Structure

Chairman and Chief Executive Officer

The Board currently combines the role of Chairman of the Board with the role of Chief Executive Officer, coupled with a Lead Independent Director position to further strengthen the governance structure. The Board believes this provides an efficient and effective leadership model for the Company. Combining the Chairman and Chief Executive Officer roles fosters clear accountability, effective decision-making, and alignment on corporate strategy. Since our inception in 2005, Mr. Henriquez has served as both Chairman of the Board and Chief Executive Officer.

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No single leadership model is right for all companies at all times. The Board recognizes that depending on the circumstances, other leadership models, such as a separate independent chairman of the board, might be appropriate. Accordingly, the Board periodically reviews its leadership structure.

Moreover, the Board believes that its governance practices provide adequate safeguards against any potential risks that might be associated with having a combined Chairman and Chief Executive Officer. Specifically:

three of the four current directors of the Company are independent directors;

all of the members of the Audit Committee, Compensation Committee, Nominating and Corporate Governance Committee and Valuation Committee are independent directors;

the Board and its committees regularly conduct scheduled meetings in executive session, out of the presence of Mr. Henriquez and other members of management;

the Board and its committees regularly conduct meetings which specifically include Mr. Henriquez;

the Board and its committees remain in close contact with, and receive reports on various aspects of the Company's management and enterprise risk directly from the Company's senior management and independent auditors; and

the Board and its committees interact with employees of the Company outside the ranks of senior management.

Lead Independent Director

The Board has instituted the Lead Independent Director position to provide an additional measure of balance, ensure the Board's independence, and enhance its ability to fulfill its management oversight responsibilities. Allyn C. Woodward, Jr., the Chairman of the Compensation Committee and the Nominating and Corporate Governance Committee, currently serves as the Lead Independent Director. The Lead Independent Director:

presides over all meetings of the directors at which the Chairman is not present, including executive sessions of the independent directors;

has the authority to call meetings of the independent directors;

frequently consults with the Chairman and Chief Executive Officer about strategic policies;

provides the Chairman and Chief Executive Officer with input regarding Board meetings;

serves as a liaison between the Chairman and Chief Executive Officer and the independent directors; and

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otherwise assumes such responsibilities as may be assigned to him by the independent directors.

Having a combined Chairman and Chief Executive Officer, coupled with a substantial majority of independent, experienced directors, including a Lead Independent Director with specified responsibilities on behalf of the independent directors, provides the right leadership structure for the Company and is best for the Company and its stockholders at this time.

Board Oversight of Risk

While risk management is primarily the responsibility of the Company's management team, the Board is responsible for the overall supervision of the Company's risk management activities. The Board's oversight of the material risks faced by our Company occurs at both the full Board level and at the committee level.

The Board's Audit Committee has oversight responsibility not only for financial reporting with respect to the Company's major financial exposures and the steps management has taken to monitor and control such exposures, but also for the effectiveness of management's enterprise risk management process that monitors and

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manages key business risks facing the Company. In addition to the Audit Committee, the other committees of the Board consider the risks within their areas of responsibility. For example, the Compensation Committee considers the risks that may be implicated by our executive compensation program.

Management provides regular updates throughout the year to the Board regarding the management of the risks they oversee at each regular meeting of the Board. Also, the Board receives presentations throughout the year from various department and business group heads that include discussion of significant risks as necessary. Additionally, through dedicated sessions focusing entirely on corporate strategy, the full Board reviews in detail the Company's short and long-term strategies, including consideration of significant risks facing the Company and their potential impact.

Director Independence

The Nasdaq Market's listing standards and Section 2(a)(19) of the 1940 Act require that a majority of our Board and every member of the Audit, Compensation, and Nominating and Corporate Governance Committees are independent. Under the Nasdaq Market's listing standards and our Corporate Governance Guidelines, no director will be considered to be independent unless and until our Board affirmatively determines that such director has no direct or indirect material relationship with the Company or our management. Our Board reviews the independence of its members annually.

In determining that Messrs. Badavas, Chow and Woodward are independent, the Board, through the Nominating and Corporate Governance Committee, considered the financial services, commercial, family and other relationships between each director and his or her immediate family members or affiliated entities, on the one hand, and Hercules and its subsidiaries, on the other hand.

Committees of the Board

The Board has established an Audit Committee, a Valuation Committee, a Compensation Committee, and a Nominating and Corporate Governance Committee. A brief description of each committee is included in this Proxy Statement and the charters of the Audit, Compensation, and Nominating and Corporate Governance Committees are available on the Investor Relations section of the Company's website at <http://investor.htgc.com/governance.cfm>

The table below provides current membership (M) and chairmanship (C) information for each standing Board committee.

Name	Audit	Valuation	Compensation	Nominating and Corporate Governance
Robert P. Badavas	C	M	M	M
Joseph W. Chow	M	C	M	M
Allyn C. Woodward, Jr.	M	M	C	C
Manuel A. Henriquez				

During 2010, the Board held seventeen Board meetings, eighteen committee meetings and acted by written consent. All of the directors attended at least 94% of the Board meetings and all of the respective committee meetings on which they serve. Each director makes a diligent effort to attend all Board and committee meetings, as well as the Annual Meeting of Stockholders. Each of the directors attended the Company's 2010 Annual Meeting of Stockholders in person.

Audit Committee. Our Board has established an Audit Committee. The Audit Committee is comprised of Messrs. Badavas, Chow and Woodward, each of whom is an independent director and satisfies the independence

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requirements for purposes of the rules promulgated by the Nasdaq Stock Market and the requirements to be a non-interested director as defined in Section 2(a)(19) of the 1940 Act. Mr. Badavas currently serves as Chairman of the Audit Committee and is an audit committee financial expert as defined by applicable SEC rules. The Audit Committee is responsible for approving our independent accountants, reviewing with our independent accountants the plans and results of the audit engagement, approving professional services provided by our independent accountants, reviewing the independence of our independent accountants and reviewing the adequacy of our internal accounting controls. During the last fiscal year, the Audit Committee held eight meetings and acted by written consent.

The Audit Committee provides assistance to our Board in various matters, including, among other things, fulfilling its responsibilities with respect to the following:

evaluating the appointment, compensation and retention of any registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company and its subsidiaries, including resolution of disagreements between management and the independent auditor regarding financial reporting;

pre-approving any independent auditor's engagement to render audit and/or permissible non-audit services (including the fees charged and proposed to be charged by the independent auditors).

receiving formal written statements, at least annually, from the independent auditor regarding the auditor's independence, including a delineation of all relationships between the auditor and the Company;

at least annually, obtaining and reviewing a report from the independent auditor detailing: (i) the firm's internal quality-control procedures; (ii) any material issues raised by the independent auditor's internal quality control review, peer review; or (iii) any governmental or other professional inquiry performed within the past five years and any remedial actions implemented by the firm;

obtaining from the independent auditors annually a formal written statement of the fees billed in the last fiscal year for each of the designated categories of services rendered by the independent auditors;

monitoring the rotation of the lead (or coordinating) audit partner (or other employees of the independent auditor if required by SEC rules and regulations) having primary responsibility for the audit and the concurring (or reviewing) audit partner;

considering the effect on the Company of:

any changes in accounting principles or practices proposed by management or the independent auditors;

any changes in service providers, such as the accountants, that could impact the Company's internal control over financial reporting; and

any changes in schedules (such as fiscal or tax year-end changes) or structures or transactions that required special accounting activities, services or resources

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evaluating the efficiency and appropriateness of the services provided by the independent auditors, including any significant difficulties with the audit or any restrictions on the scope of their activities or access to required records, data and information;

interacting with the independent auditors, including reviewing and, where necessary, resolving any problems or difficulties the independent auditors may have encountered in connection with the annual audit or otherwise, any management letters provided to the Committee and the Company's responses;

reviewing with the independent auditors the effect of regulatory and accounting initiatives, as well as off balance sheet structures, on the financial statements of the Company;

reviewing with independent auditor the overall scope and plans for audits;

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meeting with the Company's independent auditors at least four times during each fiscal year, including private meetings, and review written materials prepared by the independent auditors, as appropriate;

reviewing and discussing with management and independent auditor the Company's system of internal controls (including any significant deficiencies in the design or operation of those controls which could adversely affect the Company's ability to record, process, summarize and report financial data), its financial and critical accounting practices, and policies relating to risk assessment and management;

receiving and reviewing reports of the independent auditor discussing: (i) all critical accounting policies and practices to be used in the firm's audit of the Company's financial statements, (ii) all alternative treatments of financial information within generally accepted accounting principles (GAAP) that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor, and (iii) other material written communications between the independent auditor and management, such as any management letter or schedule of unadjusted differences;

discussing with management and the independent auditor any changes in the Company's critical accounting policies and the effects of alternative GAAP methods, off-balance sheet structures and regulatory and accounting initiatives;

reviewing and discussing with management and independent auditor the Company's annual and quarterly financial statements;

reviewing the Company's earnings press releases, as well as the nature of financial information provided to analysts and rating agencies;

reviewing material pending legal proceedings involving the Company and other contingent liabilities;

periodically, meeting separately with management (or other personnel responsible for the internal audit function) and with independent auditors to discuss results of examinations of the Company's internal controls and procedures;

discussing with the independent auditors the matters required to be communicated to the Audit Committee in accordance with Statement on Auditing Standards No. 61;

establishing procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submissions by employees, consultants or contractors of concerns regarding questionable accounting or accounting matters; and

reviewing with the independent auditor any significant audit problems or difficulties and management's response.

Valuation Committee. Our Board has established a Valuation Committee. The Valuation Committee is comprised of Messrs. Badavas, Chow and Woodward, each of whom is an independent director and satisfies the independence requirements for purposes of the rules promulgated by the Nasdaq Stock Market and the requirements to be a non-interested director as defined in Section 2(a)(19) of the 1940 Act. Mr. Chow currently serves as Chairman of the Valuation Committee. The Valuation Committee is responsible for reviewing and recommending to the full Board the fair value of debt and equity securities in accordance with established valuation procedures. The Valuation Committee may utilize the services of an independent valuation firm in determining the fair value of these securities. During the last fiscal year, the Valuation Committee held six meetings.

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The Valuation Committee provides assistance to our Board in various matters, including, among other things, fulfilling its responsibilities with respect to the following:

determining the fair value of the Company's portfolio debt and equity securities and other assets in accordance with the 1940 Act and the valuation policies and procedures adopted by the Board, as

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amended from time to time, in order to recommend the portfolio valuation to the full Board for approval; and

retaining, terminating and determining the compensation for an independent valuation firm and any legal, accounting or other expert or experts to assist in: (i) reviewing the Company's valuation processes applicable to non-publicly traded companies; (ii) reviewing fair market value calculations as requested from time to time with respect to select companies; and (iii) carrying out the Valuation Committee's duties and responsibilities.

Compensation Committee. Our Board has established a Compensation Committee. The Compensation Committee is comprised of Messrs. Badavas, Chow and Woodward, each of whom is an independent director and satisfies the independence requirements for purposes of the rules promulgated by the Nasdaq Stock Market and the requirements to be a non-interested director as defined in Section 2(a)(19) of the 1940 Act. Mr. Woodward currently serves as Chairman of the Compensation Committee. The Compensation Committee determines compensation for our executive officers, in addition to administering the 2004 Equity Incentive Plan and 2006 Non-Employee Director Plan. During the last fiscal year, the Compensation Committee held three meetings.

The Compensation Committee provides assistance to our Board in various matters, including, among other things, fulfilling its responsibilities with respect to the following:

assisting the Board in developing and evaluating potential candidates for executive positions (including the Chief Executive Officer) and overseeing the development of executive succession plans;

annually, reviewing and approving corporate goals and objectives relevant to the Chief Executive Officer and other executive officer's total compensation, evaluating the Chief Executive Officer's and other executive officers' performance to ensure that it is designed to achieve the objectives of rewarding the Company's executive officers appropriately for their contributions to corporate growth and profitability and, together with the Company's Chief Executive Officer, evaluating and approving the compensation of the Company's other executive officers;

annually, determining and approving the compensation paid to the Company's Chief Executive Officer;

annually, reviewing the corporation's compensation practices and the relationship among risk, risk management and compensation in light of the corporation's objectives, including its safety and soundness and the avoidance of practices that would encourage excessive risk;

periodically, reviewing the Company's incentive compensation plans and perquisites, if any, to ensure such plans are consistent with the Company's goals and objectives and appropriately aligning executive officers' interests with those of the Company's stockholders, make recommendations to the Board regarding the adoption of new employee incentive compensation plans and equity-based plans, and administer the Company's existing incentive compensation plans and equity-based plans, including reviewing and approving stock option and restricted stock grants;

periodically, reviewing diversity programs;

periodically, evaluating the compensation of directors, including compensation for service on Board Committees, and making recommendations regarding adjustments to such compensation;

producing a Committee report on executive compensation for inclusion in the Company's annual report on Form 10-K or proxy statement for the annual meeting of stockholders in accordance with Item 402 of Regulation S-K;

annually reviewing and discussing with Company management the executive compensation disclosure to be included in the Company's annual report on Form 10-K or the Company's proxy statement for the annual meeting of stockholders, including the Compensation Discussion and Analysis (CD&A)

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required by Item 402 of Regulation S-K, and subsequent to such review determine whether to recommend to the Board that such disclosure be included;

periodically, reviewing and assessing the adequacy of the Compensation Committee charter and submitting any changes to the Board for approval;

reviewing such other matters as the Board or the Committee shall deem appropriate; and

determining funding necessary for ordinary administrative expenses that are necessary or appropriate in carrying out the committee's duties.

Nominating and Corporate Governance Committee. Our Board has established a Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee is comprised of Messrs. Badavas, Chow and Woodward, each of whom is an independent director and satisfies the independence requirements for purposes of the rules promulgated by the Nasdaq Stock Market and the requirements to be a non-interested director as defined in Section 2(a)(19) of the 1940 Act. Mr. Woodward currently serves as Chairman of the Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee will nominate to the Board for consideration candidates for election as directors to the Board. During the last fiscal year, the Nominating and Corporate Governance Committee held one meeting.

The Nominating and Corporate Governance Committee provides assistance to our Board in various matters, including, among other things, fulfilling its responsibilities with respect to the following:

identifying individuals qualified to become Board members, consistent with criteria approved by the Board, receiving nominations for such qualified individuals, selecting, or recommending that the Board select, the director nominees for the next annual meeting of stockholders, taking into account each candidate's ability, judgment and experience and the overall diversity and composition of the Board;

recommending to the Board candidates for election to the Board and evaluate the Board in accordance with criteria set forth below or determined as provided below;

monitoring Board composition and recommend candidates as necessary to ensure that the number of independent directors serving on the Board satisfies the Nasdaq Global Select Market and SEC requirements;

developing and periodically evaluating initial orientation guidelines and continuing education guidelines for each member of the Board and each member of each committee thereof regarding his or her responsibilities as a director generally and as a member of any applicable committee of the Board;

establishing a policy under which stockholders of the Company may recommend a candidate to the Nominating and Corporate Governance Committee for consideration for nomination as a director;

recommending to the Board qualified individuals to serve as committee members on the various Board committees;

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articulating to each director what is expected of their tenure on the Board, including directors' basic duties and responsibilities with respect to attendance at Board meetings and advance review of meeting materials;

developing and periodically evaluating orientation guidelines and continuing education guidelines for each member of the Board and each member of each committee thereof regarding his or her responsibilities as a director generally and as a member of any applicable committee of the Board;

reviewing the Company's practices and policies with respect to directors, including the size of the Board, the ratio of employee directors to non-employee directors, the meeting frequency of the Board and the structure of Board meetings and make recommendations to the Board with respect thereto;

overseeing the maintenance and presentation to the Board of management's plans for succession to senior management positions in the Company;

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monitoring and making recommendations to the Board on matters of Company policies and practices relating to corporate governance;

in concert with the Board, reviewing the Company's policies with respect to significant issues of corporate public responsibility, including contributions;

considering and reporting to the Board any questions of possible conflicts of interest of Board members; and

reviewing stockholder proposals regarding corporate governance and making recommendations to the Board.

The Nominating and Corporate Governance Committee will consider qualified director nominees recommended by stockholders when such recommendations are submitted in accordance with the Company's bylaws and any other applicable law, rule or regulation regarding director nominations. When submitting a nomination to the Company for consideration, a stockholder must provide certain information that would be required under applicable SEC rules, including the following minimum information for each director nominee: full name, age, and address; class, series and number of shares of stock of the Company beneficially owned by the nominee, if any; the date such shares were acquired and the investment intent of such acquisition; whether such stockholder believes the individual is an interested person of the Company, as defined in the 1940 Act; and all other information required to be disclosed in solicitations of proxies for election of directors in an election contest or is otherwise required.

In evaluating director nominees, the Nominating and Corporate Governance Committee considers the following factors:

the appropriate size and the diversity of the Company's Board;

whether or not the nominee is an interested person of the Company as defined in Section 2(a)(19) of the 1940 Act;

the needs of the Company with respect to the particular talents and experience of its directors;

the knowledge, skills and experience of nominees in light of prevailing business conditions and the knowledge, skills and experience already possessed by other members of the Board;

experience with accounting rules and practices;

the desire to balance the considerable benefit of continuity with the periodic injection of the fresh perspective provided by new members; and

all applicable laws, rules, regulations, and listing standards.

The Nominating and Corporate Governance Committee identifies nominees by first evaluating the current members of the Board willing to continue in service. Current members of the Board with skills and experience that are relevant to the Company's business and who are willing to continue in service are considered for re-nomination, balancing the value of continuity of service by existing members of the Board with that of obtaining a new perspective. If any member of the Board does not wish to continue in service or if the Nominating and Corporate Governance Committee or the Board decides not to re-nominate a member for re-election, or if the Nominating and Corporate Governance Committee recommends to expand the size of the Board, the Nominating and Corporate Governance Committee identifies the desired skills and experience of a new nominee in light of the criteria above. Current members of the Nominating and Corporate Governance Committee and the Board provide suggestions as to individuals meeting the criteria of the Nominating and Corporate Governance Committee. Consultants may also be

engaged to assist in identifying qualified individuals.

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Communication with the Board

We believe that communications between our Board, our stockholders and other interested parties are an important part of our corporate governance process. Stockholders with questions about the Company are encouraged to contact Hercules Technology Growth Capital, Inc.'s Investor Relations department at (650) 289-3060. However, if stockholders believe that their questions have not been addressed, they may communicate with the Company's Board by sending their communications to Hercules Technology Growth Capital, Inc., c/o Scott Harvey, Secretary and Chief Legal Officer, 400 Hamilton Avenue, Suite 310, Palo Alto, California 94301. All stockholder communications received in this manner will be delivered to one or more members of the Board.

All communications involving accounting, internal accounting controls and auditing matters, possible violations of, or non-compliance with, applicable legal and regulatory requirements or the Codes, or retaliatory acts against anyone who makes such a complaint or assists in the investigation of such a complaint, will be referred to our Chief Legal Officer. The communication will be forwarded to the chair of the Audit Committee if the Chief Legal Officer determines that the matter has been submitted in conformity with our whistleblower procedures or otherwise determines that the communication should be so directed.

The acceptance and forwarding of a communication to any director does not imply that the director owes or assumes any fiduciary duty to the person submitting the communication, all such duties being only as prescribed by applicable law.

Code of Ethics

Our code of ethics, which is signed by directors and executive officers of the Company, requires that directors and executive officers avoid any conflict, or the appearance of a conflict, between an individual's personal interests and the interests of the Company. Pursuant to the code of ethics which is available on our website at <http://investor.htgc.com/governance.cfm>, each director and executive officer must disclose any conflicts of interest, or actions or relationships that might give rise to a conflict, to the Audit Committee. Certain actions or relationships that might give rise to a conflict of interest are reviewed and approved by the Board.

Compensation Committee Interlocks and Insider Participation

All members of the Compensation Committee are independent directors and none of the members are present or past employees of the Company. No member of the Compensation Committee: (i) has had any relationship with the Company requiring disclosure under Item 404 of Regulation S-K under the Securities Exchange Act of 1934; or (ii) is an executive officer of another entity, at which one of our executive officers serves on the Board.

Executive Compensation

Compensation Discussion and Analysis

Overview of the Compensation Program

This section describes the compensation programs for our Chairman, Chief Executive Officer and Chief Financial Officer in fiscal year 2010 as well as each of our three most highly compensated executive officers employed at the end of fiscal year 2010, all of whom we refer to collectively as our named executive officers, or NEOs. Our named executive officers for fiscal year 2010 are:

Chairman and Chief Executive Officer, Manuel A. Henriquez;

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Former Chief Financial Officer, David M. Lund;

Secretary and Chief Legal Officer, Scott Harvey;

Former Senior Managing Director and Technology Group Head, Samir Bhaumik; and

Senior Managing Director and Life Science Group Head, Parag I. Shah.

Executive Summary

Our compensation programs are intended to align our NEOs' interests with those of our stockholders by rewarding performance that meets or exceeds the goals the Compensation Committee establishes. In line with our compensation philosophy described below, the total compensation received by our NEOs will vary based on individual and corporate performance in light of our annual and long-term performance goals. Our NEOs' total compensation is comprised of a mix of annual base salary, annual cash bonus based on corporate objectives and executive performance factors and long-term equity incentive and retention awards in the form of stock option and/or restricted stock awards.

We delivered strong investment portfolio growth and improved credit quality for fiscal year 2010 as seen in the year over year comparison set forth below.

	Fiscal Year 2010 (in thousands)	Fiscal Year 2009 (in thousands)	Change %
Investments	\$ 472.0	\$ 374.7	26.0%
Total Assets	\$ 591.2	\$ 509.0	16.1%
Total Net Assets	\$ 412.5	\$ 366.5	12.6%

In 2010, we delivered the following portfolio highlights:

achieved a record year for new commitments of approximately \$523.0 million, up 189% for 2009;

funded approximately \$322.0 million in investments, up 237% compared with 2009;

grew total investment assets 26.0% year over year to approximately \$472.0 million as of December 31, 2010, compared to \$375.0 million as of December 31, 2009; and

improved the credit quality of our total portfolio. On a scale of 1-5, 1 being the highest credit quality, we finished 2010 with an average credit rating of 2.21 as compared to 2.71 at the end of 2009.

Please see Management's Discussion and Analysis of Financial Conditions and Results of Operations for a more detailed description of our fiscal year 2010 results.

Compensation Philosophy

The compensation and benefit programs of the Company adopted by our Compensation Committee are designed with the goal of providing compensation that is fair, reasonable and competitive and are intended to help us align the compensation paid to our NEOs with both our short-term and long-term objectives. The Compensation Committee reviews various metrics when determining compensation for the executive

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officers. The Compensation Committee does not use specific metrics for the compensation of our Chief Executive Officer in accordance with the 1940 Act. The key elements of our compensation philosophy include:

designing compensation programs that enable us to attract and retain the best talent in the industries in which we compete;

using long-term equity retention and incentive awards to align employee and stockholder interests;

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aligning executive compensation packages with the Company's performance; and

ensuring that our compensation program complies with the requirements of the 1940 Act.

We have designed compensation programs based on the following:

Achievement of Corporate Objectives and Executive Performance Factors We believe that the best way to align compensation with the interests of our stockholders is to link executive compensation with individual performance and contribution along with the achievements of certain corporate objectives. The Compensation Committee determines executive compensation consistent with the achievement of certain corporate objectives and executive performance factors that have been established to achieve short-term and long-term objectives of the Company.

Discretionary Annual Bonus Pool Over the course of the year, the Compensation Committee, together with input from our Chief Executive Officer, develops a range of amounts likely to be available for the discretionary annual cash bonus pool. The range for this bonus pool is dependent upon the Company's current financial outlook and executive performance contributing to achieving our corporate objectives, does not utilize specified targets and is subject to the sole discretion of the Compensation Committee. This range is further refined during our third and fourth fiscal quarters into a specified pool to be used for discretionary annual cash bonuses for our NEOs. If executive performance exceeds expectation and performance goals established during the year, compensation levels for the NEOs may exceed the specified pool amount at the discretion of our Compensation Committee. If executive performance falls below expectations, compensation levels may fall below the specified pool amount.

Competitiveness and Market Alignment Our compensation and benefits programs are designed to be competitive with those provided by companies with whom we compete for investment professionals and to be sufficient to attract and retain the best talent for top performers within the industries in which we compete. We compete for talent with venture capital funds, private equity firms, mezzanine lenders, hedge funds and other specialty finance companies including certain specialized commercial banks. Thus, we believe that our employee compensation benefit plans should be designed to be competitive in the businesses in which we compete sufficient to attract and retain talent. Our benefit programs, which include general health and welfare benefits, consisting of life, long-term and short-term disability, health, dental, vision insurance benefits and the opportunity to participate in our defined contribution 401(k) plan, are designed to provide competitive benefits and are not based on performance. As part of its annual review process, the Compensation Committee reviews the competitiveness of the Company's current compensation levels of its NEOs relative to that of our comparative group companies identified herein with a third-party compensation consultant.

Alignment with Requirements of the 1940 Act Our compensation program must align with the requirements of the 1940 Act, which imposes certain limitations on the structure of a BDC's compensation program. For example, the 1940 Act prohibits a BDC from maintaining an incentive stock option award plan and a profit sharing arrangement simultaneously. As a result, if a BDC has an incentive stock option award plan, such as we do, it is prohibited from using specific performance measurements commonly utilized by non-BDC companies as a form of compensation or a profit sharing arrangement, such as a carried interest formula, a common form of compensation in the private equity industry. These limitations and other similar restrictions imposed by the 1940 Act limit the compensation arrangements that we can utilize in order to attract and retain our NEOs.

Components of Total Compensation

The Compensation Committee determined that the compensation packages for 2010 for our NEOs should consist of the following three key components:

annual base salary;

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annual cash bonus based on corporate objectives and executive performance factors; and

long-term equity incentive and retention awards in the form of stock option and/or restricted stock awards.

Annual Base Salary

The annual base salary is designed to provide a minimum, fixed level of cash compensation to our NEOs in order to attract and retain experienced executive officers who can drive the achievement of our goals and objectives. While our NEOs' initial base salaries are determined by an assessment of competitive market levels for comparable experience and responsibilities, the performance factors used in determining changes in base salary include individual performance, changes in role and/or responsibility and changes in the market environment.

Annual Cash Bonus

The annual cash bonus is designed to reward our NEOs that have achieved certain corporate objectives and executive performance factors. The amount of the annual cash bonus is determined by the Compensation Committee on a discretionary basis and is dependent on the achievement of certain executive performance factors, as described herein under the heading "Assessment of Corporate Performance" during the year. The Compensation Committee established these performance factors because it believes they are related to our achievement of both short-term and long-term corporate objectives and the creation of stockholder value.

Long-Term Equity Incentive and Retention Awards

The Compensation Committee's principal goals in awarding incentive stock options and/or restricted stock are to retain executive officers as well as align each NEO's interests with our success and the long-term financial interests of its stockholders by linking a portion of the NEO's compensation with the performance of the Company and the value delivered to stockholders. The Compensation Committee evaluates a number of criteria, including the past service of each NEO, the present and potential performance contributions of such NEO to our success, years of service, position, and such other factors as the Compensation Committee believes to be relevant in connection with accomplishing the purposes of the long-term goals of the Company. The Compensation Committee neither assigns a formula, nor assigns specific weights to any of these factors when making its determination of the NEOs' long-term incentive awards. The Compensation Committee awards incentive stock options and/or restricted stock on a subjective basis, and such awards depend in each case on the performance of the NEO under consideration, and in the case of new hires, on their potential performance.

Option awards under the 2004 Equity Incentive Plan are generally awarded upon initial employment and on an annual basis thereafter. Options generally vest, subject to continued employment, one-third after one year of the date of grant and ratably over the succeeding 24 months. Options are granted as incentive stock options, within the meaning of Section 422 of the Internal Revenue Code, to the extent permitted, with the remainder granted as nonqualified stock options.

In May 2007, we received SEC exemptive relief, and our stockholders approved amendments to the 2004 Equity Incentive Plan and 2006 Non-Employee Director Plan, permitting us to grant restricted stock awards. Restricted stock awards granted under the 2004 Equity Incentive Plan were previously awarded annually and vest subject to continued employment one-fourth each year over a four year period beginning with the first anniversary of such grant. In 2009 and 2010, restricted stock awards vest subject to continued employment one-fourth on the one year anniversary of the date of grant and ratably over the succeeding 36 months.

The 2004 Equity Incentive Plan and 2006 Non-Employee Director Plan limit the combined maximum amount of restricted stock that may be issued under both of the 2004 Equity Incentive Plan and 2006 Non-Employee Director Plan to 10% of the outstanding shares of our stock on the effective date of the 2004

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Equity Incentive Plan and 2006 Non-Employee Director Plan plus 10% of the number of shares of stock issued or delivered by our Company during the terms of the 2004 Equity Incentive Plan and 2006 Non-Employee Director Plan. The approved amendments further specify that no one person will be granted awards of restricted stock relating to more than 25% of the shares available for issuance under the 2004 Equity Incentive Plan. Further, the amount of voting securities that would result from the exercise of all our outstanding warrants, options and rights, together with any restricted stock issued pursuant to the 2004 Equity Incentive Plan and 2006 Non-Employee Director Plan, at the time of issuance will not exceed 25% of our outstanding voting securities, except that if the amount of voting securities that would result from such exercise of all of our outstanding warrants, options and rights issued to our directors and executive officers, together with any restricted stock issued pursuant to the 2004 Equity Incentive Plan and 2006 Non-Employee Director Plan, would exceed 15% of our outstanding voting securities, then the total amount of voting securities that would result from the exercise of all outstanding warrants, options and rights, together with any restricted stock issued pursuant to the 2004 Equity Incentive Plan and 2006 Non-Employee Director Plan, at the time of issuance will not exceed 20% of our outstanding voting securities. Eligibility includes all of our NEOs. Each grant of restricted stock under the 2004 Equity Incentive Plan to our NEOs will contain such terms and conditions, including consideration and vesting, as our Board deems appropriate and as allowed for within the provisions of the 2004 Equity Incentive Plan. We believe that by having two forms of long term equity incentive rewards we are able to reward stockholder value creation in different ways. Stock options have exercise prices equal to the market price of our common stock on the date of the grant and reward employees only if our stock price increases. Restricted stock, although affected by both stock price increases and decreases, maintains value during periods of market volatility.

Benefits and Perquisites

Our NEOs receive the same benefits and perquisites as other full-time employees. Our benefit program is designed to provide competitive benefits and is not based on performance. Other than the benefits described below, our NEOs do not receive any other benefits, including retirement benefits, or perquisites from the Company. Our NEOs and other full-time employees receive general health and welfare benefits, which consist of life, long-term and short-term disability, health, dental, vision insurance benefits and the opportunity to participate in our defined contribution 401(k) plan. During 2010, our 401(k) plan provided for a match of contributions by the Company for up to \$6,500 per full-time employee.

Tax and Accounting Implications

Stock-Based Compensation. We account for stock-based compensation, including options and shares of restricted stock granted pursuant to our 2004 Equity Incentive Plan and 2006 Non-Employee Director Plan in accordance with the requirements of FASB ASC Topic 718. Under the FASB ASC Topic 718, we estimate the fair value of our option awards at the date of grant using the Black-Scholes-Merton option-pricing model, which requires the use of certain subjective assumptions. The most significant of these assumptions are our estimates on the expected term, volatility and forfeiture rates of the awards. Forfeitures are not estimated due to our limited history but are reversed in the period in which forfeiture occurs. As required under the accounting rules, we review our valuation assumptions at each grant date and, as a result, are likely to change our valuation assumptions used to value stock-based awards granted in future periods. We estimate the fair value of our restricted stock awards based on grant date market closing price.

Deductibility of Executive Compensation. When analyzing both total compensation and individual elements of compensation paid to our NEOs, the Compensation Committee considers the income tax consequences to the Company of its compensation policies and procedures. In particular, the Compensation Committee considers Section 162(m) of the Internal Revenue Code, which limits the deductibility of non-performance-based compensation paid to certain of the NEOs to \$1,000,000 per affected NEO. The Compensation Committee intends to balance its objective of providing compensation to our NEOs that is fair, reasonable, and competitive with the Company's capability to take an immediate compensation expense deduction. The Board believes that the best interests of the Company and its stockholders are served by executive compensation programs that

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encourage and promote the Company's principal compensation philosophy, enhancement of stockholder value, and permit the Compensation Committee to exercise discretion in the design and implementation of compensation packages. Accordingly, the Company may from time to time pay compensation to its NEOs that may not be fully tax deductible, including certain bonuses and restricted stock. Stock options granted under our stock plan are intended to qualify as performance-based compensation under Section 162(m) and are generally fully deductible. We will continue to review the Company's executive compensation plans periodically to determine what changes, if any, should be made as a result of the limitation on deductibility.

Establishing Compensation Levels

Role of the Compensation Committee

The Compensation Committee is comprised entirely of independent directors who are also non-employee directors as defined in Rule 16b-3 under the Securities Exchange Act of 1934, independent directors as defined by the Nasdaq Stock Market rules, and are not interested persons of our Company, as defined by Section 2(a)(19) of the 1940 Act. The Compensation Committee currently consists of Messrs. Woodward, Badavas and Chow.

The Compensation Committee operates pursuant to a charter that sets forth the mission of the Compensation Committee and its specific goals and responsibilities. A key component of the Compensation Committee's goals and responsibilities is to evaluate and make recommendations to the Board regarding the compensation of the NEOs of the Company, and to review their performance relative to their compensation to assure that they are compensated effectively in a manner consistent with the compensation philosophy discussed above. In addition, the Compensation Committee evaluates and makes recommendations to the Board regarding the compensation of the directors for their services. Annually, the Compensation Committee:

- (i) reviews and approves corporate goals and objectives relevant to the NEOs' total compensation, evaluates the Chief Executive Officer's performance to ensure that the compensation program is designed to achieve the objective of rewarding our Chief Executive Officer appropriately for his contributions to corporate performance;
- (ii) reviews the Chief Executive Officer's evaluation of the other NEOs' performance to ensure that the compensation program is designed to achieve the objectives of rewarding our other NEOs appropriately for their contributions to corporate performance;
- (iii) determines and approves the compensation paid to the Company's Chief Executive Officer; and
- (iv) together with our Chief Executive Officer's input, reviews and approves the compensation of the other NEOs.

Periodically, the Compensation Committee reviews our incentive compensation plans and perquisites, if any, to ensure that such plans are consistent with our goals and corporate objectives and appropriately align our NEOs' interests with those of the Company's stockholders and makes recommendations to the Board regarding adoption of new employee incentive compensation plans and equity-based plans. The Compensation Committee administers our stock incentive arrangements with our NEOs. The Compensation Committee may not delegate its responsibilities discussed above.

Role of Management

The key member of management involved in the compensation process is our Chief Executive Officer, Manuel A. Henriquez. Mr. Henriquez identifies and proposes certain corporate and executive performance factors that have been established to achieve short-term and long-term corporate objectives that are used by the Compensation Committee to determine total compensation. Over the course of the year, our Chief Executive Officer provides inputs to the Compensation Committee with his recommendations for the funding level for our

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discretionary annual cash bonus pool as it applies to our NEOs. These recommendations are based upon his evaluation of our current financial outlook and the performance of our NEOs, including their contributions to achieving our short-term and long-term corporate objectives as they relate to each NEO's specific roles and responsibilities within our Company. Mr. Henriquez's recommendations are presented to the Compensation Committee for their review and approval, but he is not a member of the Compensation Committee and is not involved in the deliberations of the Compensation Committee.

The Compensation Committee makes all decisions with respect to compensation of all of our NEOs, including the allocation between long-term and current compensation, subject to review by the full Board. Our Compensation Committee meets outside of the presence of our Chief Executive Officer when reviewing and determining his compensation.

Role of the Compensation Consultant

The Compensation Committee has the authority from the Board for the appointment, compensation and oversight of the Company's outside compensation consultant. The Compensation Committee generally engages a compensation consultant every other year to assist the Compensation Committee with its responsibilities related to the Company's executive compensation programs. In 2010, the Compensation Committee engaged Pearl Meyer, an independent compensation consultant, to provide summary compensation information regarding the compensation to be awarded to the Company's executive officers for the fiscal year ended December 31, 2010 (the 2010 Report). Pearl Meyer also assisted the Company with the definition of its executive compensation strategy, provided market benchmark information, supported the design of incentive compensation plans and provided regulatory and governance guidance. In connection with the retention, the Compensation Committee determined that Pearl Meyer had the necessary experience, skill and independence to advise the Committee. Pearl Meyer does not provide services to the Company other than under its engagement by the Compensation Committee related to compensation matters. Pearl Meyer received approximately \$21,000 for the 2010 Report and its related services and does not provide any other services to the Company.

The Compensation Committee reviewed the 2010 Report when evaluating the Company's executive compensation program for the fiscal year ended December 31, 2010. Given the Company's complex business requiring investment professionals with specialized knowledge and experience, coupled with the fact that many of the Company's direct competitors for such talent are venture capital funds, venture debt funds or private equity firms, mezzanine lenders, hedge funds and other specialty finance companies, including certain specialized commercial banks, specific compensation information with respect to the Company's direct competitors typically is not publicly available. The compensation consultant, together with inputs from the Chief Executive Officer and the Compensation Committee, developed a list of comparative group companies, primarily other BDCs, based on market size, industries, geographic regions and other factors to be used for compensation and financial analyses. The compensation consultant incorporated data from the comparative group companies as well as supplemental data from broader market survey sources that focused on the venture capital and private equity industries as part of its analysis. Through this process, the Compensation Committee benchmarks the Company's compensation for NEOs, including the CEO, to competitive market data. The Compensation Committee considered the 2010 Report and the referenced surveys and the comparative group companies as one factor in determining compensation for our NEOs.

The comparative group utilized by Pearl Meyer in its 2010 Report included ten internally managed companies, six of which are BDCs. The Compensation Committee primarily looked to the comparative group companies to perform compensation comparisons. Comparative group companies included the following:

American Capital, Ltd.
Main Street Capital Corporation
SVB Financial Group
Bridge Capital Holdings
MCG Capital Corporation

Triangle Capital Corporation
Harris & Harris Group, Inc.
Redwood Trust, Inc.
Kohlberg Capital Corporation
Safeguard Scientifics Inc.

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Many of our direct competitors for talent are private partnerships without external financial reporting requirements. As a result, specific compensation with respect to most competitors typically is not publicly available. The Compensation Committee utilized the information contained in and the recommendations provided by Pearl Meyer in the 2010 Report when evaluating the Company's executive compensation program for the fiscal year ended December 31, 2010.

Company Compensation Policies

The Compensation Committee reviews performance factors which relate to achieving corporate objectives when approving the compensation provided to our NEOs. Compensation levels for NEOs are determined based on their performance and the achievement of certain corporate objectives and executive performance factors that have been established to achieve our short-term and long-term corporate objectives. In approving the individual compensation for the Company's NEOs, the Compensation Committee considers the total compensation to be awarded to each NEO and exercises discretion in approving the portion allocated to the various performance factors of total compensation. We believe that the focus on total compensation provides the ability to align compensation decisions with short-term and long-term needs of the business. This approach also allows for the flexibility needed to recognize differences in performance by providing differentiated compensation plans to the NEOs. In determining the 2010 compensation packages for the Company's NEOs, the Compensation Committee considered certain attributes, specifically the demonstrated skill level, including special or unique knowledge, cumulative experience, level of responsibility, decision making authority, and caliber of overall performance. Based on these considerations, the Compensation Committee approved what it believed to be the appropriate short-term cash and long-term equity compensation for each of our NEOs.

Short-term cash is designed and awarded in an amount appropriate to compensate for annual performance relating to short-term goals that NEOs should be rewarded for in the year performed. Long-term equity incentives are intended to reward for long-term objectives in a manner that ties NEOs' compensation to the continued success of the Company.

Use of Comparative Compensation Data

The Compensation Committee considers comparative data in approving our NEOs' compensation. However, comparative data is not a determinative factor in setting compensation. The Compensation Committee annually reviews comparative compensation data, including reports provided by our outside compensation consultant. Comparative compensation data reviewed by the Compensation Committee also includes certain of the Company's NEO's salary history, scope of responsibilities and promotion history, and other factors deemed relevant by the Compensation Committee as discussed below. The Compensation Committee uses the comparative compensation data to obtain an overview of all elements of actual and potential future compensation for its NEOs so that the Compensation Committee may analyze individual elements of compensation as well as the aggregate total amount of actual and projected compensation for each NEO. The use of comparative compensation data also enables the Compensation Committee to consider total compensation for all NEOs together with the attributes discussed above when considering internal pay equity among each of the Company's NEOs.

Upon review, the Compensation Committee determined that 2010 annual compensation amounts and awards for our NEOs were within a reasonable range with the compensation amounts and awards of our listed comparative group companies, including the CEO who was in the 75th percentile, and were appropriately aligned with the Compensation Committee's expectations.

Internal Pay Equity Analysis

Our compensation program is designed with the goal of providing compensation to our NEOs that is fair, reasonable, and competitive. To achieve this goal, we believe it is important to compare compensation paid to each NEO not only with compensation in our comparative group companies, as discussed above, but also with compensation paid to each of our other NEOs. Such an internal comparison is important to ensure that compensation is equitable among our NEOs.

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As part of the Compensation Committee review, we made a comparison of our Chief Executive Officer's total compensation paid for the three-year period ending December 31, 2010 against that paid to our other NEOs during the same years. Upon review, the Compensation Committee determined that the Chief Executive Officer's compensation relative to that of the other NEOs was justified relative to the compensation paid to our other NEOs because of his level and scope of responsibilities, expertise and performance history, and other factors deemed relevant by the Compensation Committee as compared to the other NEOs. The Compensation Committee also reviewed the mix of the individual elements of compensation paid to the NEOs for the three-year period. In the course of its review, the Compensation Committee also considered the individual performance of each NEO and any changes in responsibilities of the NEO. Based on its review, the Compensation Committee determined that our Chief Executive Officer's total compensation comprised of base salary, annual cash bonus and long-term equity incentive and retention awards was properly aligned in comparison to total compensation paid to the other NEOs.

Benchmarking

We do not specifically benchmark the compensation of our NEOs against that paid by other companies with publicly traded securities. This is because we believe that our primary competitors in both our business and for recruiting executives are venture capital funds, private equity firms, mezzanine lenders, hedge funds and other specialty finance companies, including certain specialized commercial banks. Many of these entities do not publicly report the compensation of their executive officers nor do they typically report publicly information on their corporate performance. While various salary surveys, such as those noted above and from other private sources may become available to us with regard to these private equity firms, we believe that without accurate, publicly disclosed information on these private entities that would serve as benchmarks, it is inappropriate for us to set formal benchmarking procedures.

Assessment of Corporate Performance

The global capital markets have experienced a period of disruption as evidenced by a lack of liquidity in the debt capital markets, write-offs in the financial services sector, the re-pricing of credit risk and the failure of certain major financial institutions. Despite actions of the U.S. federal government and foreign governments, these events contributed to worsening general economic conditions that have materially and adversely impacted the broader financial and credit markets and reduced the availability of debt and equity capital for the market as a whole and financial services firms in particular. While indicators suggest improvement in the capital markets, these conditions could deteriorate in the future. During such market disruptions, we may have difficulty raising debt or equity capital especially as a result of regulatory constraints.

At the same time, the venture capital market for the technology-related companies in which we invest has been active and is continuing to show signs of increased investment activity in 2010 as compared to 2009. Therefore, to the extent we have capital available, we believe this is an opportune time to invest in the structured lending market for technology-related companies. Today's economy creates potentially new attractive lending opportunities and we believe that the market for technology-related companies in 2011 is improving as evidenced by the improved IPO market in 2010 as compared to the previous two years.

We considered 2010 to be a year for rebuilding our investment portfolio, as compared to 2009 when we were more heavily focused on credit management given the unprecedented disruption in the global capital markets. We achieved several strategic and corporate objectives in 2010, such as growing our investment portfolio, adding to our borrowing capacity, increasing liquidity through a capital raise, and strengthening our management and investment professional teams, amongst other objectives. In reviewing and approving the 2010 discretionary annual cash bonuses for the NEOs, the Compensation Committee considered the relative achievement of these strategic and corporate objectives, executive performance factors and individual performance of each of our NEOs, as critical to achieving our short-term and long-term corporate objectives. Listed below are the most significant performance factors for 2010 taken into account:

total investment income;

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total net investment income;

realized and unrealized gains and losses;

yield to maturity and effective yield of the investment portfolio;

overall credit performance of the total investment portfolio;

building liquidity;

operating efficiency performance;

growth of the overall investment portfolio;

adding resources and expanding the organizations at all levels, including adding and retaining our NEOs within the organization as the organization continues to grow;

improving and innovating the Company's information systems;

maintaining appropriate dividend distributions to stockholders;

raising additional debt capital;

raising additional equity;

return on average assets; and

return on average equity.

We delivered improved portfolio and investment growth for fiscal year 2010 as seen in the year over year comparison set forth below. Please see Management's Discussion and Analysis of Financial Conditions and Results of Operations for a more detailed description of our fiscal year 2010 results.

	Fiscal Year 2010 (in thousands)	Fiscal Year 2009 (in thousands)	Change %
Investments	\$ 472.0	\$ 374.7	26.0%

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Total Assets	\$	591.2	\$	509.0	16.1%
Total Net Assets	\$	412.5	\$	366.5	12.6%

In 2010, we delivered the following portfolio and financial highlights:

achieved a record year for new commitments of approximately \$523.0 million, up 189% for 2009;

funded approximately \$322.0 million in investments, up 237% compared with 2009;

grew total investment assets 26.0% year over year to approximately \$472.0 million as of December 31, 2010, compared to \$375.0 million as of December 31, 2009;

improved the credit quality of our total portfolio. On a scale of 1-5, 1 being the highest credit quality, we finished 2010 with an average credit rating of 2.21 as compared to 2.71 at the end of 2009;

received approximately \$196.1 million of principal repayments, including \$114.5 million of early principal repayments, \$26.0 million in working capital pay-downs, and \$55.6 million in scheduled principal repayments;

ended 2010 with total unfunded debt commitments of approximately \$117.0 million;

generated net investment income of approximately \$29.4 million, or \$0.80 per share on 36.2 million basic shares outstanding;

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recorded DNOI of approximately \$32.1 million, or \$0.89 per share on 36.2 million basic weighted shares;

finished 2010 in a strong liquidity position with approximately \$232.0 million in available liquidity, including \$107.0 million in cash, \$55.0 million in SBA commitments, and \$70.0 million in credit facilities;

entered into a \$20.0 million credit facility with Union Bank;

obtained a second license to operate a Small Business Investment Company, allowing access to an additional \$75.0 million of capital;

repurchased approximately 402,833 shares of common stock at an accretive price to book value 3.7 million at the time of repurchase;

completed an accretive capital raise resulting in gross proceeds of approximately \$71.9 million; and

distributed \$0.80 per share of dividends to stockholders, 100% from earnings and profits. Total return to stockholders during 2010 was approximately 7.70%.

Stock Ownership Guidelines

The Company implemented stock ownership guidelines which are outlined in the Company's Corporate Governance Guidelines. The Company has implemented stock ownership guidelines because it believes that material stock ownership by executives plays a role in effectively aligning the interests of these employees with those of our stockholders and strongly motivates executives to build long-term stockholder value. Pursuant to the Company's stock ownership guidelines, each member of senior management is required to beneficially own at least two times the individual's annual salary in Company stock, based on market value, within three years of joining the Company. The Board may make exceptions to this requirement based on particular circumstances. Each NEO has exceeded his respective guideline as of December 31, 2010.

Determination of 2010 Annual Base Salaries of Our NEOs

NEO compensation is determined based on the achievement of specific corporate and individual performance objectives discussed above. In determining the amount of each NEO's base salary, the Compensation Committee considers the scope of their responsibilities, taking into account available competitive market compensation paid by other companies for similar positions as discussed above. The Compensation Committee considered the Chief Executive Officer's experience, performance, and contribution to our overall corporate performance when determining his base salary for 2010. Base salaries for our other NEOs were also set by the Compensation Committee, together with the Chief Executive Officer's input, based upon each NEO's individual experience and contribution to the overall performance of our Company.

Base salaries for the NEOs are intended to be competitive with the compensation paid to executives with comparable qualifications, experience and responsibilities in the same or similar businesses of comparable size. In order to attract and retain the outstanding levels of executives that we need, the Compensation Committee reviews the Company's base salaries relative to those offered by other comparative group companies, venture capital funds and private equity firms, mezzanine lenders, hedge funds, and other specialty finance companies, including certain specialized commercial banks. Variation relative to the salaries of the listed comparative group companies and venture capital funds, private equity firms, mezzanine lenders, hedge funds and other specialty finance companies, including certain specialized commercial banks is made in the judgment of management and/or the Compensation Committee, as appropriate, based on the value of the NEO's experience, performance, change in role or responsibility or specific skill set. Upon review, the Compensation Committee determines whether adjustments to certain NEO's salaries are necessary to realign salaries with the market for a given position, to recognize NEO's assumption of significant additional responsibilities and related performance increases, or to achieve an appropriate compensation level due to promotion or other internal equity matters. The

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Compensation Committee makes all decisions with respect to the base salary compensation of the Chief Executive Officer and together with the Company's Chief Executive Officer evaluates and approves the Company's other NEOs' salary compensation. Our Compensation Committee meets outside of the presence of our Chief Executive Officer when reviewing and determining his base salary compensation.

The following is a table of the annual base salaries for our NEOs as set during the preceding two years:

	Fiscal Year 2010 Base Salary⁽¹⁾	Fiscal Year 2009 Base Salary
Manuel A. Henriquez	\$ 700,000	\$ 700,000
David M. Lund ⁽²⁾	\$ 250,000	\$ 250,000
Scott Harvey	\$ 210,000	\$ 210,000
Samir Bhaumik ⁽³⁾	\$ 270,000	\$ 270,000
Parag I. Shah	\$ 315,000	\$ 315,000

- (1) Effective April 1, 2011, the base salaries for our Chief Executive Officer and the NEOs were increased by 5% and 7%, respectively.
- (2) On May 18, 2011, David M. Lund announced his resignation, effective May 31, 2011, from his position as Vice President of Finance and Chief Financial Officer of the Company. Effective June 1, 2011, the Company's Board of Directors appointed Jessica Baron as Vice President of Finance and Interim Chief Financial Officer of the Company.
- (3) On October 4, 2011, the Company announced that Samir Bhaumik, Senior Managing Director and Technology Group Head of the Company, resigned from all his positions with the Company and its subsidiaries. On October 13, 2011, the Board appointed Todd Jaquez-Fissori, the Company's Cleantech Group Head, as Technology Group Head of the Company.

Determination of 2010 Annual Cash Bonus for Our NEOs

Over the course of the year the Compensation Committee, together with input from our Chief Executive Officer, developed a specific bonus pool for the 2010 operating year to be available for our discretionary annual cash bonus program. The amount determined to be available for this bonus program was at the discretion of the Compensation Committee, and was dependent upon many factors as outlined previously, including, but not limited to, our current financial performance and performance related contributions of our NEOs in achieving our performance objectives.

The annual cash bonus is at risk discretionary compensation that is designed to motivate our NEOs to achieve financial and non-financial goals that are consistent with the Company's 2010 operating plan. At risk discretionary compensation means that it is up to the Compensation Committee to determine whether any cash bonus amount will be awarded to any of our NEOs. In approving the amount of a NEO's variable compensation the annual cash bonus the Compensation Committee reviews the Chief Executive Officer's evaluation of the performance of each NEO and considers each NEO's performance in light of the factors identified above. Within those guidelines, the Compensation Committee considers the overall funding available for such cash bonus awards, the performance of NEOs and the desired mix between the various components of total compensation. Discretion is exercised in determining the overall total compensation to be awarded to the NEOs. As a result, the amounts delivered in the form of an annual cash bonus are designed to work together in conjunction with base salary to deliver an appropriate total cash compensation level to the NEOs.

We believe that the discretionary design of our variable cash compensation program supports our overall compensation objectives by allowing for significant differentiation of cash compensation based on executive performance and by providing the flexibility necessary to ensure that overall compensation packages for our NEOs are competitive relative to our market.

We typically determine and award cash bonuses for our NEOs during the first quarter of the following year. In evaluating the performance of our NEOs to arrive at their 2010 cash bonus awards, the Compensation Committee considered the performance factor achievements against our corporate objectives as discussed above under Assessment of Corporate Performance. The Compensation Committee also reviewed the Chief Executive Officer's evaluation of the NEOs' performance achievements. When an NEO's performance exceeds

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expectations and performance goals established during the year, actual cash bonus compensation for the NEO may exceed the specified bonus pool amount at the discretion of our Compensation Committee.

After due deliberation, the Compensation Committee awarded Messrs. Henriquez, Lund, Harvey, Bhaumik and Shah the following annual cash bonuses relating to their performance during the year ending December 31, 2010:

	2010 Annual Cash Bonus
Manuel A. Henriquez	\$ 925,000
David M. Lund ⁽¹⁾	
Scott Harvey	\$ 50,000
Samir Bhaumik ⁽²⁾	\$ 125,000
Parag I. Shah	\$ 210,000

- (1) On May 18, 2011, David M. Lund announced his resignation, effective May 31, 2011, from his position as Vice President of Finance and Chief Financial Officer of the Company. Effective June 1, 2011, the Company's Board of Directors appointed Jessica Baron as Vice President of Finance and Interim Chief Financial Officer of the Company.
- (2) On October 4, 2011, the Company announced that Samir Bhaumik, Senior Managing Director and Technology Group Head of the Company, resigned from all his positions with the Company and its subsidiaries. On October 13, 2011, the Board appointed Todd Jaquez-Fissori, the Company's Cleantech Group Head, as Technology Group Head of the Company.

Long-term Equity Retention and Incentive Awards

Our principal objective in awarding stock option and/or restricted stock awards to eligible NEOs is to retain and align each NEO's interests with our success and the financial interests of our stockholders by linking a portion of such NEO's compensation with the Company's long-term goals. We continue to believe that the use of stock and stock-based awards offers the best approach to achieving our retention and long-term performance goals. Our equity program is designed to encourage NEOs to work with a long-term view of the Company's performance and to reinforce their long-term affiliation with the Company by imposing vesting schedules over several years of employment. The Compensation Committee awards stock option and/or restricted stock awards on a discretionary basis and such awards depend in each case on the performance of the NEOs under consideration, and in the case of new hires, their potential performance. Stock option awards are priced at the closing price of the stock on the date the Compensation Committee meets and the grant is issued.

Determination of 2009 and 2010 Long-term Equity Incentive Awards for Our NEOs

The Compensation Committee reviewed the performance of our NEOs following the end of our 2009 fiscal year relative to the long-term equity incentive and retention awards program the Compensation Committee administers. As a result of these deliberations, in March 2010, the Compensation Committee awarded the following long-term equity incentive and retention awards, in the form of restricted stock to our NEOs related to their 2009 year's performance as set forth in the table below. The value of the restricted stock was determined to be the Company's closing price on March 16, 2010 or March 24, 2010, the date of the grant. Each restricted stock award vests as to 25% of the award one year after the date of grant and ratably over the succeeding 36 months subject to a four year forfeiture schedule. No stock options were awarded to our NEOs for the 2009 fiscal year.

	Grant Date	2010 Restricted Stock Awards	Fair Value of Restricted Stock Awards
Manuel A. Henriquez	03/24/2010	225,000	\$ 2,362,500
David M. Lund ⁽¹⁾	03/16/2010	5,000	\$ 51,350
Scott Harvey	03/16/2010	10,000	\$ 102,700
Samir Bhaumik ⁽²⁾	03/16/2010	60,000	\$ 616,200
Parag I. Shah	03/16/2010	105,000	\$ 1,078,350
Parag I. Shah	03/24/2010	25,000	\$ 262,500

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- (1) On May 18, 2011, David M. Lund announced his resignation, effective May 31, 2011, from his position as Vice President of Finance and Chief Financial Officer of the Company. Effective June 1, 2011, the Company's Board of Directors appointed Jessica Baron as Vice President of Finance and Interim Chief Financial Officer of the Company.
- (2) On October 4, 2011, the Company announced that Samir Bhaumik, Senior Managing Director and Technology Group Head of the Company, resigned from all his positions with the Company and its subsidiaries. On October 13, 2011, the Board appointed Todd Jaquez-Fissori, the Company's Cleantech Group Head, as Technology Group Head of the Company.

The Compensation Committee reviewed the performance of our NEOs following the end of our 2010 fiscal year relative to the long-term equity incentive and retention awards program the Compensation Committee administers. As a result of these deliberations, the Compensation Committee awarded the following long-term equity incentive and retention awards, in the form of restricted stock to our NEOs related to their 2010 year's performance as set forth in the table below. The value of the restricted stock for Messrs. Henriquez, Lund, Harvey, Bhaumik and Shah was determined to be the Company's closing price on March 30, 2011, the date of their grants. Each restricted stock award vests 25% of the award one year after the date of grant and ratably over the succeeding 36 months subject to a four year forfeiture schedule. No stock options were awarded to our NEOs for the 2010 fiscal year.

	Grant Date	2011 Restricted Stock Awards	Fair Value of Restricted Stock Awards
Manuel A. Henriquez	03/30/2011	125,000	\$ 1,395,000
David M. Lund ⁽¹⁾			
Scott Harvey	03/30/2011	4,000	\$ 44,640
Samir Bhaumik ⁽²⁾	03/30/2011	45,000	\$ 502,200
Parag I. Shah	03/30/2011	62,500	\$ 697,500

- (1) On May 18, 2011, David M. Lund announced his resignation, effective May 31, 2011, from his position as Vice President of Finance and Chief Financial Officer of the Company. Effective June 1, 2011, the Company's Board of Directors appointed Jessica Baron as Vice President of Finance and Interim Chief Financial Officer of the Company.
- (2) On October 4, 2011, the Company announced that Samir Bhaumik, Senior Managing Director and Technology Group Head of the Company, resigned from all his positions with the Company and its subsidiaries. On October 13, 2011, the Board appointed Todd Jaquez-Fissori, the Company's Cleantech Group Head, as Technology Group Head of the Company.

Potential Payments Upon Termination or Change of Control

No NEO or employee of the Company has a written employment or severance agreement.

Upon specified covered transactions (as defined in the 2004 Equity Incentive Plan), in which there is an acquiring or surviving entity, the Board may provide for the assumption of some or all outstanding awards, or for the grant of new awards in substitution, by the acquirer or survivor or an affiliate of the acquirer or survivor, in each case on such terms and subject to such conditions as the Board determines. In the absence of such an assumption or if there is no substitution, except as otherwise provided in the award, each award will become fully exercisable prior to the covered transaction on a basis that gives the holder of the award a reasonable opportunity, as determined by the Board, to participate as a stockholder in the covered transaction following exercise, and the award will terminate upon consummation of the covered transaction. A covered transaction includes the following: (i) a merger or other transaction in which the Company is not the surviving corporation or which results in the acquisition of all or substantially all of the Company's then outstanding common stock by a single person or entity or by a group of persons and/or entities; (ii) a sale of substantially all of the Company's assets; (iii) a dissolution or liquidation of the Company; or (iv) a change in a majority of the Board's composition unless approved by a majority of the directors continuing in office.

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Risk Assessment of the Compensation Programs

The Board believes that risks arising from our compensation policies and practices for our employees are not reasonably likely to have a material adverse effect on the Company. We have designed our compensation programs, including our incentive compensation plans, with specific features to address potential risks while rewarding employees for achieving long-term financial and strategic objectives through prudent business judgment and appropriate risk taking. The Compensation Discussion and Analysis section describes generally our compensation policies and practices that are applicable for executive and management employees. The Company uses common variable compensation designs across all employees of the Company with a significant focus on individual performance and contribution along with achievement of certain corporate objectives as generally described in this Proxy Statement.

In view of the current economic and financial environment, the Compensation Committee and our Board reviewed our compensation programs to assess whether any aspect of the programs would encourage any of our employees to take any unnecessary or inappropriate risks that could threaten the value of the Company. The Compensation Committee has designed our compensation programs to reward our employees for achieving annual profitability and long-term increase in stockholder value.

The Board recognizes that the pursuit of corporate objectives possibly leads to behaviors that could weaken the link between pay and performance, and, therefore, the correlation between the compensation delivered to employees and the return realized by stockholders. Accordingly, the Compensation Committee has designed our executive compensation program to mitigate these possibilities and to ensure that our compensation practices and decisions are consistent with our risk profile. These features include the following:

the financial performance objectives of our annual cash incentive program that are the budgeted objectives that are reviewed and approved by the Board;

bonus payouts that are not based solely on corporate performance objectives, but also require achievement of individual performance objectives;

the financial opportunity in our long-term incentive program that is best realized through long-term appreciation of our stock price, which mitigates excessive short-term risk-taking;

annual cash bonuses that are paid in one installment after the end of the fiscal year to which the bonus payout relates; and

final decision making by the Compensation Committee and the Board on all awards.

Additionally, the Compensation Committee considered an assessment of compensation-related risks for all of our employees. Based on this assessment, the Compensation Committee concluded that our compensation programs do not create risks that are reasonably likely to have a material adverse effect on the Company. In making this evaluation, the Compensation Committee reviewed the key design elements of our compensation programs in relation to industry best practices, as well as the means by which any potential risks may be mitigated, such as through our internal controls and oversight by management and the Board. In addition, management completed an inventory of incentive programs below the executive level and reviewed the design of these incentives and concluded that such incentive programs do not encourage excessive risk-taking.

Table of Contents**Executive Compensation Tables****Summary Compensation Table**

The following table provides information concerning the compensation of the Company's Chairman and Chief Executive Officer, Chief Financial Officer and the three other most highly compensated executive officers for fiscal 2010, 2009 and 2008.

Name and Principal Position	Year	Salary (\$) ⁽¹⁾	Bonus (\$) ⁽²⁾	Stock Awards (\$) ⁽³⁾	Option Awards (\$) ⁽⁴⁾	All Other Compensation (\$) ⁽⁵⁾	Total (\$)
Manuel A. Henriquez	2010	\$ 700,000	\$ 925,000	\$ 2,362,500		\$ 226,812	\$ 4,214,312
<i>Chairman & Chief Executive Officer</i>	2009	\$ 700,000	\$ 1,350,000	\$ 421,000	\$ 96,025	\$ 132,500	\$ 2,699,525
	2008	\$ 700,000	\$ 1,175,000	\$ 686,250	\$ 232,137	\$ 60,375	\$ 2,853,762
David M. Lund ⁽⁶⁾	2010	\$ 250,000		\$ 51,350		\$ 31,700	\$ 333,050
<i>Former Chief Financial Officer</i>	2009	\$ 250,000	\$ 85,000	\$ 105,250	\$ 24,966	\$ 38,000	\$ 503,216
	2008	\$ 250,000	\$ 170,000	\$ 195,200	\$ 33,162	\$ 19,320	\$ 667,682
Scott Harvey	2010	\$ 210,000	\$ 50,000	\$ 102,700		\$ 31,250	\$ 393,950
<i>Secretary and Chief Legal Officer</i>	2009	\$ 210,000	\$ 75,000	\$ 84,200	\$ 7,682	\$ 31,700	\$ 408,582
	2008	\$ 210,000	\$ 125,000	\$ 183,000	\$ 13,928	\$ 18,300	\$ 550,228
Samir Bhaumik ⁽⁷⁾	2010	\$ 270,000	\$ 125,000	\$ 616,200		\$ 72,500	\$ 1,083,700
<i>Former Senior Managing Director</i>	2009	\$ 270,000	\$ 165,000	\$ 126,300	\$ 24,966	\$ 44,300	\$ 630,566
	2008	\$ 270,000	\$ 160,000	\$ 312,070	\$ 71,287	\$ 28,500	\$ 841,857
Parag I. Shah	2010	\$ 315,000	\$ 210,000	\$ 1,340,850		\$ 130,450	\$ 1,996,300
<i>Senior Managing Director</i>	2009	\$ 315,000	\$ 340,000	\$ 189,450	\$ 96,025	\$ 63,200	\$ 1,003,675
	2008	\$ 315,000	\$ 340,000	\$ 491,650	\$ 201,845	\$ 43,120	\$ 1,391,615

(1) Salary column amounts represent base salary compensation received by each NEO for the listed fiscal year.

(2) Bonus column amounts represent the annual cash bonus earned during the fiscal year and awarded and paid out during the first quarter of the following fiscal year.

(3) The amounts reflect the aggregate grant date fair value of stock awards made to our NEOs during the applicable year computed in accordance with FASB ASC Topic 718. The grant date fair value of each restricted stock is measured based on the closing price of our common stock on the date of grant.

(4) The amount reflects the aggregate grant date fair value of option awards made to our NEOs during the applicable year computed in accordance with FASB ASC Topic 718. The fair value of each option grant is estimated based on the fair market value on the date of grant and using the Black-Scholes-Merton option pricing model.

(5) Represents matching contributions of \$6,500 in 2010 and 2009 and a matching contribution of \$3,000 in 2008 to each NEO to its 401(k) plan. Dividends to Messrs. Henriquez, Lund, Harvey, Bhaumik and Shah in the amount of \$220,312, \$25,200, \$24,750, \$66,000 and \$123,950, respectively, were paid on unvested restricted stock awards during 2010. Dividends on unvested restricted stock awards paid to Messrs. Henriquez, Lund, Harvey, Bhaumik and Shah were \$126,000, \$31,500, \$25,200, \$37,800 and \$56,700, respectively, during 2009. Dividends on unvested restricted stock awards paid to Messrs. Henriquez, Lund, Harvey, Bhaumik and Shah were \$57,375, \$16,320, \$15,300, \$25,500 and \$40,120, respectively, during 2008. NEOs did not receive any other perquisites or personal benefits from the Company.

(6) On May 18, 2011, David M. Lund announced his resignation, effective May 31, 2011, from his position as Vice President of Finance and Chief Financial Officer of the Company. Effective June 1, 2011, the Company's Board of Directors appointed Jessica Baron as Vice President of Finance and Interim Chief Financial Officer of the Company.

(7) On October 4, 2011, the Company announced that Samir Bhaumik, Senior Managing Director and Technology Group Head of the Company, resigned from all his positions with the Company and its subsidiaries. On October 13, 2011, the Board appointed Todd Jaquez-Fissori, the Company's Cleantech Group Head, as Technology Group Head of the Company.

Table of Contents**Grants of Plan Based Awards**

The following table sets forth certain information with respect to the restricted stock awards granted during the fiscal year ended December 31, 2010 to each of our NEOs. No stock options were awarded to our NEOs during the fiscal year ended December 31, 2010.

Name and Principal Position	Grant Date	All Other Stock Awards: Number of Shares of Stock or Units⁽¹⁾	All Other Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Restricted Stock Awards	Grant Date Fair Value of Stock and Option Awards⁽²⁾
Manuel A. Henriquez <i>Chairman and Chief Executive Officer</i>	03/24/2010	225,000		\$ 10.50	\$ 2,362,500
David M. Lund ⁽³⁾ <i>Former Chief Financial Officer</i>	03/16/2010	5,000		\$ 10.27	\$ 51,350
Scott Harvey <i>Secretary and Chief Legal Officer</i>	03/16/2010	10,000		\$ 10.27	\$ 102,700
Samir Bhaumik ⁽⁴⁾ <i>Former Senior Managing Director</i>	03/16/2010	60,000		\$ 10.27	\$ 616,200
Parag I. Shah <i>Senior Managing Director</i>	03/16/2010 03/24/2010	105,000 25,000		\$ 10.27 \$ 10.50	\$ 1,078,350 \$ 262,500

(1) Restricted stock awards vest 25% one year after the date of grant and ratably over the succeeding 36 months. When payable, dividends are paid on a current basis on the unvested shares.

(2) The amounts reflect the aggregate grant date fair value of restricted stock awards made to our NEOs during 2010 computed in accordance with FASB ASC Topic 718.

(3) On May 18, 2011, David M. Lund announced his resignation, effective May 31, 2011, from his position as Vice President of Finance and Chief Financial Officer of the Company. Effective June 1, 2011, the Company's Board of Directors appointed Jessica Baron as Vice President of Finance and Interim Chief Financial Officer of the Company.

(4) On October 4, 2011, the Company announced that Samir Bhaumik, Senior Managing Director and Technology Group Head of the Company, resigned from all his positions with the Company and its subsidiaries. On October 13, 2011, the Board appointed Todd Jaquez-Fissori, the Company's Cleantech Group Head, as Technology Group Head of the Company.

Table of Contents**Outstanding Equity Awards at Fiscal Year End**

The following table shows outstanding stock option awards classified as exercisable and unexercisable and stock awards as of December 31, 2010 for each of the named executive officers:

Name and Principal Position	Option Awards				Stock Awards	
	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options Unexercisable ⁽¹⁾	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested ⁽⁵⁾
Manuel A. Henriquez <i>Chairman and Chief Executive Officer</i>	125,000		\$ 15.00	06/23/11		
	605,000		\$ 13.00	06/17/12		
	97,400		\$ 12.14	06/16/13		
	450,000		\$ 14.02	01/25/14		
	236,787	13,929 ⁽²⁾	\$ 12.20	02/25/15		
	20,834	104,167 ⁽⁴⁾	\$ 4.21	03/17/16		
					28,125	\$ 291,375
					56,251	\$ 582,760
					225,000	\$ 2,331,000
David M. Lund ⁽⁶⁾ <i>Former Chief Financial Officer</i>	40,000		\$ 13.00	07/15/12		
	45,000		\$ 12.14	06/16/13		
	35,000		\$ 14.02	01/25/14		
	33,827	1,990 ⁽²⁾	\$ 12.20	02/25/15		
	37,917	27,083 ⁽⁴⁾	\$ 4.21	03/17/16		
					8,000	\$ 82,880
					14,063	\$ 145,692
					5,000	\$ 51,800
Scott Harvey <i>Chief Legal Officer</i>	12,821		\$ 15.00	06/23/11		
	141,000		\$ 13.00	06/17/12		
	30,000		\$ 12.14	06/16/13		
	30,000		\$ 14.02	01/25/14		
	14,208	835 ⁽²⁾	\$ 12.20	02/25/15		
	2,775	8,325 ⁽⁴⁾	\$ 4.21	03/17/16		
					7,500	\$ 77,700
					11,250	\$ 116,550
					10,000	\$ 103,600
Samir Bhaumik ⁽⁷⁾ <i>Former Senior Managing Director</i>	6,000		\$ 15.00	12/13/11		
	38,000		\$ 13.00	06/17/12		
	93,900		\$ 12.14	06/16/13		
	12,000		\$ 14.02	01/25/14		
	67,654	3,979 ⁽²⁾	\$ 12.20	02/25/15		
	4,668	1,332 ⁽³⁾	\$ 10.49	08/15/15		
	3,611	27,073 ⁽⁴⁾	\$ 4.21	03/17/16		
					11,500	\$ 119,140
					1,500	\$ 15,540
					16,875	\$ 174,825
					60,000	\$ 621,600
Parag I. Shah <i>Senior Managing Director</i>	5,500		\$ 15.00	12/13/11		
	38,000		\$ 13.00	06/17/12		
	94,400		\$ 12.14	06/16/13		
	80,000		\$ 14.02	01/25/14		
	192,814	11,341 ⁽²⁾	\$ 12.20	02/25/15		

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12,057	3,443 ⁽³⁾	\$ 10.49	08/15/15		
33,401	104,157 ⁽⁴⁾	\$ 4.21	03/17/16		
				18,000	\$ 186,480
				2,500	\$ 25,900
				25,313	\$ 262,242
				105,000	\$ 1,087,800
				25,000	\$ 259,000

- (1) Options expiring in 2011, 2012, 2013 and 2014 were 100% vested on the date of grant. All other options generally vest 33% one year after the date of grant and the remainder will vest ratably over the succeeding 24 months. All options may be exercised for a period ending seven years after the date of grant.

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- (2) The options vested 33% on February 25, 2009 and then ratably on a monthly basis ending February 25, 2011.
- (3) The options vested 33% on August 15, 2009 and then ratably on a monthly basis ending August 15, 2011.
- (4) The options vested 33% on March 17, 2010 and then ratably on a monthly basis ending March 17, 2012.
- (5) Market value is computed by multiplying the closing market price of the Company's stock at December 31, 2009 by the number of shares.
- (6) On May 18, 2011, David M. Lund announced his resignation, effective May 31, 2011, from his position as Vice President of Finance and Chief Financial Officer of the Company. Effective June 1, 2011, the Company's Board of Directors appointed Jessica Baron as Vice President of Finance and Interim Chief Financial Officer of the Company.
- (7) On October 4, 2011, the Company announced that Samir Bhaumik, Senior Managing Director and Technology Group Head of the Company, resigned from all his positions with the Company and its subsidiaries. On October 13, 2011, the Board appointed Todd Jaquez-Fissori, the Company's Cleantech Group Head, as Technology Group Head of the Company.

Options Exercised and Restricted Stock Vested

The following table sets forth certain information with respect to options exercised and the shares of restricted stock that vested during the fiscal year ended December 31, 2010 to each of our NEOs.

Name and Principal Position	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise	Value Realized on Exercise	Number of Shares Acquired on Vesting	Value Realized on Vesting
Manuel A. Henriquez <i>Chairman & Chief Executive Officer</i>	124,999	\$ 737,494	57,812	\$ 581,396
David M. Lund ⁽¹⁾ <i>Former Chief Financial Officer</i>			14,937	\$ 150,028
Scott Harvey <i>Secretary and Chief Legal Officer</i>	8,900	\$ 53,667	12,500	\$ 125,345
Samir Bhaumik ⁽²⁾ <i>Former Senior Managing Director</i>	34,316	\$ 211,730	19,625	\$ 196,413
Parag I. Shah <i>Senior Managing Director</i>	112,442	\$ 581,815	29,937	\$ 299,437

- (1) On May 18, 2011, David M. Lund announced his resignation, effective May 31, 2011, from his position as Vice President of Finance and Chief Financial Officer of the Company. Effective June 1, 2011, the Company's Board of Directors appointed Jessica Baron as Vice President of Finance and Interim Chief Financial Officer of the Company.
- (2) On October 4, 2011, the Company announced that Samir Bhaumik, Senior Managing Director and Technology Group Head of the Company, resigned from all his positions with the Company and its subsidiaries. On October 13, 2011, the Board appointed Todd Jaquez-Fissori, the Company's Cleantech Group Head, as Technology Group Head of the Company.

Equity Compensation Plan Information

The following table sets forth information as of December 31, 2010 with respect to compensation plans under which the Company's equity securities are authorized for issuance:

Plan Category	(a) Number of Securities to be issued upon exercise of outstanding options, restricted stock and warrants	(b) Weighted-average exercise price of outstanding options, restricted stock and warrants	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))

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Equity compensation plans approved by stockholders:			
2004 Equity Incentive Plan	4,664,849	\$	11.33
2006 Non-Employee Director Plan	65,000	\$	10.88
Equity compensation plans not approved by stockholders			
Total	5,108,766	\$	11.27

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2004 Equity Incentive Plan

Our Board and our stockholders have approved the 2004 Equity Incentive Plan for the purpose of attracting and retaining the services of executive officers, directors and other key employees. Under the 2004 Equity Incentive Plan our Compensation Committee may award incentive stock options (ISOs), within the meaning of Section 422 of the Code, and non-qualified stock options to employees and employee directors. The following is a summary of the material features of the 2004 Equity Incentive Plan.

Under the 2004 Equity Incentive Plan, we have authorized for issuance up to 7,000,000 shares of common stock of which 350,329 were available for issuance as of April 18, 2011. Participants in the 2004 Equity Incentive Plan may receive awards of options to purchase our common stock and/or restricted shares, as determined by our Compensation Committee. Options granted under the 2004 Equity Incentive Plan generally may be exercised for a period of no more than ten years from the date of grant unless the option agreement provides for an earlier expiration. Unless sooner terminated by our Board, the 2004 Equity Incentive Plan will terminate on the tenth anniversary of its adoption and no additional awards may be made under the 2004 Equity Incentive Plan after that date. The 2004 Equity Incentive Plan provides that all awards granted under the plan are subject to modification as required to ensure that such awards do not conflict with the requirements of the 1940 Act applicable to us.

Options granted under the 2004 Equity Incentive Plan will entitle the optionee, upon exercise, to purchase shares of common stock from us at a specified exercise price per share. ISOs must have a per share exercise price of no less than the fair market value of a share of stock on the date of the grant or, if the optionee owns or is treated as owning (under Section 424(d) of the Code) more than 10% of the total combined voting power of all classes of our stock, 110% of the fair market value of a share of stock on the date of the grant. Nonstatutory stock options granted under the 2004 Equity Incentive Plan must have a per share exercise price of no less than the fair market value of a share of stock on the date of the grant. Options will not be transferable other than by laws of descent and distribution, or in the case of nonstatutory stock options, by gift, and will generally be exercisable during an optionee's lifetime only by the optionee.

Under the 2004 Equity Incentive Plan, we are permitted to issue shares of restricted stock to all key employees of the Company and its affiliates consistent with such terms and conditions as the Board shall deem appropriate. Our Board determines the time or times at which such shares of restricted stock will become exercisable and the terms on which such shares will remain exercisable. Any shares of restricted stock for which forfeiture restrictions have not vested at the point at which the participant terminates his employment will terminate immediately and such shares will be returned to the Company and will be available for future awards under this plan.

Our Board administers the 2004 Equity Incentive Plan and has the authority, subject to the provisions of the 2004 Equity Incentive Plan, to determine who will receive awards under the 2004 Equity Incentive Plan and the terms of such awards. The Board has the authority to adjust the number of shares available for awards, the number of shares subject to outstanding awards and the exercise price for awards following the occurrence of events such as stock splits, dividends, distributions and recapitalizations. The exercise price of an option may be paid in the form of shares of stock that are already owned by such option holder.

Upon specified covered transactions (as defined in the 2004 Equity Incentive Plan), all outstanding awards under the 2004 Equity Incentive Plan may either be assumed or substituted for by the surviving entity. If the surviving entity does not assume or substitute similar awards, the awards held by the participants will be accelerated in full and then terminated to the extent not exercised prior to the covered transaction.

On March 30, 2011 the Board granted 125,000 shares, 4,000 shares, 45,000 shares and 62,500 shares of restricted stock to Messrs. Henriquez, Harvey, Bhaumik and Shah, respectively.

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2006 Non-Employee Director Plan

Our Board and our stockholders have approved the 2006 Non-Employee Director Plan. Under current SEC rules and regulations applicable to BDCs absent exemptive relief, a BDC may not grant options or shares of restricted stock to non-employee directors. On February 15, 2007, we received exemptive relief from the SEC to permit us to grant options to non-employee directors as a portion of their compensation for service on our Board. On May 23, 2007, we received exemptive relief from the SEC to permit us to grant shares of restricted stock to non-employee directors as a portion of their compensation for service on our Board. The following is a summary of the material features of the 2006 Non-Employee Director Plan.

The Company has instituted the 2006 Non-Employee Director Plan for the purpose of advancing the interests of the Company by providing for the grant of awards under the 2006 Non-Employee Director Plan to eligible non-employee directors. Under the 2006 Non-Employee Director Plan, we have authorized for issuance up to 1,000,000 shares of common stock of which 913,332 shares were available for issuance as of April 18, 2011. The 2006 Non-Employee Director Plan authorizes the issuance to non-employee directors of non-statutory stock options (NSOs) to purchase shares of common stock at a specified exercise price per share and/or restricted stock. NSOs granted under the 2006 Non-Employee Director Plan will have a per share exercise price of no less than the current market value of a share of stock as determined in good faith by the Board on the date of the grant. The amount of the options that may be granted are limited by the terms of the 2006 Non-Employee Director Plan, which prohibits any grant that would cause the Company to be in violation of Section 61(a)(3) of the 1940 Act.

Under the 2006 Non-Employee Director Plan, non-employee directors will each receive an initial grant of an option to purchase 10,000 shares of stock upon initial election to such position. The options granted will vest over two years, in equal installments on each of the first two anniversaries of the date of grant, provided that the non-employee director remains in service on such dates. In addition, each non-employee director shall automatically be granted an option to purchase 15,000 shares of stock on the date of such non-employee director's re-election to the Board and such grant will vest over three years, in equal installments on each of the first three anniversaries of the date of grant, provided that the non-employee director remains in service on such dates. The Compensation Committee has, subject to SEC approval, the authority to determine from time to time which of the persons eligible under the 2006 Non-Employee Director Plan shall be granted awards; when and how each award shall be granted, including the time or times when a person shall be permitted to exercise an award; and the number of shares of stock with respect to which an award shall be granted to such person. The exercise price of options granted under the 2006 Non-Employee Director Plan is set at the closing price of the Company's market price on the Nasdaq Global Select Market as of the date of grant and will not be adjusted unless the Company receives an exemptive order from the SEC or written confirmation from the staff of the SEC that the Company may do so (except for adjustments resulting from changes in the Company's capital structure, such as stock dividends, stock splits and reverse stock splits).

Unless sooner terminated by the Board, the 2006 Non-Employee Director Plan will terminate on May 29, 2016 and no additional awards may be made under the 2006 Non-Employee Director Plan after that date. The 2006 Non-Employee Director Plan provides that all awards granted under the 2006 Non-Employee Director Plan are subject to modification as required to ensure that such awards do not conflict with the requirements of the 1940 Act.

The Compensation Committee will determine the period during which any options granted under the 2006 Non-Employee Director Plan shall remain exercisable, provided that no option will be exercisable after the expiration of ten years from the date on which it was granted. Options granted under the 2006 Non-Employee Director Plan are not transferable other than by will or the laws of descent and distribution, or by gift, and will generally be exercisable during a non-employee director's lifetime only by such non-employee director. In general, any portion of any options that are not then exercisable will terminate upon the termination of the non-employee director's services to the Company. Generally, any portion of any options that are exercisable at

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the time of the termination of the non-employee director's services to the Company will remain exercisable for the lesser of (i) a period of three months (or one year if the non-employee director's services to the Company terminated by reason of the non-employee director's death) or (ii) the period ending on the latest date on which such options could have been exercised had the non-employee director's services to the Company not terminated. In addition, if the Board determines that a non-employee director's service to the Company terminated for reasons that cast such discredit on the non-employee director as to justify immediate termination of the non-employee director's options, then all options then held by the non-employee director will immediately terminate.

Under the 2006 Non-Employee Director Plan, we also are permitted to issue shares of restricted stock to our non-employee directors. Upon initial election to such position, non-employee directors will automatically be granted 3,333 shares of restricted stock. The forfeiture restrictions for such initial shares of restricted stock will vest as to one-half of such shares on the first anniversary of the date of grant and as to an additional one-half of the restricted stock on the second anniversary of the date of grant. In addition, each non-employee director shall automatically be granted 5,000 shares of restricted stock on the date of such non-employee director's re-election to the Board and the forfeiture restrictions on such shares will vest as to one-third of such shares on the anniversary of such grant over three years, provided that the non-employee director remains in service on such dates.

The Compensation Committee administers the 2006 Non-Employee Director Plan. If there is a change in the capital structure of the Company by reason of a stock dividend, stock split or combination of shares (including a reverse stock split), recapitalization or other change in the Company's capital structure, the Board will make appropriate adjustments to the number and class of shares of stock subject to the 2006 Non-Employee Director Plan and each option outstanding under it. In the event of a consolidation, merger, stock sale, a sale of all or substantially all of the Company's assets, a dissolution or liquidation of the Company or other similar events (a Covered Transaction), the Board may provide for the assumption of some or all outstanding options or for the grant of new substitute options by the acquirer or survivor. If no such assumption or substitution occurs, all outstanding options will become exercisable prior to the Covered Transaction and will terminate upon consummation of the Covered Transaction.

The Board may, subject to SEC prior approval, at any time or times amend the 2006 Non-Employee Director Plan or any outstanding award for any purpose which may at the time be permitted by law, and may at any time terminate the 2006 Non-Employee Director Plan as to any future grants of awards; provided, that except as otherwise expressly provided in the 2006 Non-Employee Director Plan the Board may not, without the participant's consent, alter the terms of an award so as to affect adversely the participant's rights under the award, unless the Board expressly reserved the right to do so at the time of the grant of the award. In 2010, no options or restricted shares were granted to the Board as there were no non-employee directors re-elected to the Board.

Table of Contents**CONTROL PERSONS AND PRINCIPAL STOCKHOLDERS**

The following table sets forth, as of February 7, 2012, the beneficial ownership of each current director, each nominee for director, the Company's executive officers, each person known to us to beneficially own 5% or more of the outstanding shares of our common stock, and the executive officers and directors as a group.

Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission (the "SEC") and includes voting or investment power with respect to the securities. Common stock subject to options or warrants that are currently exercisable or exercisable within 60 days of February 7, 2012 are deemed to be outstanding and beneficially owned by the person holding such options or warrants. Such shares, however, are not deemed outstanding for the purposes of computing the percentage ownership of any other person. Percentage of ownership is based on 48,905,082 shares of common stock outstanding as of February 7, 2012.

Unless otherwise indicated, to our knowledge, each stockholder listed below has sole voting and investment power with respect to the shares beneficially owned by the stockholder, except to the extent authority is shared by spouses under applicable law, and maintains an address of c/o Company. Our address is 400 Hamilton Avenue, Suite 310, Palo Alto, California 94301.

The Company's directors are divided into two groups: interested directors and independent directors. Interested directors are interested persons as defined in Section 2(a)(19) of the 1940 Act.

Name and Address of Beneficial Owner	Number of Shares Owned Beneficially⁽¹⁾	Percentage of Class
<i>Interested Director</i>		
Manuel A. Henriquez ⁽²⁾	2,675,206	5.5%
<i>Independent Directors</i>		
Robert P. Badavas ⁽³⁾	119,443	*
Joseph W. Chow ⁽⁴⁾	123,172	*
Allyn C. Woodward, Jr. ⁽⁵⁾	169,523	*
<i>Executive Officers</i>		
Scott Bluestein ⁽⁶⁾	69,899	*
Todd Jaquez-Fissori ⁽⁷⁾	20,500	
H. Scott Harvey ⁽⁸⁾	278,514	*
Parag I. Shah ⁽⁹⁾	844,578	1.7%
Jessica Baron ⁽¹⁰⁾	76,582	*
Executive officers and directors as a group⁽¹¹⁾	4,377,417	9.0%

* Less than 1%.

(1) Beneficial ownership has been determined in accordance with Rule 13d-3 of the Securities Exchange Act of 1934.

(2) Includes 1,417,005 shares of common stock that can be acquired upon the exercise of outstanding options and 290,105 shares of restricted stock. Includes shares of our common stock held by certain trusts controlled by Mr. Henriquez.

(3) Includes 20,000 shares of common stock that can be acquired upon the exercise of outstanding options and 5,000 shares of restricted common stock.

(4) Includes 20,000 shares of common stock that can be acquired upon the exercise of outstanding options and 5,000 shares of restricted common stock.

(5) Includes 20,000 shares of common stock that can be acquired upon the exercise of outstanding options and 5,000 shares of restricted common stock.

(6) Includes 48,820 shares of common stock that can be acquired upon the exercise of outstanding options and 7,500 shares of restricted common stock.

(7) Includes 10,500 shares of common stock that can be acquired upon the exercise of outstanding options and 10,000 shares of restricted common stock.

(8) Includes 221,593 shares of common stock that can be acquired upon the exercise of outstanding options and 19,001 shares of restricted common stock.

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(9) Includes 561,044 shares of common stock that can be acquired upon the exercise of outstanding options and 156,292 shares of restricted common stock.
 (10) Includes 45,010 shares of common stock that can be acquired upon the exercise of outstanding options and 16,564 shares of restricted common stock.
 (11) Includes 2,363,972 shares of common stock that can be acquired upon the exercise of outstanding options and 511,128 shares of restricted common stock.
 The following table sets forth as of February 7, 2012, the dollar range of our securities owned by our directors and portfolio management employees.

Name	Dollar Range of Equity Securities in the Company⁽¹⁾
Independent Directors:	
Robert P. Badavas	over \$100,000
Joseph W. Chow	over \$100,000
Allyn C. Woodward, Jr.	over \$100,000
Interested Director/Portfolio Management Employee:	
Manuel A. Henriquez	over \$100,000
Portfolio Management Employees:	
Scott Bluestein	over \$100,000
Todd Jaquez-Fissori	over \$100,000
Scott Harvey	over \$100,000
Parag I. Shah	over \$100,000
Jessica Baron	over \$100,000

(1) Beneficial ownership has been determined in accordance with Rule 16a-1(a)(2) of the Securities Exchange Act of 1934, as amended.

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CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

In the ordinary course of business, we enter into transactions with portfolio companies that may be considered related party transactions. In order to ensure that we do not engage in any prohibited transactions with any persons affiliated with us, we have implemented certain policies and procedures whereby our executive officers screen each of our transactions for any possible affiliations, close or remote, between the proposed portfolio investment, us, companies controlled by us and our employees and directors.

The Company will not enter into any agreements unless and until we are satisfied that no affiliations prohibited by the 1940 Act exist or, if such affiliations exist, the Company has taken appropriate actions to seek Board review and approval or exemptive relief for such transaction.

Table of Contents**CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS**

The following discussion is a general summary of certain material U.S. federal income tax considerations relating to our qualification and taxation as a RIC and the acquisition, ownership and disposition of our preferred stock or common stock, but does not purport to be a complete description of the income tax considerations relating thereto. For example, we have not described tax consequences that we assume to be generally known by investors or certain considerations that may be relevant to certain types of investors subject to special treatment under U.S. federal income tax laws, including investors subject to the alternative minimum tax, tax-exempt organizations, insurance companies, dealers in securities, pension plans and trusts, financial institutions, traders in securities that elect to use the mark-to-market method of accounting for securities holdings, persons subject to the alternative minimum tax, United States expatriates, United States persons with a functional currency other than the U.S. dollar, persons that hold notes as part of an integrated investment (including a straddle), controlled foreign corporations, passive foreign investment companies, or corporations that accumulate earnings to avoid United States federal income tax. This summary is limited to beneficial owners of our preferred stock or common stock that will hold our preferred stock or common stock as a capital asset (within the meaning of the Code). The discussion is based upon the Code, temporary and final U.S. Treasury regulations, and administrative and judicial interpretations, each as of the date hereof and all of which are subject to change, possibly retroactively, which could affect the continuing validity of this discussion. We have not sought and will not seek any ruling from the Internal Revenue Service (the IRS) regarding our preferred stock or common stock. This summary does not discuss any aspects of U.S. estate or gift tax or foreign, state or local tax. It does not discuss the special treatment under U.S. federal income tax laws that could result if we invested in tax-exempt securities or certain other investment assets.

This summary does not discuss the consequences of an investment in our subscription rights, debt securities or warrants representing rights to purchase shares of our preferred stock, common stock or debt securities or as units comprised of combinations of securities. The U.S. federal income tax consequences of such an investment will be discussed in the relevant prospectus supplement. In addition, we may issue preferred stock with terms resulting in U.S. federal income taxation of beneficial owners with respect to such preferred stock in a manner different from as set forth in this summary. In such instances, such differences will be discussed in a relevant prospectus supplement.

If a partnership (including an entity treated as a partnership for U.S. federal income tax purposes) holds shares of our preferred stock or common stock, the tax treatment of a partner in the partnership will generally depend upon the status of the partner, the activities of the partnership and certain determinations made at the partner level. Investors treated as a partnership for U.S. federal income tax purposes (or investors that are partners in such a partnership), are encouraged to consult with their own tax advisors with respect to the tax consequences relating to the purchase, ownership and disposition of our preferred stock or common stock.

Tax matters are very complicated and the tax consequences to an investor of an investment in our securities will depend on the facts of their particular situation. We encourage investors to consult their own tax advisors regarding the specific consequences of such an investment, including tax reporting requirements, the applicability of federal, state, local and foreign tax laws, eligibility for the benefits of any applicable tax treaty and the effect of any possible changes in tax laws.

Election to be Taxed as a RIC

Through December 31, 2005, we were subject to Federal income tax as an ordinary corporation under subchapter C of the Code. Effective beginning on January 1, 2006 we met the criteria specified below to qualify as a RIC, and elected to be treated as a RIC under Subchapter M of the Code with the filing of our federal income tax return for 2006. As a RIC, we generally will not have to pay corporate taxes on any income we distribute to our stockholders as dividends, which allows us to reduce or eliminate our corporate level tax. On December 31, 2005, immediately before the effective date of our RIC election, we held assets with built-in gain, which are

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assets whose fair market value as of the effective date of the election exceeded their tax basis as of such date. We elected to recognize all of our net built-in gains at the time of the conversion and paid tax on the built-in gain with the filing of our 2005 federal income tax return. In making this election, we marked our portfolio to market at the time of our RIC election and paid approximately \$294,000 in tax on the resulting gains.

Taxation as a Regulated Investment Company

For any taxable year in which we:

qualify as a RIC; and

distribute at least 90% of our net ordinary income and realized net short-term gains in excess of realized net long-term capital losses, if any (the Annual Distribution Requirement);

we generally will not be subject to federal income tax on the portion of our investment company taxable income and net capital gain (*i.e.*, net realized long-term capital gains in excess of net realized short-term capital losses) that we distribute (or are deemed to distribute) to stockholders with respect to that year. As described above, we made the election to recognize built-in gains as of the effective date of our election to be treated as a RIC and therefore will not be subject to built-in gains tax when we sell those assets. However, if we subsequently acquire built-in gain assets from a C corporation in a carryover basis transaction, then we may be subject to tax on the gains recognized by us on dispositions of such assets unless we make a special election to pay corporate-level tax on such built-in gain at the time the assets are acquired. We will be subject to U.S. federal income tax at the regular corporate rates on any income or capital gains not distributed (or deemed distributed) to our stockholders.

In order to qualify as a RIC for federal income tax purposes and obtain the tax benefits of RIC status, in addition to satisfying the Annual Distribution Requirement, we must, among other things:

have in effect at all times during each taxable year an election to be regulated as business development company under the 1940 Act;

derive in each taxable year at least 90% of our gross income from (a) dividends, interest, payments with respect to certain securities loans, gains from the sale of stock or other securities, or other income derived with respect to our business of investing in such stock or securities and (b) net income derived from an interest in a qualified publicly traded partnership (the 90% Income Test); and

diversify our holdings so that at the end of each quarter of the taxable year:

at least 50% of the value of our assets consists of cash, cash equivalents, U.S. government securities, securities of other RICs, and other securities if such other securities of any one issuer do not represent more than 5% of the value of our assets or more than 10% of the outstanding voting securities of such issuer; and

no more than 25% of the value of our assets is invested in (i) securities (other than U.S. government securities or securities of other RICs) of one issuer, (ii) securities of two or more issuers that are controlled, as determined under applicable tax rules, by us and that are engaged in the same or similar or related trades or businesses or (iii) securities of one or more qualified publicly traded partnerships (the Diversification Tests).

Qualified earnings may exclude such income as management fees received in connection with our SBIC or other potential outside managed funds and certain other fees.

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Under applicable Treasury regulations and certain private rulings issued by the Internal Revenue Service, RICs are permitted to treat certain distributions payable in up to 80% in their stock, as taxable dividends that will satisfy their annual distribution obligations for federal income tax and excise tax purposes provided that shareholders have the opportunity to elect to receive the distribution in cash. Taxable stockholders receiving such

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dividends will be required to include the full amount of the dividend as ordinary income (or as long-term capital gain to the extent such distribution is properly designated as a capital gain dividend) to the extent of our current and accumulated earnings and profits for United States federal income tax purposes. As a result, a U.S. stockholder may be required to pay tax with respect to such dividends in excess of any cash received. If a U.S. stockholder sells the stock it receives as a dividend in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the dividend, depending on the market price of our stock at the time of the sale. Furthermore, with respect to non-U.S. stockholders, we may be required to withhold U.S. tax with respect to such dividends, including in respect of all or a portion of such dividend that is payable in stock. In addition, if a significant number of our stockholders determine to sell shares of our stock in order to pay taxes owed on dividends, then such sales may put downward pressure on the trading price of our stock. We previously determined to pay a portion of our first quarter 2009 dividend in shares of newly issued common stock, and we may in the future determine to distribute taxable dividends that are payable in part in our common stock.

As a RIC, we will be subject to a 4% nondeductible federal excise tax on certain undistributed income unless we distribute in a timely manner an amount at least equal to the sum of (1) 98% of our ordinary income for each calendar year, (2) 98.2% of our capital gain net income for the 1-year period ending October 31 in that calendar year and (3) any income recognized, but not distributed, in preceding years and on which we paid no federal income tax (the Excise Tax Avoidance Requirements). We will not be subject to excise taxes on amounts on which we are required to pay corporate income tax (such as retained net capital gains). Depending on the level of taxable income earned in a tax year, we may choose to carry over taxable income in excess of current year distributions from such taxable income into the next tax year and pay a 4% excise tax on such income, as required. The maximum amount of excess taxable income that may be carried over for distribution in the next year under the Code is the total amount of dividends paid in the following year, subject to certain declaration and payment guidelines. To the extent we choose to carry over taxable income into the next tax year, dividends declared and paid by us in a year may differ from taxable income for that year as such dividends may include the distribution of current year taxable income, the distribution of prior year taxable income carried over into and distributed in the current year, or returns of capital.

We may be required to recognize taxable income in circumstances in which we do not receive a corresponding payment in cash. For example, if we hold debt obligations that are treated under applicable tax rules as having original issue discount (such as debt instruments with payment-in-kind interest or, in certain cases, increasing interest rates or debt instruments that were issued with warrants), we must include in income each year a portion of the original issue discount that accrues over the life of the obligation, regardless of whether cash representing such income is received by us in the same taxable year. Because any original issue discount accrued will be included in our investment company taxable income for the year of accrual, we may be required to make a distribution to our stockholders in order to satisfy the Annual Distribution Requirement and the Excise Tax Avoidance Requirement, even though we will not have received any corresponding cash amount.

Gain or loss realized by us from the sale or exchange of warrants acquired by us as well as any loss attributable to the lapse of such warrants generally will be treated as capital gain or loss. Such gain or loss generally will be long-term or short-term, depending on how long we held a particular warrant.

We are authorized to borrow funds and to sell assets in order to satisfy the Annual Distribution Requirement and the Excise Tax Avoidance Requirement (collectively, the Distribution Requirements). However, under the 1940 Act, we are not permitted to make distributions to our stockholders while our debt obligations and other senior securities are outstanding unless certain asset coverage tests are met. See Regulation Senior Securities; Coverage Ratio. We may be restricted from making distributions under the terms of our debt obligations themselves unless certain conditions are satisfied. Moreover, our ability to dispose of assets to meet the Distribution Requirements may be limited by (1) the illiquid nature of our portfolio, or (2) other requirements

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relating to our status as a RIC, including the Diversification Tests. If we dispose of assets in order to meet the Distribution Requirements, we may make such dispositions at times that, from an investment standpoint, are not advantageous. If we are prohibited from making distributions or are unable to obtain cash from other sources to make the distributions, we may fail to qualify as a RIC, which would result in us becoming subject to corporate-level federal income tax.

In addition, we will be partially dependent on our SBIC subsidiaries for cash distributions to enable us to meet the RIC Distribution Requirements. Our SBIC subsidiaries may be limited by the Small Business Investment Act of 1958, and SBA regulations governing SBICs, from making certain distributions to us that may be necessary to maintain our status as a RIC. We may have to request a waiver of the SBA's restrictions for our SBIC subsidiaries to make certain distributions to maintain our RIC status. We cannot assure you that the SBA will grant such waiver. If our SBIC subsidiaries are unable to obtain a waiver, compliance with the SBA regulations may cause us to fail to qualify as a RIC, which would result in us becoming subject to corporate-level federal income tax.

Any transactions in options, futures contracts, constructive sales, hedging, straddle, conversion or similar transactions, and forward contracts will be subject to special tax rules, the effect of which may be to accelerate income to us, defer losses, cause adjustments to the holding periods of our investments, convert long-term capital gains into short-term capital gains, convert short-term capital losses into long-term capital losses or have other tax consequences. These rules could affect the amount, timing and character of distributions to stockholders. We do not currently intend to engage in these types of transactions.

A RIC is limited in its ability to deduct expenses in excess of its investment company taxable income (which is, generally, ordinary income plus net realized short-term capital gains in excess of net realized long-term capital losses). If our expenses in a given year exceed gross taxable income (e.g., as the result of large amounts of equity-based compensation), we would experience a net operating loss for that year. However, a RIC is not permitted to carry forward net operating losses to subsequent years and such net operating losses do not pass through to the RIC's stockholders. In addition, expenses can be used only to offset investment company taxable income, not net capital gain. A RIC may not use any net capital losses (that is, realized capital losses in excess of realized capital gains) to offset the RIC's investment company taxable income, but may carry forward such losses, and use them to offset capital gains indefinitely. Due to these limits on the deductibility of expenses, and net capital losses, we may for tax purposes have aggregate taxable income for several years that we are required to distribute and that is taxable to our stockholders even if such income is greater than the aggregate net income we actually earned during those years. Such required distributions may be made from our cash assets or by liquidation of investments, if necessary. We may realize gains or losses from such liquidations. In the event we realize net capital gains from such transactions, you may receive a larger capital gain distribution than you would have received in the absence of such transactions.

Investment income received from sources within foreign countries, or capital gains earned by investing in securities of foreign issuers, may be subject to foreign income taxes withheld at the source. In this regard, withholding tax rates in countries with which the United States does not have a tax treaty are often as high as 35% or more. The United States has entered into tax treaties with many foreign countries that may entitle us to a reduced rate of tax or exemption from tax on this related income and gains. The effective rate of foreign tax cannot be determined at this time since the amount of our assets to be invested within various countries is not now known. We do not anticipate being eligible for the special election that allows a RIC to treat foreign income taxes paid by such RIC as paid by its shareholders.

If we acquire stock in certain foreign corporations that receive at least 75% of their annual gross income from passive sources (such as interest, dividends, rents, royalties or capital gain) or hold at least 50% of their total assets in investments producing such passive income (passive foreign investment companies), We could be subject to federal income tax and additional interest charges on excess distributions received from such companies or gain from the sale of stock in such companies, even if all income or gain actually received by us is

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timely distributed to our shareholders. We would not be able to pass through to our shareholders any credit or deduction for such a tax. Certain elections may, if available, ameliorate these adverse tax consequences, but any such election requires us to recognize taxable income or gain without the concurrent receipt of cash. We intend to limit and/or manage our holdings in passive foreign investment companies to minimize our tax liability. Foreign exchange gains and losses realized by us in connection with certain transactions involving non-dollar debt securities, certain foreign currency futures contracts, foreign currency option contracts, foreign currency forward contracts, foreign currencies, or payables or receivables denominated in a foreign currency are subject to Code provisions that generally treat such gains and losses as ordinary income and losses and may affect the amount, timing and character of distributions to our stockholders. Any such transactions that are not directly related to our investment in securities (possibly including speculative currency positions or currency derivatives not used for hedging purposes) could, under future Treasury regulations, produce income not among the types of qualifying income from which a RIC must derive at least 90% of its annual gross income.

Taxation of U.S. Stockholders

A U.S. stockholder generally is a beneficial owner of shares of our preferred stock or common stock who is for United States federal income tax purposes:

a citizen or individual resident of the United States including an alien individual who is a lawful permanent resident of the United States or meets the substantial presence test under Section 7701(b) of the Code;

a corporation or other entity taxable as a corporation, for United States federal income tax purposes, created or organized in or under the laws of the United States or any political subdivision thereof;

a trust if (1) a court in the United States has primary supervision over its administration and one or more U.S. persons has the authority to control all substantial decisions of such trust or (2) if such trust validly elects to be treated as a U.S. person for federal income tax purposes; or

an estate, the income of which is subject to United States federal income taxation regardless of its source.

For federal income tax purposes, distributions by us generally are taxable to U.S. stockholders as ordinary income or capital gains. Distributions of our investment company taxable income (which is, generally, our ordinary income plus net realized short-term capital gains in excess of net realized long-term capital losses) will be taxable as ordinary income to U.S. stockholders to the extent of our current or accumulated earnings and profits, whether paid in cash or reinvested in additional preferred stock or common stock. To the extent such distributions paid by us through 2012 (unless extended by legislation) to non-corporate U.S. stockholders (including individuals) are attributable to dividends from U.S. corporations and certain qualified foreign corporations, such distributions may be reported by us as qualified dividend income eligible to be taxed in the hands of non-corporate stockholders at the rates applicable to long-term capital gains, provided certain holding period and other requirements are met at both the stockholder and company levels. In this regard, it is anticipated that distributions paid by us generally will not be attributable to dividends and, therefore, generally will not be qualified dividend income. Distributions of our net capital gains (which is generally our realized net long-term capital gains in excess of realized net short-term capital losses) properly reported by us as capital gain dividends will be taxable to a U.S. stockholder as long-term capital gains (currently at a maximum rate of 15% through 2012, unless extended by legislation, in the case of individuals, trusts or estates), regardless of the U.S. stockholder's holding period for his, her or its preferred stock or common stock and regardless of whether paid in cash or reinvested in additional preferred stock or common stock. Distributions in excess of our current and accumulated earnings and profits first will reduce a U.S. stockholder's adjusted tax basis in such stockholder's preferred stock or common stock and, after the adjusted basis is reduced to zero, will constitute capital gains to such U.S. stockholder.

We currently intend to retain some or all of our realized net long-term capital gains in excess of realized net short-term capital losses, but to designate the retained net capital gain as a deemed distribution. In that case,

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among other consequences, we will pay tax on the retained amount, each U.S. stockholder will be required to include his, her or its share of the deemed distribution in income as if it had been actually distributed to the U.S. stockholder, and the U.S. stockholder will be entitled to claim a tax credit equal to his, her or its allocable share of the tax paid thereon by us. Since we expect to pay tax on any retained net capital gains at our regular corporate tax rate, and since that rate is in excess of the maximum rate currently payable by non-corporate stockholders on long-term capital gains, the amount of tax that non-corporate stockholders will be treated as having paid and for which they will receive a credit will exceed the tax they owe on the retained net capital gain. Such excess generally may be claimed as a credit against the U.S. stockholder's other federal income tax obligations or may be refunded to the extent it exceeds a stockholder's liability for federal income tax. A stockholder that is not subject to federal income tax or otherwise required to file a federal income tax return would be required to file a federal income tax return on the appropriate form in order to claim a refund for the taxes we paid. For federal income tax purposes, the tax basis of shares owned by a U.S. stockholder will be increased by an amount equal under current law to the difference between the amount of undistributed capital gains included in the U.S. stockholder's gross income and the tax deemed paid by the U.S. stockholder as described in this paragraph. In order to utilize the deemed distribution approach, we must provide written notice to our stockholders prior to the expiration of 60 days after the close of the relevant taxable year. We cannot treat any of our investment company taxable income as a deemed distribution.

For purposes of determining (1) whether the Annual Distribution Requirement is satisfied for any year and (2) the amount of the deduction for ordinary income and capital gain dividends paid for that year, we may, under certain circumstances, elect to treat a dividend that is paid during the following taxable year as if it had been paid during the taxable year in question. If we make such an election, the U.S. stockholder will still be treated as receiving the dividend in the taxable year in which the distribution is made. However, any dividend declared by us in October, November or December of any calendar year, payable to stockholders of record on a specified date in such a month and actually paid during January of the following year, will be treated as if it had been received by our U.S. stockholders on December 31 of the year in which the dividend was declared.

If an investor purchases shares of our preferred stock or common stock shortly before the record date of a distribution, the price of the shares will include the value of the distribution and the investor will be subject to tax on the distribution even though economically it may represent a return of his, her or its investment.

A U.S. stockholder generally will recognize taxable gain or loss if the U.S. stockholder sells or otherwise disposes of his, her or its shares of our preferred stock or common stock. Any gain arising from such sale or disposition generally will be treated as long-term capital gain or loss if the U.S. stockholder has held his, her or its shares for more than one year. Otherwise, it will be classified as short-term capital gain or loss. However, any capital loss arising from the sale or disposition of shares of our preferred stock or common stock held for six months or less will be treated as long-term capital loss to the extent of the amount of capital gain dividends received, or undistributed capital gain deemed received, with respect to such shares. In addition, all or a portion of any loss recognized upon a disposition of shares of our preferred stock or common stock may be disallowed if other shares of our common stock are purchased (whether through reinvestment of distributions or otherwise) within 30 days before or after the disposition. In such a case, the basis of the newly purchased shares will be adjusted to reflect the disallowed loss.

In general, individual U.S. stockholders currently are subject to a reduced maximum federal income tax rate of 15% (through 2012, unless extended by legislation) on their net capital gain (*i.e.*, the excess of realized net long-term capital gain over realized net short-term capital loss for a taxable year) including any long-term capital gain derived from an investment in our shares. Such rate is lower than the maximum rate on ordinary income currently payable by individuals. In addition, for taxable years beginning after December 31, 2012, individuals with income in excess of \$200,000 (\$250,000 in the case of married individuals filing jointly) and certain estates and trusts are subject to an additional 3.8% tax on their net investment income, which generally includes net income from interest, dividends, annuities, royalties, and rents, and net capital gains (other than certain amounts earned from trades or businesses). Corporate U.S. stockholders currently are subject to federal income tax on net

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capital gain at the maximum 35% rate also applied to ordinary income. Non-corporate U.S. stockholders with net capital losses for a year (*i.e.*, capital losses in excess of capital gains) generally may deduct up to \$3,000 of such losses against their ordinary income each year; any net capital losses of a non-corporate stockholder in excess of \$3,000 generally may be carried forward and used in subsequent years as provided in the Code. Corporate U.S. stockholders generally may not deduct any net capital losses for a year, but may carry back such losses for three years or carry forward such losses for five years.

We will send to each of our U.S. stockholders, as promptly as possible after the end of each calendar year, a notice reporting the amounts includible in such U.S. stockholder's taxable income for such year as ordinary income and as long-term capital gain. In addition, the federal tax status of each year's distributions generally will be reported to the Internal Revenue Service (including the amount of dividends, if any, eligible for the 15% qualified dividend income rate). Distributions may also be subject to additional state, local, and foreign taxes depending on a U.S. stockholder's particular situation. Dividends distributed by us generally will not be eligible for the corporate dividends-received deduction or the preferential rate applicable to qualified dividend income.

In some taxable years, we may be subject to the alternative minimum tax (AMT). If we have tax items that are treated differently for AMT purposes than for regular tax purposes, we may apportion those items between us and our stockholders, and this may affect our stockholder's AMT liabilities. Although regulations explaining the precise method of apportionment have not yet been issued by the Internal Revenue Service, we may apportion these items in the same proportion that dividends paid to each stockholder bear to our taxable income (determined without regard to the dividends paid deduction), unless we determine that a different method for a particular item is warranted under the circumstances. You should consult your own tax advisor to determine how an investment in our stock could affect your AMT liability.

We may be required to withhold federal income tax (backup withholding) from all distributions to any non-corporate U.S. stockholder (1) who fails to furnish us with a correct taxpayer identification number or a certificate that such stockholder is exempt from backup withholding, or (2) with respect to whom the Internal Revenue Service (the IRS) notifies us that such stockholder has failed to properly report certain interest and dividend income to the IRS and to respond to notices to that effect. An individual's taxpayer identification number is his or her social security number. Any amount withheld under backup withholding is allowed as a credit against the U.S. stockholder's federal income tax liability, provided that proper information is timely provided to the IRS.

Dividend Reinvestment Plan We have adopted a dividend reinvestment plan through which all dividend distributions are paid to our common stockholders in the form of additional shares of our common stock, unless a stockholder elects to receive cash in accordance with the terms of the plan. See *Dividend Reinvestment Plan*. Any distributions made to a U.S. stockholder that are reinvested under the plan will nevertheless remain taxable to the U.S. stockholder. The U.S. stockholder will have an adjusted tax basis in the additional shares of our common stock purchased through the plan equal to the amount of the reinvested distribution. The additional shares will have a new holding period commencing on the day following the day on which the shares are credited to the U.S. stockholder's account.

Taxation of Non-U.S. Stockholders

A Non-U.S. stockholder is a beneficial owner of shares of our preferred stock or common stock that is not a U.S. stockholder or a partnership (including an entity treated as a partnership) for U.S. federal income tax purposes.

Whether an investment in our shares is appropriate for a Non-U.S. stockholder will depend upon that person's particular circumstances. An investment in the shares by a Non-U.S. stockholder may have adverse tax consequences. Non-U.S. stockholders should consult their tax advisors before investing in our preferred stock or common stock.

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In general, dividend distributions (other than certain distributions derived from net long-term capital gains) paid by us to a Non-U.S. stockholder are subject to withholding of U.S. federal income tax at a rate of 30% (or lower applicable treaty rate) even if they are funded by income or gains (such as portfolio interest, short-term capital gains, or foreign-source dividend and interest income) that, if paid to a Non-U.S. stockholder directly, would not be subject to withholding. If the distributions are effectively connected with a U.S. trade or business of the Non-U.S. stockholder (and, if an income tax treaty applies, attributable to a permanent establishment maintained by the Non-U.S. stockholder in the United States), we will not be required to withhold federal income tax if the Non-U.S. stockholder complies with applicable certification and disclosure requirements, although the distributions will be subject to federal income tax at the rates applicable to U.S. stockholders. (Special certification requirements apply to a Non-U.S. stockholder that is a foreign partnership or a foreign trust, and such entities are urged to consult their own tax advisors.)

For taxable years beginning prior to January 1, 2012, except as provided below, we generally were not required to withhold any amounts with respect to certain distributions of (i) U.S.-source interest income, and (ii) net short-term capital gains in excess of net long-term capital losses, in each case to the extent we properly report such distributions. In respect of distributions described in clause (i) above, we were required to withhold amounts with respect to distributions to a Non-U.S. stockholder:

that had not provided a satisfactory statement that the beneficial owner is not a U.S. person;

to the extent that the dividend is attributable to certain interest on an obligation if the Non-U.S. stockholder is the issuer or is a 10% stockholder of the issuer;

that is within certain foreign countries that have inadequate information exchange with the United States; or

to the extent the dividend is attributable to interest paid by a person that is a related person of the Non-U.S. stockholder and the Non-U.S. stockholder is a controlled foreign corporation for United States federal income tax purposes.

This special exemption from withholding tax on certain distributions expired on January 1, 2012. No assurance can be given as to whether this exemption will be extended for taxable years beginning on or after January 1, 2012, or whether any of our distributions will be reported as eligible for this special exemption from withholding tax if extended.

Actual or deemed distributions of our net capital gains to a Non-U.S. stockholder, and gains realized by a Non-U.S. stockholder upon the sale of our preferred stock or common stock, will not be subject to federal withholding tax and generally will not be subject to federal income tax unless the distributions or gains, as the case may be, are effectively connected with a U.S. trade or business of the Non-U.S. stockholder (and, if an income tax treaty applies, are attributable to a permanent establishment maintained by the Non-U.S. stockholder in the United States), or in the case of an individual stockholder, the stockholder is present in the United States for a period or periods aggregating 183 days or more during the year of the sale or capital gain dividend and certain other conditions are met.

If we distribute our net capital gains in the form of deemed rather than actual distributions, a Non-U.S. stockholder will be entitled to a federal income tax credit or tax refund equal to the stockholder's allocable share of the tax we pay on the capital gains deemed to have been distributed. In order to obtain the refund, the Non-U.S. stockholder must obtain a U.S. taxpayer identification number and file a federal income tax return even if the Non-U.S. stockholder would not otherwise be required to obtain a U.S. taxpayer identification number or file a federal income tax return. For a corporate Non-U.S. stockholder, distributions (both actual and deemed), and gains realized upon the sale of our preferred stock or common stock that are effectively connected to a U.S. trade or business may, under certain circumstances, be subject to an additional branch profits tax at a 30% rate (or at a lower rate if provided for by an applicable treaty). Accordingly, investment in the shares may not be appropriate for a Non-U.S. stockholder.

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A Non-U.S. stockholder who is a non-resident alien individual, and who is otherwise subject to withholding of federal income tax, may be subject to information reporting and backup withholding of federal income tax on dividends unless the Non-U.S. stockholder provides us or the dividend paying agent with an IRS Form W-8BEN (or an acceptable substitute or successor form) or otherwise meets documentary evidence requirements for establishing that it is a Non-U.S. stockholder or otherwise establishes an exemption from backup withholding.

Recently enacted legislation generally imposes a 30% withholding tax on payments of certain types of income to foreign financial institutions that fail to enter into an agreement with the United States Treasury to report certain required information with respect to accounts held by United States persons (or held by foreign entities that have United States persons as substantial owners). The types of income subject to the tax include U.S. source interest and dividends paid after December 31, 2013 and the gross proceeds from the sale of any property that could produce U.S.-source interest or dividends paid after December 31, 2014. The information required to be reported includes the identity and taxpayer identification number of each account holder that is a U.S. person and transaction activity within the holder's account. In addition, subject to certain exceptions, this legislation also imposes a 30% withholding (subject to the same effective dates) on payments to foreign entities that are not financial institutions unless the foreign entity certifies that it does not have a greater than 10% U.S. owner or provides the withholding agent with identifying information on each greater than 10% U.S. owner. When these provisions become effective, depending on the status of a Non-U.S. stockholders and the status of the intermediaries through which they hold their shares, Non-U.S. stockholders could be subject to this 30% withholding tax with respect to distributions on their shares and proceeds from the sale of their shares. Under certain circumstances, a Non-U.S. stockholders might be eligible for refunds or credits of such taxes.

Non-U.S. persons should consult their own tax advisors with respect to the United States federal income tax and withholding tax, and state, local and foreign tax consequences of an investment in the shares.

Failure to Qualify as a Regulated Investment Company

If we fail to satisfy the 90% Income Test or the Diversification Tests for any taxable year, we may nevertheless continue to qualify as a RIC for such year if certain relief provisions are applicable (which may, among other things, require us to pay certain corporate-level federal taxes or to dispose of certain assets).

If we were unable to qualify for treatment as a RIC and the foregoing relief provisions are not applicable, we would be subject to tax on all of our taxable income at regular corporate rates. We would not be able to deduct distributions to stockholders, nor would they be required to be made. Such distributions would be taxable to our stockholders and if made in a taxable year beginning on or before December 31, 2012 and provided certain holding period and other requirements were met, could qualify for treatment as qualified dividend income eligible for the 15% maximum rate to the extent of our current and accumulated earnings and profits. Subject to certain limitations under the Code, corporate distributions would be eligible for the dividends-received deduction. Distributions in excess of our current and accumulated earnings and profits would be treated first as a return of capital to the extent of the stockholder's tax basis, and any remaining distributions would be treated as a capital gain. To requalify as a RIC in a subsequent taxable year, we would be required to satisfy the RIC qualification requirements for that year and dispose of any earnings and profits from any year in which we failed to qualify as a RIC. Subject to a limited exception applicable to RICs that qualified as such under Subchapter M of the Code for at least one year prior to disqualification and that requalify as a RIC no later than the second year following the nonqualifying year, we could be subject to tax on any unrealized net built-in gains in the assets held by us during the period in which we failed to qualify as a RIC that are recognized within the subsequent 10 years, unless we made a special election to pay corporate-level tax on such built-in gain at the time of our requalification as a RIC.

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REGULATION

The following discussion is a general summary of the material prohibitions and descriptions governing business development companies generally. It does not purport to be a complete description of all of the laws and regulations affecting business development companies.

A business development company primarily focuses on investing in or lending to private companies and making managerial assistance available to them. A business development company provides stockholders with the ability to retain the liquidity of a publicly-traded stock, while sharing in the possible benefits of investing in emerging-growth, expansion-stage or established-stage companies. The 1940 Act contains prohibitions and restrictions relating to transactions between business development companies and their directors and officers and principal underwriters and certain other related persons and requires that a majority of the directors be persons other than interested persons, as that term is defined in the 1940 Act. In addition, the 1940 Act provides that we may not change the nature of our business so as to cease to be, or to withdraw our election as, a business development company unless approved by a majority of our outstanding voting securities. A majority of the outstanding voting securities of a company is defined under the 1940 Act as the lesser of: (i) 67% or more of such company's shares present at a meeting if more than 50% of the outstanding shares of such company are present or represented by proxy, or (ii) more than 50% of the outstanding shares of such company.

Qualifying Assets

Under the 1940 Act, a business development company may not acquire any asset other than assets of the type listed in Section 55(a) of the 1940 Act, which are referred to as qualifying assets, unless, at the time the acquisition is made, qualifying assets represent at least 70% of the company's total assets. The principal categories of qualifying assets relevant to our proposed business are the following:

- (1) Securities purchased in transactions not involving any public offering from the issuer of such securities, which issuer (subject to certain limited exceptions) is an eligible portfolio company, or from any person who is, or has been during the preceding 13 months, an affiliated person of an eligible portfolio company, or from any other person, subject to such rules as may be prescribed by the SEC. An eligible portfolio company is defined in the 1940 Act as any issuer which:
 - (a) is organized under the laws of, and has its principal place of business in, the United States;
 - (b) is not an investment company (other than a small business investment company wholly owned by the business development company) or a company that would be an investment company but for certain exclusions under the 1940 Act; and
 - (c) does not have any class of securities listed on a national securities exchange; or if it has securities listed on a national securities exchange such company has a market capitalization of less than \$250 million; is controlled by the business development company and has an affiliate of a business development company on its board of directors; or meets such other criteria as may be established by the SEC.
- (2) Securities purchased in a private transaction from a U.S. issuer that is not an investment company or from an affiliated person of the issuer, or in transactions incident thereto, if the issuer is in bankruptcy and subject to reorganization or if the issuer, immediately prior to the purchase of its securities was unable to meet its obligations as they came due without material assistance other than conventional lending or financing arrangements.
- (3) Securities of an eligible portfolio company purchased from any person in a private transaction if there is no ready market for such securities and we already own 60% of the outstanding equity of the eligible portfolio company.

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- (4) Securities received in exchange for or distributed on or with respect to securities described in (1) through (4) above, or pursuant to the exercise of warrants or rights relating to such securities.
- (5) Cash, cash equivalents, U.S. Government securities or high-quality debt securities maturing in one year or less from the time of investment.

Control, as defined by the 1940 Act, is presumed to exist where a business development company beneficially owns more than 25% of the outstanding voting securities of the portfolio company.

We do not intend to acquire securities issued by any investment company that exceed the limits imposed by the 1940 Act. Under these limits, we generally cannot acquire more than 3% of the voting stock of any investment company (as defined in the 1940 Act), invest more than 5% of the value of our total assets in the securities of one such investment company or invest more than 10% of the value of our total assets in the securities of such investment companies in the aggregate. With regard to that portion of our portfolio invested in securities issued by investment companies, it should be noted that such investments might subject our stockholders to additional expenses.

Significant Managerial Assistance

In order to count portfolio securities as qualifying assets for the purpose of the 70% test discussed above, a business development company must either control the issuer of the securities or must offer to make available significant managerial assistance; except that, where the business development company purchases such securities in conjunction with one or more other persons acting together, one of the other persons in the group may make available such managerial assistance. Making available significant managerial assistance means, among other things, any arrangement whereby the business development company, through its directors, officers or employees, offers to provide and, if accepted, does so provide, significant guidance and counsel concerning the management, operations or business objectives and policies of a portfolio company through monitoring of portfolio company operations, selective participation in board and management meetings, consulting with and advising a portfolio company's officers or other organizational or financial guidance.

Temporary Investments

Pending investment in other types of qualifying assets, as described above, our investments may consist of cash, cash equivalents, U.S. government securities or high quality debt securities maturing in one year or less from the time of investment, which we refer to, collectively, as temporary investments, so that 70% of our assets are qualifying assets. Typically, we invest in U.S. treasury bills or in repurchase agreements, provided that such agreements are fully collateralized by cash or securities issued by the U.S. government or its agencies. A repurchase agreement involves the purchase by an investor, such as us, of a specified security and the simultaneous agreement by the seller to repurchase it at an agreed upon future date and at a price which is greater than the purchase price by an amount that reflects an agreed-upon interest rate. There is no percentage restriction on the proportion of our assets that may be invested in such repurchase agreements. However, if more than 25% of our total assets constitute repurchase agreements from a single counterparty, we would not meet the diversification tests imposed on us by the Code in order to qualify as a RIC for federal income tax purposes. Thus, we do not intend to enter into repurchase agreements with a single counterparty in excess of this limit. We will monitor the creditworthiness of the counterparties with which we enter into repurchase agreement transactions.

Warrants and Options

Under the 1940 Act, a business development company is subject to restrictions on the amount of warrants, options, restricted stock or rights to purchase shares of capital stock that it may have outstanding at any time. In particular, the amount of capital stock that would result from the conversion or exercise of all outstanding

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warrants, options or rights to purchase capital stock cannot exceed 25% of the business development company's total outstanding shares of capital stock. This amount is reduced to 20% of the business development company's total outstanding shares of capital stock if the amount of warrants, options or rights issued pursuant to an executive compensation plan would exceed 15% of the business development company's total outstanding shares of capital stock. We have received exemptive relief from the SEC permitting us to issue stock options and restricted stock to our employees and directors subject to the above conditions, among others. For a discussion regarding the conditions of this exemptive relief, see Note 7 to the Notes to our Consolidated Financial Statements for the year ended December 31, 2010.

Senior Securities; Coverage Ratio

We will be permitted, under specified conditions, to issue multiple classes of indebtedness and one class of stock senior to our common stock if our asset coverage, as defined in the 1940 Act, is at least equal to 200% immediately after each such issuance. In addition, we may not be permitted to declare any cash dividend or other distribution on our outstanding common shares, or purchase any such shares, unless, at the time of such declaration or purchase, we have asset coverage of at least 200% after deducting the amount of such dividend, distribution, or purchase price. We may also borrow amounts up to 5% of the value of our total assets for temporary or emergency purposes. For a discussion of the risks associated with the resulting leverage, see Risk Factors Risks Related to Our Business Structure and Current Economic and Market Conditions. Because we borrow money, there could be increased risk in investing in our company.

Capital Structure

We are not generally able to issue and sell our common stock at a price below net asset value per share. We may, however, sell our common stock, at a price below the current net asset value of the common stock, or sell warrants, options or rights to acquire such common stock, at a price below the current net asset value of the common stock if our board of directors determines that such sale is in the best interests of the Company and our stockholders have approved the practice of making such sales. On June 1, 2011, our stockholders voted to allow us to issue up to an amount equal to 20% of our outstanding common stock at a price below our net asset value per share for a period of one year ending June 1, 2012. Our stockholders also approved a similar proposal at our 2008, 2009 and 2010 Annual Meetings of Stockholders. We have not conducted any public offering of our shares at a price below our net asset value. In any such case, the price at which our securities are to be issued and sold may not be less than a price which, in the determination of our board of directors, closely approximates the market value of such securities (less any distributing commission or discount).

Code of Ethics

We have adopted and will maintain a code of ethics that establishes procedures for personal investments and restricts certain personal securities transactions. Personnel subject to the code may invest in securities for their personal investment accounts, including securities that may be purchased or held by us, so long as such investments are made in accordance with the code's requirements. Our code of ethics will generally not permit investments by our employees in securities that may be purchased or held by us. We may be prohibited under the 1940 Act from conducting certain transactions with our affiliates without the prior approval of our directors who are not interested persons and, in some cases, the prior approval of the SEC.

Our code of ethics is posted on our website at www.herculestech.com and was filed with the SEC as an exhibit to the registration statement (Registration No. 333-126604) for our initial public offering. You may read and copy the code of ethics at the SEC's Public Reference Room in Washington, D.C. You may obtain information on the operation of the Public Reference Room by calling the SEC at (202) 551-8090. In addition, the code of ethics is attached as an exhibit to the registration statement of which this prospectus is a part, and is available on the EDGAR Database on the SEC's Internet site at <http://www.sec.gov>. You may also obtain copies of the code of ethics, after paying a duplicating fee, by electronic request at the following e-mail address: publicinfo@sec.gov, or by writing the SEC's Public Reference Section, 100 F Street, N.E., Washington, D.C. 20549.

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Privacy Principles

We are committed to maintaining the privacy of our stockholders and safeguarding their non-public personal information. The following information is provided to help you understand what personal information we collect, how we protect that information and why, in certain cases, we may share information with select other parties.

Generally, we do not receive any non-public personal information relating to our stockholders, although certain non-public personal information of our stockholders may become available to us. We do not disclose any non-public personal information about our stockholders or former stockholders, except as permitted by law or as is necessary in order to service stockholder accounts (for example, to a transfer agent).

We restrict access to non-public personal information about our stockholders to our employees with a legitimate business need for the information. We maintain physical, electronic and procedural safeguards designed to protect the non-public personal information of our stockholders.

Proxy Voting Policies and Procedures

We vote proxies relating to our portfolio securities in the best interest of our stockholders. We review on a case-by-case basis each proposal submitted to a stockholder vote to determine its impact on the portfolio securities held by us. Although we generally vote against proposals that may have a negative impact on our portfolio securities, we may vote for such a proposal if there exists compelling long-term reasons to do so.

Our proxy voting decisions are made by our investment committee, which is responsible for monitoring each of our investments. To ensure that our vote is not the product of a conflict of interest, we require that: (i) anyone involved in the decision making process disclose to our Chief Compliance Officer any potential conflict that he or she is aware of and any contact that he or she has had with any interested party regarding a proxy vote; and (ii) employees involved in the decision making process or vote administration are prohibited from revealing how we intend to vote on a proposal in order to reduce any attempted influence from interested parties.

Exemptive Relief

On June 21, 2005, we filed a request with the SEC for exemptive relief to allow us to take certain actions that would otherwise be prohibited by the 1940 Act, as applicable to business development companies. Specifically, we requested that the SEC permit us to issue stock options to our non-employee directors as contemplated by Section 61(a)(3)(B)(i)(II) of the 1940 Act. On February 15, 2007, we received approval from the SEC on this exemptive request. In addition, in June 2007, we filed an amendment to the February 2007 order to adjust the number of shares issued to the non-employee directors. On October 10, 2007, we received approval from the SEC on this amended exemptive request.

On April 5, 2007, we received exemptive relief from the SEC that permits us to exclude the indebtedness that our wholly-owned subsidiary, HT II, which is qualified as a small business investment company, issues to the Small Business Administration from the 200% asset coverage requirement applicable to us.

On May 2, 2007, we received approval from the SEC regarding our exemptive request permitting us to issue restricted stock to our employees, officers and directors. On June 21, 2007, our shareholders approved amendments to the 2004 Equity Incentive Plan and 2006 Non-Employee Incentive Plan permitting such restricted grants.

On June 22, 2010, we received approval from the SEC regarding our exemptive request permitting our employees to exercise their stock options and restricted stock and pay any related income taxes using a cashless exercise program.

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Other

We will be periodically examined by the SEC for compliance with the 1934 Act and the 1940 Act.

We are required to provide and maintain a bond issued by a reputable fidelity insurance company to protect us against larceny and embezzlement. Furthermore, as a business development company, we are prohibited from protecting any director or officer against any liability to our stockholders arising from willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of such person's office.

We are required to adopt and implement written policies and procedures reasonably designed to prevent violation of the federal securities laws, review these policies and procedures annually for their adequacy and the effectiveness of their implementation. We have designated Mr. Harvey, our Chief Legal Officer, as our Chief Compliance Officer who is responsible for administering these policies and procedures.

Small Business Administration Regulations

HT II and HT III, our wholly-owned subsidiaries, are licensed by the SBA as SBICs under Section 301(c) of the Small Business Investment Act of 1958. Under the Small Business Investment Company Act and current SBA policy applicable to SBICs, a SBIC can have outstanding at any time SBA guaranteed debentures up to twice the amount of its regulatory capital.

As of September 30, 2011, the maximum statutory limit on the dollar amount of outstanding SBA guaranteed debentures issued by a single SBIC is \$150.0 million, subject to periodic adjustments by the SBA. With our net investment of \$75.0 million in HT II as of September 30, 2011, HT II has the current capacity to issue up to a total of \$125.0 million of SBA guaranteed debentures, of which \$125.0 million was outstanding. Currently, HT II has paid commitment fees of approximately \$1.5 million. As of September 30, 2011, HT II had the potential to borrow up to \$125.0 million of SBA-guaranteed debentures under the SBIC program. As of September 30, 2011, the maximum statutory limit on the dollar amount of combined outstanding SBA guaranteed debentures is \$225.0 million, subject to periodic adjustments by the SBA. As of September 30, 2011, HT III had the potential to borrow up to \$100.0 million of SBA-guaranteed debentures under the SBIC program. With our net investment of \$50.0 million in HT III as of September 30, 2011, HT III has the capacity to issue a total of \$100.0 million of SBA guaranteed debentures, subject to SBA approval, of which \$63.75 million was outstanding at September 30, 2011. Currently, HT III has paid commitment fees of approximately \$750,000. There is no assurance that HT II or HT III will be able to draw up to the maximum limit available under the SBIC program.

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

HT II and HT III are periodically examined and audited by the SBA's staff to determine its compliance with SBIC regulations. If HT II or HT III fails to comply with applicable SBA regulations, the SBA could, depending on the severity of the violation, limit or prohibit HT II's or HT III's use of debentures, declare outstanding debentures immediately due and payable, and/or limit HT II or HT III from making new investments. In addition, HT II or HT III may also be limited in their ability to make distributions to us if they do not have sufficient capital in accordance with SBA regulations. Such actions by the SBA would, in turn, negatively affect us because

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HT II and HT III are our wholly owned subsidiaries. HT II and HT III were in compliance with the terms of the SBIC's leverage as of September 30, 2011 as a result of having sufficient capital as defined under the SBA regulations. As of September 30, 2011, HT II and HT III could draw up to \$25.0 million and \$36.25 million, respectively, of additional leverage from SBA. The rates of borrowings under various draws from the SBA beginning in April 2007 and set semiannually in March and September range from 3.22% to 5.73%. In addition, the SBA charges a fee that is set annually, depending on the Federal fiscal year the leverage commitment was delegated by the SBA, regardless of the date that the leverage was drawn by the SBIC. The annual fees related to HT II debentures that pooled on September 22, 2010 were 0.406% and 0.285%, depending upon the year the underlying commitment was closed in. The annual fees on other debentures have been set at 0.906%. The average amount of debentures outstanding for the year ended December 31, 2010 for HT II was approximately \$139.4 million with an average interest rate of approximately 5.11 %. The average amount of debentures outstanding for the year ended December 31, 2010 for HT III was approximately \$13.9 million with an average interest rate of approximately 3.215%. Interest is payable semiannually and there are no principal payments required on these issues prior to maturity. Debentures under the SBA generally mature ten years after being borrowed. Based on the initial draw down date of April 2007, the initial maturity of SBA debentures will occur in April 2017.

The SBA restricts the ability of SBICs to repurchase their capital stock. SBA regulations also include restrictions on a change of control or transfer of an SBIC and require that SBICs invest idle funds in accordance with SBA regulations. In addition, HT II and HT III may also be limited in their ability to make distributions to us if they do not have sufficient capital, in accordance with SBA regulations.

Our SBIC subsidiaries are subject to regulation and oversight by the SBA, including requirements with respect to maintaining certain minimum financial ratios and other covenants. Receipt of an SBIC license does not assure that our SBIC subsidiaries will receive SBA guaranteed debenture funding, which is dependent upon our SBIC subsidiaries continuing to be in compliance with SBA regulations and policies. The SBA, as a creditor, will have a superior claim to our SBIC subsidiaries' assets over our stockholders in the event we liquidate our SBIC subsidiaries or the SBA exercises its remedies under the SBA-guaranteed debentures issued by our SBIC subsidiaries upon an event of default.

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DETERMINATION OF NET ASSET VALUE

We determine the net asset value per share of our common stock quarterly. The net asset value per share is equal to the value of our total assets minus liabilities and any preferred stock outstanding divided by the total number of shares of common stock outstanding. As of the date of this report, we do not have any preferred stock outstanding.

Our investments are carried at fair value in accordance with the 1940 Act and Accounting Standards Codification (ASC) topic 820 Fair Value Measures and Disclosures (formerly known as SFAS No. 157, Fair Value Measurements). At September 30, 2011, approximately 83.7% of our total assets represented investments in portfolio companies recorded at fair value, as determined by the Board of Directors. Value, as defined in Section 2(a)(41) of the 1940 Act, is (i) the market price for those securities for which a market quotation is readily available and (ii) for all other securities and assets, fair value is as determined in good faith by the Board of Directors in accordance with established valuation procedures and the recommendation of the Valuation Committee of the Board of Directors. Since there is typically no readily available market value for the investments in our portfolio, we value substantially all of our investments at fair value as determined in good faith by our Board of Directors pursuant to a valuation policy and a consistent valuation process. Due to the inherent uncertainty in determining the fair value of investments that do not have a readily available market value, the fair value of our investments determined in good faith by our Board of Directors may differ significantly from the value that would have been used had a ready market existed for such investments, and the differences could be material.

Our Board of Directors may from time to time engage an independent valuation firm to provide us with valuation assistance with respect to certain of our portfolio companies on a quarterly basis. We intend to continue to engage an independent valuation firm to provide us with assistance regarding our determination of the fair value of selected portfolio investments each quarter unless directed by the Board of Directors to cancel such valuation services. The scope of the services rendered by an independent valuation firm is at the discretion of the Board of Directors. Our Board of Directors is ultimately and solely responsible for determining the fair value of our investments in good faith.

With respect to investments for which market quotations are not readily available or when such market

quotations are deemed not to represent fair value, our board of directors has approved a multi-step valuation process each quarter, as described below:

- (1) our quarterly valuation process begins with each portfolio company or investment being initially valued by the investment professionals responsible for the portfolio investment;
- (2) preliminary valuation conclusions are then documented and discussed with our investment committee;
- (3) the valuation committee of the board of directors reviews the preliminary valuation of the investment committee and that of the independent valuation firm and responds to the valuation recommendation of the independent valuation firm to reflect any comments, if any; and
- (4) the board of directors discusses valuations and determines the fair value of each investment in our portfolio in good faith based on the input of, where applicable, the respective independent valuation firm and the valuation committee.

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

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

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

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

Level 3 Inputs reflect management's best estimate of what market participants would use in pricing the

asset at the measurement date. It includes prices or valuations that require inputs that are both significant to

the fair value measurement and unobservable. Generally, assets carried at fair value and included in this category are the debt investments and warrants and equities held in a private company.

Debt Investments

The Company follows the guidance set forth in ASC 820 which establishes a framework for measuring the fair value of assets and liabilities and outlines a fair value hierarchy which prioritizes the inputs used to measure fair value and the effect of fair value measures on earnings. The Company's debt securities are primarily invested in equity sponsored technology, life science and clean technology companies. Given the nature of lending to these types of businesses, the Company's investments in these portfolio companies are considered Level 3 assets under ASC 820 because there is no known or accessible market or market indexes for these investment securities to be traded or exchanged.

We apply a procedure that assumes a sale of investment in a hypothetical market to a hypothetical market participant where buyers and sellers are willing participants. The hypothetical market does not include scenarios where the underlying security was simply repaid or extinguished, but includes an exit concept. Under the new process, the Company also evaluates the collateral for recoverability of the debt investments as well as apply all of its historical fair value analysis excluding its interest rate sensitivity analysis, which was replaced by the hypothetical market participant method, as discussed above. The Company uses pricing on recently issued comparable debt securities to determine the baseline hypothetical market yields as of the measurement date. The Company considers each portfolio company's credit rating, security liens and other characteristics of the investment to adjust the baseline yield to derive a hypothetical yield for each investment. The anticipated future cash flows from each investment are then discounted at the hypothetical yield to estimate each investment's fair value as of the measurement date.

The Company's process includes, among other things, the underlying investment performance, the current portfolio company's financial condition and market changing events that impact valuation, estimated remaining life, current market yield and interest rate spreads of similar securities as of the measurement date. If there is a significant deterioration of the credit quality of a debt investment, the Company may consider other factors to estimate fair value, including the proceeds that would be received in a liquidation analysis.

The Company records unrealized depreciation on investments when it believes that an investment has decreased in value, including where collection of a loan is doubtful or if under the in exchange premise when the value of a debt security were to be less than amortized cost of the investment. 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 or if under the in exchange premise the value of a debt security were to greater than amortized cost.

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

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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.

Equity-Related Securities and Warrants

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. We have a limited number of equity securities in public companies. In accordance with the 1940 Act, unrestricted publicly traded securities for which market quotations are readily available are valued at the closing market quote on the valuation date.

The Company estimates the fair value of warrants using a Black Scholes pricing model. At each reporting date, privately held warrant and equity related 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, price to enterprise value or price to equity ratios, discounted cash flow, valuation comparisons to comparable public companies or other industry benchmarks. 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 warrant and equity related. 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.

Determinations In Connection With Offerings

In connection with each offering of shares of our common stock, the Board of Directors or a committee thereof is required to make the determination that we are not selling shares of our common stock at a price below our then current net asset value at the time at which the sale is made. The Board of Directors considers the following factors, among others, in making such determination:

the net asset value of our common stock disclosed in the most recent periodic report we filed with the SEC;

our management's assessment of whether any material change in the net asset value has occurred (including through the realization of net gains on the sale of our portfolio investments) from the period beginning on the date of the most recently disclosed net asset value to the period ending two days prior to the date of the sale of our common stock; and

the magnitude of the difference between the net asset value disclosed in the most recent periodic report we filed with the SEC and our management's assessment of any material change in the net asset value since the date of the most recently disclosed net asset value, and the offering price of the shares of our common stock in the proposed offering.

Importantly, this determination does not require that we calculate net asset value in connection with each offering of shares of our common stock, but instead it involves the determination by the Board of Directors or a committee thereof that we are not selling shares of our common stock at a price below the then current net asset value at the time at which the sale is made.

Moreover, to the extent that there is even a remote possibility that we may (i) issue shares of our common stock at a price below the then current net asset value of our common stock at the time at which the sale is made or (ii) trigger the undertaking (which we provided to the SEC in the registration statement to which this prospectus is a part) to suspend the offering of shares of our common stock pursuant to this prospectus if the net asset value fluctuates by certain amounts in certain circumstances until the prospectus is amended, the Board of Directors or a committee thereof will elect, in the case of clause (i) above, either to postpone the offering until

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such time that there is no longer the possibility of the occurrence of such event or to undertake to determine net asset value within two days prior to any such sale to ensure that such sale will not be below our then current net asset value, and, in the case of clause (ii) above, to comply with such undertaking or to undertake to determine net asset value to ensure that such undertaking has not been triggered.

These processes and procedures are part of our compliance policies and procedures. Records will be made contemporaneously with all determinations described in this section and these records will be maintained with other records we are required to maintain under the 1940 Act.

SALES OF COMMON STOCK BELOW NET ASSET VALUE

On June 1, 2011, our common stockholders voted to allow us to issue common stock at a discount from our net asset value (NAV) per share for a period of one year ending on June 1, 2012. In connection with the receipt of such stockholder approval, we agreed to limit the number of shares that we issue at a price below net asset value pursuant to this authorization so that the aggregate dilutive effect on our then outstanding shares will not exceed 20%.

In order to sell shares pursuant to this authorization:

a majority of our independent directors who have no financial interest in the sale must have approved the sale; and

a majority of such directors, who are not interested persons of the Company, in consultation with the underwriter or underwriters of the offering if it is to be underwritten, must have determined in good faith, and as of a time immediately prior to the first solicitation by us or on our behalf of firm commitments to purchase such shares or immediately prior to the issuance of such shares, that the price at which such shares are to be sold is not less than a price which closely approximates the market value of those shares, less any underwriting commission or discount.

Any offering of common stock below NAV per share will be designed to raise capital for investment in accordance with our investment objectives and business strategies.

In making a determination that an offering below NAV per share is in our and our stockholders' best interests, our Board of Directors would consider a variety of factors including:

The effect that an offering below NAV per share would have on our stockholders, including the potential dilution they would experience as a result of the offering;

The amount per share by which the offering price per share and the net proceeds per share are less than the most recently determined NAV per share;

The relationship of recent market prices of our common stock to NAV per share and the potential impact of the offering on the market price per share of our common stock;

Whether the proposed offering price would closely approximate the market value of our shares;

The potential market impact of being able to raise capital during the current financial market difficulties;

The nature of any new investors anticipated to acquire shares in the offering;

The anticipated rate of return on and quality, type and availability of investments to be funded with the proceeds from the offering, if any; and

The leverage available to us, both before and after any offering, and the terms thereof.

Sales by us of our common stock at a discount from NAV pose potential risks for our existing stockholders whether or not they participate in the offering, as well as for new investors who participate in the offering.

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The following three headings and accompanying tables will explain and provide hypothetical examples on the impact of an offering at a price less than NAV per share on three different sets of investors:

existing stockholders who do not purchase any shares in the offering;

existing stockholders who purchase a relatively small amount of shares in the offering or a relatively large amount of shares in the offering; and

new investors who become stockholders by purchasing shares in the offering.

Impact on Existing Stockholders who do not Participate in the Offering

Our existing stockholders who do not participate in an offering below NAV per share or who do not buy additional shares in the secondary market at the same or lower price we obtain in the offering (after expenses and commissions) face the greatest potential risks. All stockholders will experience an immediate decrease (often called dilution) in the NAV of the shares they hold. Stockholders who do not participate in the offering will also experience a disproportionately greater decrease in their participation in our earnings and assets and their voting power than stockholders who do participate in the offering. All stockholders may also experience a decline in the market price of their shares, which often reflects to some degree announced or potential decreases in NAV per share. This decrease could be more pronounced as the size of the offering and level of discount to NAV increases.

The following table illustrates the level of NAV dilution that would be experienced by a nonparticipating stockholder in different hypothetical offerings of different sizes and levels of discount from NAV per share. Actual sales prices and discounts may differ from the presentation below.

The examples assume that Company XYZ has 3,000,000 common shares outstanding, \$40,000,000 in total assets and \$10,000,000 in total liabilities. The current net asset value and NAV are thus \$30,000,000 and \$10.00, respectively. The table illustrates the dilutive effect on nonparticipating Stockholder A of (1) an offering of 300,000 shares (10% of the outstanding shares) with proceeds to the Company XYZ at \$9.00 per share after offering expenses and commissions, and (2) an offering of 600,000 shares (20% of the outstanding shares) with proceeds to the Company at \$0.001 per share after offering expenses and commissions (a 100% discount from net asset value).

	Prior to Sale Below NAV	Example 1 10% Offering at 10% Discount Following Sale	% Change	Example 2 20% Offering at 100% Discount Following Sale	% Change
Offering Price					
Price per Share to Public ⁽¹⁾		\$ 9.47		\$ 0.001	
Net Proceeds per Share to Issuer		\$ 9.00		\$ 0.001	
Decrease to NAV					
Total Shares Outstanding	3,000,000	3,300,000	10.00%	3,600,000	20.00%
NAV per Share	\$ 10.00	\$ 9.91	(0.90)%	\$ 8.33	(16.67)%
Share Dilution to Stockholder					
Shares Held by Stockholder A	30,000	30,000		30,000	
Percentage of Shares Held by Stockholder A	1.00%	0.91%	(9.09)%	0.83%	(16.67)%
Total Asset Values					
Total NAV Held by Stockholder A	\$ 300,000	\$ 297,273	(0.90)%	\$ 250,005	(16.67)%
Total Investment by Stockholder A (Assumed to Be \$10.00 per Share)	\$ 300,000	\$ 300,000		\$ 300,000	
Total Dilution to Stockholder A (Change in Total NAV Held By Stockholder)		\$ (2,727)		\$ (49,995)	
Per Share Amounts					

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NAV per Share Held by Stockholder A		\$	9.91		\$	8.33
Investment per Share Held by Stockholder A						
(Assumed to be \$10.00 per Share on Shares Held						
Prior to Sale)	\$	10.00	\$	10.00	\$	10.00
Dilution per Share Held by Stockholder A			\$	(0.09)	\$	(1.67)
Percentage Dilution per Share Held by Stockholder A				(0.90)%		(16.67)%

(1) Assumes 5% in selling compensation and expenses paid by Company XYZ.

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Our existing stockholders who participate in an offering below NAV per share or who buy additional shares in the secondary market at the same or lower price as we obtain in the offering (after expenses and commissions) will experience the same types of NAV dilution as the nonparticipating stockholders, albeit at a lower level, to the extent they purchase less than the same percentage of the discounted offering as their interest in our shares immediately prior to the offering. The level of NAV dilution on an aggregate basis will decrease as the number of shares such stockholders purchase increases. Existing stockholders who buy more than their proportionate percentage will experience NAV dilution but will, in contrast to existing stockholders who purchase less than their proportionate share of the offering, experience an increase (often called accretion) in NAV per share over their investment per share and will also experience a disproportionately greater increase in their participation in our earnings and assets and their voting power than our increase in assets, potential earning power and voting interests due to the offering. The level of accretion will increase as the excess number of shares purchased by such stockholder increases. Even a stockholder who over-participates will, however, be subject to the risk that we may make additional discounted offerings in which such stockholder does not participate, in which case such a stockholder will experience NAV dilution as described above in such subsequent offerings. These stockholders may also experience a decline in the market price of their shares, which often reflects to some degree announced or potential decreases in NAV per share. This decrease could be more pronounced as the size of the offering and the level of discount to NAV increases.

The following chart illustrates the level of dilution and accretion in the hypothetical 20% discount offering from the prior chart (Example 3) for a stockholder that acquires shares equal to (1) 50% of its proportionate share of the offering (i.e., 3,000 shares, which is 0.5% of an offering of 600,000 shares rather than its 1.0% proportionate share) and (2) 150% of such percentage (i.e., 9,000 shares, which is 1.5% of an offering of 600,000 shares rather than its 1.0% proportionate share). The prospectus supplement pursuant to which any discounted offering is made will include a chart for this example based on the actual number of shares in such offering and the actual discount from the most recently determined NAV per share.

	Prior to Sale Below NAV	50% Participation Following Sale	% Change	150% Participation Following Sale	% Change
Offering Price					
Price per Share to Public ⁽¹⁾		\$ 8.42		\$ 8.42	
Net Proceeds per Share to Issuer		\$ 8.00		\$ 8.00	
Increase in Shares and Decrease to NAV					
Total Shares Outstanding	3,000,000	3,600,000	20.00%	3,600,000	20.00%
NAV per Share	\$ 10.00	\$ 9.67	(3.33)%	\$ 9.67	(3.33)%
Dilution/Accretion to Participating Stockholder A					
Share Dilution/Accretion					
Shares Held by Stockholder A	30,000	33,000	10.00%	39,000	30.00%
Percentage Outstanding Held by Stockholder A	1.00%	0.92%	(8.33)%	1.08%	8.33%
NAV Dilution/Accretion					
Total NAV Held by Stockholder A	\$ 300,000	\$ 319,110	6.33%	\$ 377,130	25.67%
Total Investment by Stockholder A (Assumed to be \$10.00 per Share on Shares Held Prior to Sale)		\$ 325,260		\$ 375,780	
Total Dilution/Accretion to Stockholder A (Total NAV Less Total Investment)		\$ (6,150)		\$ 1,350	
NAV Dilution/Accretion per Share					
NAV per Share Held by Stockholder A		\$ 9.67		\$ 9.67	
Investment per Share Held by Stockholder A (Assumed to be \$10.00 per Share on Shares Held Prior to Sale)	\$ 10.00	\$ 9.86	(1.44)%	\$ 9.64	(3.65)%
NAV Dilution/Accretion per Share Experienced by Stockholder A (NAV per Share Less Investment per Share)		\$ (0.19)		\$ 0.03	
Percentage NAV Dilution/Accretion Experienced by Stockholder A (NAV Dilution/Accretion per Share Divided by Investment per Share)			(1.93)%		0.31%

(1) Assumes 5% in selling compensation and expenses paid by Company XYZ.

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Investors who are not currently stockholders, but who participate in an offering below NAV and whose investment per share is greater than the resulting NAV per share (due to selling compensation and expenses paid by us) will experience an immediate decrease, albeit small, in the NAV of their shares and their NAV per share compared to the price they pay for their shares. Investors who are not currently stockholders and who participate in an offering below NAV per share and whose investment per share is also less than the resulting NAV per share will experience an immediate increase in the NAV of their shares and their NAV per share compared to the price they pay for their shares. All these investors will experience a disproportionately greater participation in our earnings and assets and their voting power than our increase in assets, potential earning power and voting interests. These investors will, however, be subject to the risk that we may make additional discounted offerings in which such new stockholder does not participate, in which case such new stockholder will experience dilution as described above in such subsequent offerings. These investors may also experience a decline in the market price of their shares, which often reflects to some degree announced or potential decreases in NAV per share. This decrease could be more pronounced as the size of the offering and level of discount to NAV increases.

The following chart illustrates the level of dilution or accretion for new investors that would be experienced by a new investor in the same hypothetical 10% and 100% discounted offerings as described in the first chart above. The illustration is for a new investor who purchases the same percentage (1.00%) of the shares in the offering as Stockholder A in the prior examples held immediately prior to the offering. The prospectus supplement pursuant to which any discounted offering is made will include a chart for these examples based on the actual number of shares in such offering and the actual discount from the most recently determined NAV per share.

	Prior to Sale Below NAV	Example 1 10% Offering at 10% Discount Following Sale	% Change	Example 2 20% Offering at 100% Discount Following Sale	% Change
Offering Price					
Price per Share to Public ⁽¹⁾		\$ 9.47		\$ 0.001	
Net Proceeds per Share to Issuer		\$ 9.00		\$ 0.001	
Increase in Shares and Decrease to NAV					
Total Shares Outstanding	3,000,000	3,300,000	10.00%	3,600,000	20.00%
NAV per Share	\$ 10.00	\$ 9.91	(0.90)%	\$ 8.33	(16.67)%
Dilution/Accretion to New Investor A					
Share Dilution					
Shares Held by Investor A		3,000		6,000	
Percentage Outstanding Held by Investor A	0.00%	0.09%		0.17%	
NAV Dilution					
Total NAV Held by Investor A		\$ 29,730		\$ 50,001	
Total Investment by Investor A (At Price to Public)		\$ 28,410		\$ 6	
Total Dilution/Accretion to Investor A (Total NAV Less Total Investment)		\$ 1,320		\$ 49,995	
NAV Dilution per Share					
NAV per Share Held by Investor A		\$ 9.91		\$ 8.33	
Investment per Share Held by Investor A		\$ 9.47		\$ 0.001	
NAV Dilution/Accretion per Share Experienced by Investor A (NAV per Share Less Investment per Share)		\$ 0.44		\$ 8.33	
Percentage NAV Dilution/Accretion Experienced by Investor A (NAV Dilution/Accretion per Share Divided by Investment per Share)			4.65%		99.99%

(1) Assumes 5% in selling compensation and expenses paid by Company XYZ.

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DIVIDEND REINVESTMENT PLAN

We have adopted a dividend reinvestment plan (the "DRP"), through which all dividend distributions are paid to our stockholders in the form of additional shares of our common stock, unless a stockholder elects to receive cash as provided below. In this way, a stockholder can maintain an undiluted investment in our common stock and still allow us to pay out the required distributable income.

No action is required on the part of a registered stockholder to receive a dividend distribution in shares of our common stock. A registered stockholder may elect to receive an entire dividend distribution in cash by notifying American Stock Transfer & Trust Company, the plan administrator and our transfer agent and registrar, so that such notice is received by the plan administrator no later than three days prior to the payment date for dividend distributions to stockholders. The plan administrator will set up an account for shares acquired through the DRP for each stockholder who has not elected to receive distributions in cash (each a "Participant") and hold such shares in non-certificated form. Upon request by a Participant, received not less than three days prior to the payment date, the plan administrator will, instead of crediting shares to the Participant's account, issue a certificate registered in the Participant's name for the number of whole shares of our common stock and a check for any fractional share.

Those stockholders whose shares are held by a broker or other financial intermediary may receive distributions in cash by notifying their broker or other financial intermediary of their election.

We expect to use primarily newly-issued shares to implement the DRP, whether our shares are trading at a premium or at a discount to net asset value, although we have the option under the DRP to purchase shares in the market to fulfill DRP requirements. The number of shares to be issued to a stockholder is determined by dividing the total dollar amount of the dividend distribution payable to such stockholder by the market price per share of our common stock at the close of regular trading on the Nasdaq Global Market on the valuation date for such dividend distribution. Market price per share on that date will be the closing price for such shares on the Nasdaq Global Select Market or, if no sale is reported for such day, at the average of their electronically-reported bid and asked prices. The number of shares of our common stock to be outstanding after giving effect to payment of the distribution cannot be established until the value per share at which additional shares will be issued has been determined and elections of our stockholders have been tabulated.

There is no charge to our stockholders for receiving their dividend distributions in the form of additional shares of our common stock. The plan administrator's fees for handling dividend distributions in stock are paid by us. There are no brokerage charges with respect to shares we have issued directly as a result of dividend distributions payable in stock. If a Participant elects by internet or by written or telephonic notice to the plan administrator to have the plan administrator sell part or all of the shares held by the plan administrator in the Participant's account and remit the proceeds to the Participant, the plan administrator is authorized to deduct a \$15.00 transaction fee plus brokerage commissions from the proceeds.

Any shares issued in connection with a stock split or stock dividend will be added to a Participant's account with the Plan Administrator. The Plan Administrator may curtail or suspend transaction processing until the completion of such stock split or payment of such stock dividend.

Stockholders who receive dividend distributions in the form of stock generally are subject to the same federal, state and local tax consequences as are stockholders who elect to receive their dividend distributions in cash. A stockholder's basis for determining gain or loss upon the sale of stock received in a dividend distribution from us will be equal to the total dollar amount of the dividend distribution payable to the stockholder.

The DRP may be terminated by us upon notice in writing mailed to each Participant at least 30 days prior to any record date for the payment of any dividend distribution by us. All correspondence concerning the DRP, including requests for additional information, should be directed to the plan administrator by mail at American Stock Transfer & Trust Company, Attn: Dividend Reinvestment Department, P.O. Box 922, Wall Street Station, New York, NY 10269-0560 or by phone at 1-866-669-9888.

Table of Contents**DESCRIPTION OF CAPITAL STOCK**

The following description is based on relevant portions of the Maryland General Corporation Law and on our charter and bylaws. This summary may not contain all of the information that is important to you, and we refer you to the Maryland General Corporation Law and our charter and bylaws for a more detailed description of the provisions summarized below.

Under the terms of our charter, our authorized capital stock consists of 100,000,000 shares of common stock, par value \$0.001 per share, of which 48,905,082 shares are outstanding as of February 7, 2012. Under our charter, our Board of Directors is authorized to classify and reclassify any unissued shares of stock into other classes or series of stock, and to cause the issuance of such shares, without obtaining stockholder approval. In addition, as permitted by the Maryland General Corporation Law, but subject to the 1940 Act, our charter provides that the Board of Directors, without any action by our stockholders, may amend the charter from time to time to increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class or series that we have authority to issue. Under Maryland law, our stockholders generally are not personally liable for our debts or obligations.

Common Stock

All shares of our common stock have equal rights as to earnings, assets, dividends and voting privileges, except as described below and, when they are issued, will be duly authorized, validly issued, fully paid and nonassessable.

Distributions may be paid to the holders of our common stock if, as and when authorized by our Board of Directors and declared by us out of assets legally available therefor. Shares of our common stock have no conversion, exchange, preemptive or redemption rights. In the event of a liquidation, dissolution or winding up of Hercules Technology Growth Capital each share of our common stock would be entitled to share ratably in all of our assets that are legally available for distribution after we pay all debts and other liabilities and subject to any preferential rights of holders of our preferred stock, if any preferred stock is outstanding at such time. Each share of our common stock is entitled to one vote on all matters submitted to a vote of stockholders, including the election of directors. Except as provided with respect to any other class or series of stock, the holders of our common stock will possess exclusive voting power. There is no cumulative voting in the election of directors, which means that holders of a majority of the outstanding shares of common stock will elect all of our directors, and holders of less than a majority of such shares will be unable to elect any director.

Title of Class	Amount Authorized	Amount Held by Company for its Account	Amount Outstanding
Common Stock, \$0.001 par value per share	100,000,000		48,905,082

Preferred Stock

Our charter authorizes our Board of Directors to classify and reclassify any unissued shares of stock into other classes or series of stock, including preferred stock. Prior to issuance of shares of each class or series, the Board of Directors is required by Maryland law and by our charter to set the terms, preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms or conditions of redemption for each class or series. Thus, the Board of Directors could authorize the issuance of shares of preferred stock with terms and conditions which could have the effect of delaying, deferring or preventing a transaction or a change in control that might involve a premium price for holders of our common stock or otherwise be in their best interest. You should note, however, that any issuance of preferred stock must comply with the requirements of the 1940 Act. The 1940 Act requires, among other things, that (1) immediately after issuance and before any dividend or other distribution is made with respect to our common stock and before

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any purchase of common stock is made, such preferred stock together with all other senior securities must not exceed an amount equal to 50% of our total assets after deducting the amount of such dividend, distribution or purchase price, as the case may be, and (2) the holders of shares of preferred stock, if any are issued, must be entitled as a class to elect two directors at all times and to elect a majority of the directors if dividends on such preferred stock are in arrears by two years or more. Certain matters under the 1940 Act require the separate vote of the holders of any issued and outstanding preferred stock. We believe that the availability for issuance of preferred stock will provide us with increased flexibility in structuring future financings and acquisitions.

Limitation on Liability of Directors and Officers; Indemnification and Advance of Expenses

Maryland law permits a Maryland corporation to include in its charter a provision limiting the liability of its directors and officers to the corporation and its stockholders for money damages except for liability resulting from (a) actual receipt of an improper benefit or profit in money, property or services or (b) active and deliberate dishonesty established by a final judgment as being material to the cause of action. Our charter contains such a provision which eliminates directors' and officers' liability to the maximum extent permitted by Maryland law, subject to the requirements of the 1940 Act.

Our charter authorizes us, to the maximum extent permitted by Maryland law and subject to the requirements of the 1940 Act, to indemnify any present or former director or officer or any individual who, while a director or officer and at our request, serves or has served another corporation, real estate investment trust, partnership, joint venture, trust, employee benefit plan or other enterprise as a director, officer, partner or trustee, from and against any claim or liability to which such person may become subject or which such person may incur by reason of his or her service in any such capacity, except with respect to any matter as to which such person shall have been finally adjudicated in any proceeding not to have acted in good faith in the reasonable belief that their action was in our best interest or to be liable to us or our stockholders by reason of willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of such person's office. Our charter also provides that, to the maximum extent permitted by Maryland law, with the approval of our Board of Directors and provided that certain conditions described in our charter are met, we may pay certain expenses incurred by any such indemnified person in advance of the final disposition of a proceeding upon receipt of an undertaking by or on behalf of such indemnified person to repay amounts we have so paid if it is ultimately determined that indemnification of such expenses is not authorized under our charter. Our bylaws obligate us, to the maximum extent permitted by Maryland law and subject to the requirements of the 1940 Act, to indemnify any present or former director or officer or any individual who, while a director or officer and at our request, serves or has served another corporation, real estate investment trust, partnership, joint venture, trust, employee benefit plan or other enterprise as a director, officer, partner or trustee and who is made, or threatened to be made, a party to the proceeding by reason of his or her service in any such capacity from and against any claim or liability to which that person may become subject or which that person may incur by reason of his or her service in any such capacity, except with respect to any matter as to which such person shall have been finally adjudicated in any proceeding not to have acted in good faith in the reasonable belief that their action was in our best interest or to be liable to us or our stockholders by reason of willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of such person's office. Our bylaws also provide that, to the maximum extent permitted by Maryland law, with the approval of our Board of Directors and provided that certain conditions described in our bylaws are met, we may pay certain expenses incurred by any such indemnified person in advance of the final disposition of a proceeding upon receipt of an undertaking by or on behalf of such indemnified person to repay amounts we have so paid if it is ultimately determined that indemnification of such expenses is not authorized under our bylaws.

Maryland law requires a corporation (unless its charter provides otherwise, which our charter does not) to indemnify a director or officer who has been successful in the defense of any proceeding to which he or she is made, or threatened to be made, a party by reason of his or her service in that capacity. Maryland law permits a corporation to indemnify its present and former directors and officers, among others, against judgments,

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penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made, or threatened to be made, a party by reason of their service in those or other capacities unless it is established that (a) the act or omission of the director or officer was material to the matter giving rise to the proceeding and (1) was committed in bad faith or (2) was the result of active and deliberate dishonesty, (b) the director or officer actually received an improper personal benefit in money, property or services or (c) in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful. However, under Maryland law, a Maryland corporation may not indemnify for an adverse judgment in a suit by or in the right of the corporation or for a judgment of liability on the basis that a personal benefit was improperly received, unless in either case a court orders indemnification, and then only for expenses. In addition, Maryland law permits a corporation to advance reasonable expenses to a director or officer upon the corporation's receipt of (a) a written affirmation by the director or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification by the corporation and (b) a written undertaking by him or her or on his or her behalf to repay the amount paid or reimbursed by the corporation if it is ultimately determined that the standard of conduct was not met.

We currently have in effect a directors' and officers' insurance policy covering our directors and officers and us for any acts and omissions committed, attempted or allegedly committed by any director or officer during the policy period. The policy is subject to customary exclusions.

Provisions of the Maryland General Corporation Law and Our Charter and Bylaws

The Maryland General Corporation Law and our charter and bylaws contain provisions that could make it more difficult for a potential acquiror to acquire us by means of a tender offer, proxy contest or otherwise. These provisions are expected to discourage certain coercive takeover practices and inadequate takeover bids and to encourage persons seeking to acquire control of us to negotiate first with our Board of Directors. We believe that the benefits of these provisions outweigh the potential disadvantages of discouraging any such acquisition proposals because, among other things, the negotiation of such proposals may improve their terms.

Classified Board of Directors

Our Board of Directors is divided into three classes of directors serving staggered three-year terms. The terms of the first, second and third classes will expire in 2012, 2013 and 2014, respectively. Upon expiration of their current terms, directors of each class are eligible to serve for three-year terms or until their successors are duly elected and qualify. Each year one class of directors will be elected by the stockholders. A classified board may render a change in control or removal of our incumbent management more difficult. We believe, however, that the longer time required to elect a majority of a classified Board of Directors will help to ensure the continuity and stability of our management and policies.

Election of Directors

Our charter provides that, except as otherwise provided in the bylaws, the affirmative vote of the holders of a majority of the outstanding shares of stock entitled to vote in the election of directors will be required to elect each director. Our bylaws currently provide that directors are elected by a plurality of the votes cast in the election of directors. Pursuant to our charter and bylaws, our Board of Directors may amend the bylaws to alter the vote required to elect directors.

Number of Directors; Vacancies; Removal

Our charter provides that the number of directors will be set only by the Board of Directors in accordance with our bylaws. Our bylaws provide that a majority of our entire Board of Directors may at any time increase or decrease the number of directors. However, unless the bylaws are amended, the number of directors may never

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be less than one nor more than 12. We have elected to be subject to the provision of Subtitle 8 of Title 3 of the Maryland General Corporation Law regarding the filling of vacancies on the Board of Directors. Accordingly, at such time, except as may be provided by the Board of Directors in setting the terms of any class or series of preferred stock, any and all vacancies on the Board of Directors may be filled only by the affirmative vote of a majority of the remaining directors in office, even if the remaining directors do not constitute a quorum, and any director elected to fill a vacancy shall serve for the remainder of the full term of the directorship in which the vacancy occurred and until a successor is elected and qualifies, subject to any applicable requirements of the 1940 Act.

Our charter provides that a director may be removed only for cause, as defined in the charter, and then only by the affirmative vote of at least two-thirds of the votes entitled to be cast in the election of directors.

Action by Stockholders

Under the Maryland General Corporation Law, stockholder action may be taken only at an annual or special meeting of stockholders or by unanimous consent in lieu of a meeting (unless the charter provides for stockholder action by less than unanimous written consent, which our charter does not). These provisions, combined with the requirements of our bylaws regarding the calling of a stockholder-requested special meeting of stockholders discussed below, may have the effect of delaying consideration of a stockholder proposal until the next annual meeting.

Advance Notice Provisions for Stockholder Nominations and Stockholder Proposals

Our bylaws provide that with respect to an annual meeting of stockholders, nominations of persons for election to the Board of Directors and the proposal of business to be considered by stockholders may be made only (1) pursuant to our notice of the meeting, (2) by the Board of Directors or (3) by a stockholder who is entitled to vote at the meeting and who has complied with the advance notice procedures of the bylaws. With respect to special meetings of stockholders, only the business specified in our notice of the meeting may be brought before the meeting. Nominations of persons for election to the Board of Directors at a special meeting may be made only (1) pursuant to our notice of the meeting, (2) by the Board of Directors or (3) provided that the Board of Directors has determined that directors will be elected at the meeting, by a stockholder who is entitled to vote at the meeting and who has complied with the advance notice provisions of the bylaws.

The purpose of requiring stockholders to give us advance notice of nominations and other business is to afford our Board of Directors a meaningful opportunity to consider the qualifications of the proposed nominees and the advisability of any other proposed business and, to the extent deemed necessary or desirable by our Board of Directors, to inform stockholders and make recommendations about such qualifications or business, as well as to provide a more orderly procedure for conducting meetings of stockholders. Although our bylaws do not give our Board of Directors any power to disapprove stockholder nominations for the election of directors or proposals recommending certain action, they may have the effect of precluding a contest for the election of directors or the consideration of stockholder proposals if proper procedures are not followed and of discouraging or deterring a third party from conducting a solicitation of proxies to elect its own slate of directors or to approve its own proposal without regard to whether consideration of such nominees or proposals might be harmful or beneficial to us and our stockholders.

Calling of Special Meeting of Stockholders

Our bylaws provide that special meetings of stockholders may be called by our Board of Directors and certain of our officers. Additionally, our bylaws provide that, subject to the satisfaction of certain procedural and informational requirements by the stockholders requesting the meeting, a special meeting of stockholders shall be called by our secretary upon the written request of stockholders entitled to cast not less than a majority of all of the votes entitled to be cast at such meeting.

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Approval of Extraordinary Corporate Action; Amendment of Charter and Bylaws

Under Maryland law, a Maryland corporation generally cannot dissolve, amend its charter, merge, sell all or substantially all of its assets, engage in a share exchange or engage in similar transactions outside the ordinary course of business, unless approved by the affirmative vote of stockholders entitled to cast at least two-thirds of the votes entitled to be cast on the matter. However, a Maryland corporation may provide in its charter for approval of these matters by a lesser percentage, but not less than a majority of all of the votes entitled to be cast on the matter. Our charter generally provides for approval of charter amendments and extraordinary transactions by the stockholders entitled to cast at least a majority of the votes entitled to be cast on the matter. Our charter also provides that certain charter amendments and any proposal for our conversion, whether by merger or otherwise, from a closed-end company to an open-end company or any proposal for our liquidation or dissolution requires the approval of the stockholders entitled to cast at least 75% of the votes entitled to be cast on such matter. However, if such amendment or proposal is approved by at least 75% of our continuing directors (in addition to approval by our Board of Directors), such amendment or proposal may be approved by the stockholders entitled to cast a majority of the votes entitled to be cast on such a matter. The continuing directors are defined in our charter as our current directors, as well as those directors whose nomination for election by the stockholders or whose election by the directors to fill vacancies is approved by a majority of the continuing directors then on the Board of Directors.

Our charter and bylaws provide that the Board of Directors will have the exclusive power to make, alter, amend or repeal any provision of our bylaws.

No Appraisal Rights

Except with respect to appraisal rights arising in connection with the Control Share Act discussed below, as permitted by the Maryland General Corporation Law, our charter provides that stockholders will not be entitled to exercise appraisal rights.

Control Share Acquisitions

The Maryland Control Share Acquisition Act (the Control Share Act) provides that control shares of a Maryland corporation acquired in a control share acquisition have no voting rights except to the extent approved by a vote of two-thirds of the votes entitled to be cast on the matter. Shares owned by the acquiror, by officers or by directors who are employees of the corporation are excluded from shares entitled to vote on the matter. Control shares are voting shares of stock which, if aggregated with all other shares of stock owned by the acquiror or in respect of which the acquiror is able to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquiror to exercise voting power in electing directors within one of the following ranges of voting power:

one-tenth or more but less than one-third;

one-third or more but less than a majority; or

a majority or more of all voting power.

The requisite stockholder approval must be obtained each time an acquiror crosses one of the thresholds of voting power set forth above. Control shares do not include shares the acquiring person is then entitled to vote as a result of having previously obtained stockholder approval. A control share acquisition means the acquisition of control shares, subject to certain exceptions.

A person who has made or proposes to make a control share acquisition may compel the Board of Directors of the corporation to call a special meeting of stockholders to be held within 50 days of demand to consider the voting rights of the shares. The right to compel the calling of a special meeting is subject to the satisfaction of certain conditions, including an undertaking to pay the expenses of the meeting. If no request for a meeting is made, the corporation may itself present the question at any stockholders meeting.

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If voting rights are not approved at the meeting or if the acquiring person does not deliver an acquiring person statement as required by the statute, then the corporation may repurchase for fair value any or all of the control shares, except those for which voting rights have previously been approved. The right of the corporation to repurchase control shares is subject to certain conditions and limitations. Fair value is determined, without regard to the absence of voting rights for the control shares, as of the date of the last control share acquisition by the acquiror or of any meeting of stockholders at which the voting rights of the shares are considered and not approved. If voting rights for control shares are approved at a stockholders meeting and the acquiror becomes entitled to vote a majority of the shares entitled to vote, all other stockholders may exercise appraisal rights. The fair value of the shares as determined for purposes of appraisal rights may not be less than the highest price per share paid by the acquiror in the control share acquisition.

The Control Share Act does not apply (a) to shares acquired in a merger, consolidation or share exchange if the corporation is a party to the transaction or (b) to acquisitions approved or exempted by the charter or bylaws of the corporation.

Our bylaws contain a provision exempting from the Control Share Act any and all acquisitions by any person of our shares of stock.

Business Combinations

Under the Maryland Business Combination Act (the Business Combination Act), business combinations between a Maryland corporation and an interested stockholder or an affiliate of an interested stockholder are prohibited for five years after the most recent date on which the interested stockholder becomes an interested stockholder. These business combinations include a merger, consolidation, share exchange or, in circumstances specified in the statute, an asset transfer or issuance or reclassification of equity securities. An interested stockholder is defined as:

any person who beneficially owns 10% or more of the voting power of the corporation's shares; or

an affiliate or associate of the corporation who, at any time within the two-year period prior to the date in question, was the beneficial owner of 10% or more of the voting power of the then outstanding voting stock of the corporation.

A person is not an interested stockholder under this statute if the Board of Directors approved in advance the transaction by which such stockholder otherwise would have become an interested stockholder. However, in approving a transaction, the Board of Directors may provide that its approval is subject to compliance, at or after the time of approval, with any terms and conditions determined by the board.

After the 5-year prohibition, any business combination between the Maryland corporation and an interested stockholder generally must be recommended by the Board of Directors of the corporation and approved by the affirmative vote of at least:

80% of the votes entitled to be cast by holders of outstanding shares of voting stock of the corporation; and

two-thirds of the votes entitled to be cast by holders of voting stock of the corporation other than shares held by the interested stockholder with whom or with whose affiliate the business combination is to be effected or held by an affiliate or associate of the interested stockholder.

These super-majority vote requirements do not apply if the corporation's common stockholders receive a minimum price, as defined under Maryland law, for their shares in the form of cash or other consideration in the same form as previously paid by the interested stockholder for its shares.

The statute permits various exemptions from its provisions, including business combinations that are exempted by the Board of Directors before the time that the interested stockholder becomes an interested

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stockholder. Our Board of Directors has adopted a resolution exempting any business combination between us and any other person from the provisions of the Business Combination Act, provided that the business combination is first approved by the Board of Directors, including a majority of the directors who are not interested persons as defined in the 1940 Act.

Conflict with 1940 Act

Our bylaws provide that, if and to the extent that any provision of the Maryland General Corporation Law, or any provision of our charter or bylaws conflicts with any provision of the 1940 Act, the applicable provision of the 1940 Act will control.

Regulatory Restrictions

Our wholly-owned subsidiaries, HT II and HT III, have obtained SBIC licenses. The SBA prohibits, without prior SBA approval, a change of control or transfers which would result in any person (or group of persons acting in concert) owning 10% or more of any class of capital stock of a SBIC. A change of control is any event which would result in a transfer of the power, direct or indirect, to direct the management and policies of a SBIC, whether through ownership, contractual arrangements or otherwise.

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DESCRIPTION OF OUR PREFERRED STOCK

In addition to shares of common stock, our charter authorizes the issuance of preferred stock. We may issue preferred stock from time to time in one or more classes or series, without stockholder approval. If we offer preferred stock under this prospectus we will issue an appropriate prospectus supplement. Prior to issuance of shares of each class or series, our board of directors is required by Maryland law and by our charter to set the terms, preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms or conditions of redemption for each class or series. Thus, the board of directors could authorize the issuance of shares of preferred stock with terms and conditions that could have the effect of delaying, deferring or preventing a transaction or a change in control that might involve a premium price for holders of our common stock or otherwise be in their best interest. You should note, however, that any such an issuance must adhere to the requirements of the 1940 Act, Maryland law and any other limitations imposed by law.

The following is a general description of the terms of the preferred stock we may issue from time to time. Particular terms of any preferred stock we offer will be described in the prospectus supplement accompanying each preferred share offering.

The 1940 Act requires, among other things, that (i) immediately after issuance and before any dividend or other distribution is made with respect to our common stock and before any purchase of common stock is made, such preferred stock together with all other senior securities must not exceed an amount equal to 50% of our total assets after deducting the amount of such dividend, distribution or purchase price, as the case may be, (ii) the holders of shares of preferred stock, if any are issued, must be entitled as a class to elect two directors at all times and to elect a majority of the directors if dividends or other distribution on the preferred stock are in arrears by two years or more, and (iii) such shares be cumulative as to dividends and have a complete preference over our common stock to payment of their liquidation in event of dissolution. Some matters under the 1940 Act require the separate vote of the holders of any issued and outstanding preferred stock. For example, holders of preferred stock would vote separately from the holders of common stock on a proposal to cease operations as a business development company. We believe that the availability for issuance of preferred stock will provide us with increased flexibility in structuring future financings and acquisitions.

For any series of preferred stock that we may issue, our board of directors will determine and the articles supplementary and the prospectus supplement relating to such series will describe:

the designation and number of shares of such series;

the rate and time at which, and the preferences and conditions under which, any dividends or other distributions will be paid on shares of such series, as well as whether such dividends or other distributions are participating or non-participating;

any provisions relating to convertibility or exchangeability of the shares of such series, including adjustments to the conversion price of such series;

the rights and preferences, if any, of holders of shares of such series upon our liquidation, dissolution or winding up of our affairs;

the voting powers, if any, of the holders of shares of such series;

any provisions relating to the redemption of the shares of such series;

any limitations on our ability to pay dividends or make distributions on, or acquire or redeem, other securities while shares of such series are outstanding;

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any conditions or restrictions on our ability to issue additional shares of such series or other securities;

if applicable, a discussion of certain U.S. federal income tax considerations; and

any other relative powers, preferences and participating, optional or special rights of shares of such series, and the qualifications, limitations or restrictions thereof.

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All shares of preferred stock that we may issue will be identical and of equal rank except as to the particular terms thereof that may be fixed by our board of directors, and all shares of each series of preferred stock will be identical and of equal rank except as to the dates from which dividends or other distributions, if any, thereon will be cumulative. To the extent we issue preferred stock, the payment of dividends to holders of our preferred stock will take priority over payment of dividends to our common stockholders.

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DESCRIPTION OF OUR SUBSCRIPTION RIGHTS

The following is a general description of the terms of the subscription rights we may issue from time to time. Particular terms of any subscription rights we offer will be described in the prospectus supplement relating to such subscription rights.

We may issue subscription rights to our stockholders to purchase common stock. Subscription rights may be issued independently or together with any other offered security and may or may not be transferable by the person purchasing or receiving the subscription rights. In connection with a subscription rights offering to our stockholders, we would distribute certificates evidencing the subscription rights and a prospectus supplement to our stockholders on the record date that we set for receiving subscription rights in such subscription rights offering.

Our stockholders will indirectly bear all of the expenses of the subscription rights offering, regardless of whether our stockholders exercise any subscription rights.

A prospectus supplement will describe the particular terms of any subscription rights we may issue, including the following:

the period of time the offering would remain open (which shall be open a minimum number of days such that all record holders would be eligible to participate in the offering and shall not be open longer than 120 days);

the title and aggregate number of such subscription rights;

the exercise price for such subscription rights (or method of calculation thereof);

the currency or currencies, including composite currencies, in which the price of such subscription rights may be payable;

if applicable, the designation and terms of the securities with which the subscription rights are issued and the number of subscription rights issued with each such security or each principal amount of such security;

the ratio of the offering (which, in the case of transferable rights, will require a minimum of three shares to be held of record before a person is entitled to purchase an additional share);

the number of such subscription rights issued to each stockholder;

the extent to which such subscription rights are transferable and the market on which they may be traded if they are transferable;

the date on which the right to exercise such subscription rights shall commence, and the date on which such right shall expire (subject to any extension);

if applicable, the minimum or maximum number of subscription rights that may be exercised at one time;

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the extent to which such subscription rights include an over-subscription privilege with respect to unsubscribed securities and the terms of such over-subscription privilege;

any termination right we may have in connection with such subscription rights offering;

the terms of any rights to redeem, or call such subscription rights;

information with respect to book-entry procedures, if any;

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the terms of the securities issuable upon exercise of the subscription rights;

the material terms of any standby underwriting, backstop or other purchase arrangement that we may enter into in connection with the subscription rights offering;

if applicable, a discussion of certain U.S. federal income tax considerations applicable to the issuance or exercise of such subscription rights; and

any other terms of such subscription rights, including exercise, settlement and other procedures and limitations relating to the transfer and exercise of such subscription rights.

Each subscription right will entitle the holder of the subscription right to purchase for cash or other consideration such amount of shares of common stock at such subscription price as shall in each case be set forth in, or be determinable as set forth in, the prospectus supplement relating to the subscription rights offered thereby. Subscription rights may be exercised as set forth in the prospectus supplement beginning on the date specified therein and continuing until the close of business on the expiration date for such subscription rights set forth in the prospectus supplement. After the close of business on the expiration date, all unexercised subscription rights will become void.

Upon receipt of payment and the subscription rights certificate properly completed and duly executed at the corporate trust office of the subscription rights agent or any other office indicated in the prospectus supplement we will forward, as soon as practicable, the shares of common stock purchasable upon such exercise. If less than all of the rights represented by such subscription rights certificate are exercised, a new subscription certificate will be issued for the remaining rights. Prior to exercising their subscription rights, holders of subscription rights will not have any of the rights of holders of the securities purchasable upon such exercise. To the extent permissible under applicable law, we may determine to offer any unsubscribed offered securities directly to persons other than stockholders, to or through agents, underwriters or dealers or through a combination of such methods, as set forth in the applicable prospectus supplement.

Under the 1940 Act, we may generally only offer subscription rights (other than rights to subscribe expiring not later than 120 days after their issuance and issued exclusively and ratably to a class or classes of our security holders) on the condition that (1) the subscription rights expire by their terms within ten years; (2) the exercise price is not less than the current market value at the date of issuance; (3) our stockholders authorize the proposal to issue such subscription rights, and a required majority of our Board of Directors approves of such issuance on the basis that the issuance is in the best interests of the Company and our stockholders; and (4) if the subscription rights are accompanied by other securities, the subscription rights are not separately transferable unless no class of such subscription rights and the securities accompanying them has been publicly distributed. A required majority of our Board of Directors is a vote of both a majority of our directors who have no financial interest in the transaction and a majority of the directors who are not interested persons of the company. The 1940 Act also provides that the amount of our voting securities that would result from the exercise of all outstanding warrants, options and subscription rights at the time of issuance may not exceed 25% of our outstanding voting securities.

For information regarding the dilutive impact of rights offerings, please see **Risks** **Risks Related to an Investment in our Securities** **Your interest in us may be diluted if you do not fully exercise your subscription rights in any rights offering.** In addition, if the subscription price is less than our net asset value per share, then you will experience an immediate dilution of the aggregate net asset value of your shares.

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DESCRIPTION OF WARRANTS

The following is a general description of the terms of the warrants we may issue from time to time. Particular terms of any warrants we offer will be described in the prospectus supplement relating to such warrants and will be subject to compliance with the 1940 Act.

We may issue warrants to purchase shares of our common stock, preferred stock or debt securities. Such warrants may be issued independently or together with shares of common stock, preferred stock or debt securities and may be attached or separate from such securities. We will issue each series of warrants under a separate warrant agreement to be entered into between us and a warrant agent. The warrant agent will act solely as our agent and will not assume any obligation or relationship of agency for or with holders or beneficial owners of warrants.

A prospectus supplement will describe the particular terms of any series of warrants we may issue, including the following:

the title and aggregate number of such warrants;

the price or prices at which such warrants will be issued;

the currency or currencies, including composite currencies, in which the price of such warrants may be payable;

if applicable, the designation and terms of the securities with which the warrants are issued and the number of warrants issued with each such security or each principal amount of such security;

in the case of warrants to purchase debt securities, the principal amount of debt securities purchasable upon exercise of one warrant and the price at which and the currency or currencies, including composite currencies, in which this principal amount of debt securities may be purchased upon such exercise;

in the case of warrants to purchase common stock or preferred stock, the number of shares of common stock or preferred stock, as the case may be, purchasable upon exercise of one warrant and the price at which and the currency or currencies, including composite currencies, in which these shares may be purchased upon such exercise;

the date on which the right to exercise such warrants shall commence and the date on which such right will expire (subject to any extension);

whether such warrants will be issued in registered form or bearer form;

if applicable, the minimum or maximum amount of such warrants that may be exercised at any one time;

if applicable, the date on and after which such warrants and the related securities will be separately transferable;

the terms of any rights to redeem, or call such warrants;

information with respect to book-entry procedures, if any;

the terms of the securities issuable upon exercise of the warrants;

if applicable, a discussion of certain U.S. federal income tax considerations; and

any other terms of such warrants, including terms, procedures and limitations relating to the exchange and exercise of such warrants. We and the warrant agent may amend or supplement the warrant agreement for a series of warrants without the consent of the holders of the warrants issued thereunder to effect changes that are not inconsistent with the provisions of the warrants and that do not materially and adversely affect the interests of the holders of the warrants.

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Each warrant will entitle the holder to purchase for cash such common stock or preferred stock at the exercise price or such principal amount of debt securities as shall in each case be set forth in, or be determinable as set forth in, the prospectus supplement relating to the warrants offered thereby. Warrants may be exercised as set forth in the prospectus supplement beginning on the date specified therein and continuing until the close of business on the expiration date set forth in the prospectus supplement. After the close of business on the expiration date, unexercised warrants will become void.

Upon receipt of payment and a warrant certificate properly completed and duly executed at the corporate trust office of the warrant agent or any other office indicated in the prospectus supplement, we will, as soon as practicable, forward the securities purchasable upon such exercise. If less than all of the warrants represented by such warrant certificate are exercised, a new warrant certificate will be issued for the remaining warrants. If we so indicate in the applicable prospectus supplement, holders of the warrants may surrender securities as all or part of the exercise price for warrants.

Prior to exercising their warrants, holders of warrants will not have any of the rights of holders of the securities purchasable upon such exercise, including, in the case of warrants to purchase debt securities, the right to receive principal, premium, if any, or interest payments, on the debt securities purchasable upon exercise or to enforce covenants in the applicable indenture or, in the case of warrants to purchase common stock or preferred stock, the right to receive dividends or other distributions, if any, or payments upon our liquidation, dissolution or winding up or to exercise any voting rights.

Under the 1940 Act, we may generally only offer warrants provided that (i) the warrants expire by their terms within ten years, (ii) the exercise or conversion price is not less than the current market value at the date of issuance, (iii) our stockholders authorize the proposal to issue such warrants, and our board of directors approves such issuance on the basis that the issuance is in the best interests of the Company and its stockholders and (iv) if the warrants are accompanied by other securities, the warrants are not separately transferable unless no class of such warrants and the securities accompanying them has been publicly distributed. The 1940 Act also provides that the amount of our voting securities that would result from the exercise of all outstanding warrants, as well as options and rights, at the time of issuance may not exceed 25% of our outstanding voting securities.

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DESCRIPTION OF OUR DEBT SECURITIES

We may issue debt securities in one or more series. The specific terms of each series of debt securities will be described in this prospectus and in the particular prospectus supplement relating to that series. The prospectus supplement may or may not modify the general terms found in this prospectus and will be filed with the SEC. For a complete description of the terms of a particular series of debt securities, including any supplemental indenture, you should read both this prospectus and the prospectus supplement relating to that particular series.

As required by federal law for all bonds and notes of companies that are publicly offered, the debt securities are governed by a document called an indenture. An indenture is a contract between us and U.S. Bank National Association, a financial institution acting as trustee on your behalf, and is subject to and governed by the Trust Indenture Act of 1939, as amended. The trustee has two main roles. First, the trustee can enforce your rights against us if we default. There are some limitations on the extent to which the trustee acts on your behalf, described in the second paragraph under **Events of Default Remedies if an Event of Default Occurs**. Second, the trustee performs certain administrative duties for us.

Because this section is a summary, it does not describe every aspect of the debt securities and the indenture. The following description summarizes the material provisions of the indenture. We urge you to read the indenture because it, and not this description, defines your rights as a holder of debt securities. For example, in this section, we use capitalized words to signify terms that are specifically defined in the indenture. We have filed the form of the indenture with the SEC. See **Available Information** for information on how to obtain a copy of the indenture.

A prospectus supplement, which will accompany this prospectus, will describe the particular terms of any series of debt securities being offered, including the following:

the designation or title of the series of debt securities;

the total principal amount of the series of debt securities;

the percentage of the principal amount at which the series of debt securities will be offered;

the date or dates on which principal will be payable;

the rate or rates (which may be either fixed or variable) and/or the method of determining such rate or rates of interest, if any;

the date or dates from which any interest will accrue, or the method of determining such date or dates, and the date or dates on which any interest will be payable;

the terms for redemption, extension or early repayment, if any;

the currencies in which the series of debt securities are issued and payable;

whether the amount of payments of principal, premium or interest, if any, on a series of debt securities will be determined with reference to an index, formula or other method (which could be based on one or more currencies, commodities, equity indices or other indices) and how these amounts will be determined;

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the place or places, if any, other than or in addition to the City of New York, of payment, transfer, conversion and/or exchange of the debt securities;

the denominations in which the offered debt securities will be issued;

the provision for any sinking fund;

any restrictive covenants;

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any Events of Default;

whether the series of debt securities are issuable in certificated form;

any provisions for defeasance or covenant defeasance;

if applicable, U.S. federal income tax considerations relating to original issue discount;

whether and under what circumstances we will pay additional amounts in respect of any tax, assessment or governmental charge and, if so, whether we will have the option to redeem the debt securities rather than pay the additional amounts (and the terms of this option);

any provisions for convertibility or exchangeability of the debt securities into or for any other securities;

whether the debt securities are subject to subordination and the terms of such subordination;

the listing, if any, on a securities exchange; and

any other terms.

The debt securities may be secured or unsecured obligations. Unless the prospectus supplement states otherwise, principal (and premium, if any) and interest, if any, will be paid by us in immediately available funds.

We are permitted, under specified conditions, to issue multiple classes of indebtedness if our asset coverage, as defined in the 1940 Act, is at least equal to 200% immediately after each such issuance. In addition, while any indebtedness and other senior securities remain outstanding, we must make provisions to prohibit any distribution to our stockholders or the repurchase of such securities or shares unless we meet the applicable asset coverage ratios at the time of the distribution or repurchase. We may also borrow amounts up to 5% of the value of our total assets for temporary or emergency purposes without regard to asset coverage. For a discussion of the risks associated with leverage, see **Risk Factors** **Risks Relating to Our Business**.

General

The indenture provides that any debt securities proposed to be sold under this prospectus and the attached prospectus supplement (**offered debt securities**) and any debt securities issuable upon the exercise of warrants or upon conversion or exchange of other offered securities (**underlying debt securities**), may be issued under the indenture in one or more series.

For purposes of this prospectus, any reference to the payment of principal of or premium or interest, if any, on debt securities will include additional amounts if required by the terms of the debt securities.

The indenture does not limit the amount of debt securities that may be issued thereunder from time to time. Debt securities issued under the indenture, when a single trustee is acting for all debt securities issued under the indenture, are called the **indenture securities**. The indenture also provides that there may be more than one trustee thereunder, each with respect to one or more different series of indenture securities. See

Resignation of Trustee section below. At a time when two or more trustees are acting under the indenture, each with respect to only certain series, the term **indenture securities** means the one or more series of debt securities with respect to which each respective trustee is acting. In the event that there is more than one trustee under the indenture, the powers and trust obligations of each trustee described in this prospectus will extend only to the one or more series of indenture securities for which it is trustee. If two or more trustees are acting under the indenture, then the indenture securities for which each trustee is acting would be treated as if issued under separate indentures.

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We refer you to the prospectus supplement for information with respect to any deletions from, modifications of or additions to the Events of Default or our covenants that are described below, including any addition of a covenant or other provision providing event risk or similar protection.

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We have the ability to issue indenture securities with terms different from those of indenture securities previously issued and, without the consent of the holders thereof, to reopen a previous issue of a series of indenture securities and issue additional indenture securities of that series unless the reopening was restricted when that series was created.

Conversion and Exchange

If any debt securities are convertible into or exchangeable for other securities, the prospectus supplement will explain the terms and conditions of the conversion or exchange, including the conversion price or exchange ratio (or the calculation method), the conversion or exchange period (or how the period will be determined), if conversion or exchange will be mandatory or at the option of the holder or us, provisions for adjusting the conversion price or the exchange ratio and provisions affecting conversion or exchange in the event of the redemption of the underlying debt securities. These terms may also include provisions under which the number or amount of other securities to be received by the holders of the debt securities upon conversion or exchange would be calculated according to the market price of the other securities as of a time stated in the prospectus supplement.

Issuance of Securities in Registered Form

We may issue the debt securities in registered form, in which case we may issue them either in book-entry form only or in certificated form. Debt securities issued in book-entry form will be represented by global securities. We expect that we will usually issue debt securities in book-entry only form represented by global securities.

Book-Entry Holders

We will issue registered debt securities in book-entry form only, unless we specify otherwise in the applicable prospectus supplement. This means debt securities will be represented by one or more global securities registered in the name of a depositary that will hold them on behalf of financial institutions that participate in the depositary's book-entry system. These participating institutions, in turn, hold beneficial interests in the debt securities held by the depositary or its nominee. These institutions may hold these interests on behalf of themselves or customers.

Under the indenture, only the person in whose name a debt security is registered is recognized as the holder of that debt security. Consequently, for debt securities issued in book-entry form, we will recognize only the depositary as the holder of the debt securities and we will make all payments on the debt securities to the depositary. The depositary will then pass along the payments it receives to its participants, which in turn will pass the payments along to their customers who are the beneficial owners. The depositary and its participants do so under agreements they have made with one another or with their customers; they are not obligated to do so under the terms of the debt securities.

As a result, investors will not own debt securities directly. Instead, they will own beneficial interests in a global security, through a bank, broker or other financial institution that participates in the depositary's book-entry system or holds an interest through a participant. As long as the debt securities are represented by one or more global securities, investors will be indirect holders, and not holders, of the debt securities.

Street Name Holders

In the future, we may issue debt securities in certificated form or terminate a global security. In these cases, investors may choose to hold their debt securities in their own names or in street name. Debt securities held in

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street name are registered in the name of a bank, broker or other financial institution chosen by the investor, and the investor would hold a beneficial interest in those debt securities through the account he or she maintains at that institution.

For debt securities held in street name, we will recognize only the intermediary banks, brokers and other financial institutions in whose names the debt securities are registered as the holders of those debt securities and we will make all payments on those debt securities to them. These institutions will pass along the payments they receive to their customers who are the beneficial owners, but only because they agree to do so in their customer agreements or because they are legally required to do so. Investors who hold debt securities in street name will be indirect holders, and not holders, of the debt securities.

Legal Holders

Our obligations, as well as the obligations of the applicable trustee and those of any third parties employed by us or the applicable trustee, run only to the legal holders of the debt securities. We do not have obligations to investors who hold beneficial interests in global securities, in street name or by any other indirect means. This will be the case whether an investor chooses to be an indirect holder of a debt security or has no choice because we are issuing the debt securities only in book-entry form.

For example, once we make a payment or give a notice to the holder, we have no further responsibility for the payment or notice even if that holder is required, under agreements with depositary participants or customers or by law, to pass it along to the indirect holders but does not do so. Similarly, if we want to obtain the approval of the holders for any purpose (for example, to amend an indenture or to relieve us of the consequences of a default or of our obligation to comply with a particular provision of an indenture), we would seek the approval only from the holders, and not the indirect holders, of the debt securities. Whether and how the holders contact the indirect holders is up to the holders.

When we refer to you, we mean those who invest in the debt securities being offered by this prospectus, whether they are the holders or only indirect holders of those debt securities. When we refer to your debt securities, we mean the debt securities in which you hold a direct or indirect interest.

Special Considerations for Indirect Holders

If you hold debt securities through a bank, broker or other financial institution, either in book-entry form or in street name, we urge you to check with that institution to find out:

how it handles securities payments and notices,

whether it imposes fees or charges,

how it would handle a request for the holders' consent, if ever required,

whether and how you can instruct it to send you debt securities registered in your own name so you can be a holder, if that is permitted in the future for a particular series of debt securities,

how it would exercise rights under the debt securities if there were a default or other event triggering the need for holders to act to protect their interests, and

if the debt securities are in book-entry form, how the depositary's rules and procedures will affect these matters.

Global Securities

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As noted above, we usually will issue debt securities as registered securities in book-entry form only. A global security represents one or any other number of individual debt securities. Generally, all debt securities represented by the same global securities will have the same terms.

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Each debt security issued in book-entry form will be represented by a global security that we deposit with and register in the name of a financial institution or its nominee that we select. The financial institution that we select for this purpose is called the depositary. Unless we specify otherwise in the applicable prospectus supplement, The Depository Trust Company, New York, New York, known as DTC, will be the depositary for all debt securities issued in book-entry form.

A global security may not be transferred to or registered in the name of anyone other than the depositary or its nominee, unless special termination situations arise. We describe those situations below under *Special Situations when a Global Security Will Be Terminated*. As a result of these arrangements, the depositary, or its nominee, will be the sole registered owner and holder of all debt securities represented by a global security, and investors will be permitted to own only beneficial interests in a global security. Beneficial interests must be held by means of an account with a broker, bank or other financial institution that in turn has an account with the depositary or with another institution that has an account with the depositary. Thus, an investor whose security is represented by a global security will not be a holder of the debt security, but only an indirect holder of a beneficial interest in the global security.

Special Considerations for Global Securities

As an indirect holder, an investor's rights relating to a global security will be governed by the account rules of the investor's financial institution and of the depositary, as well as general laws relating to securities transfers. The depositary that holds the global security will be considered the holder of the debt securities represented by the global security.

If debt securities are issued only in the form of a global security, an investor should be aware of the following:

An investor cannot cause the debt securities to be registered in his or her name, and cannot obtain certificates for his or her interest in the debt securities, except in the special situations we describe below.

An investor will be an indirect holder and must look to his or her own bank or broker for payments on the debt securities and protection of his or her legal rights relating to the debt securities, as we describe under *Issuance of Securities in Registered Form* above.

An investor may not be able to sell interests in the debt securities to some insurance companies and other institutions that are required by law to own their securities in non-book-entry form.

An investor may not be able to pledge his or her interest in a global security in circumstances where certificates representing the debt securities must be delivered to the lender or other beneficiary of the pledge in order for the pledge to be effective.

The depositary's policies, which may change from time to time, will govern payments, transfers, exchanges and other matters relating to an investor's interest in a global security. We and the trustee have no responsibility for any aspect of the depositary's actions or for its records of ownership interests in a global security. We and the trustee also do not supervise the depositary in any way.

If we redeem less than all the debt securities of a particular series being redeemed, DTC's practice is to determine by lot the amount to be redeemed from each of its participants holding that series.

An investor is required to give notice of exercise of any option to elect repayment of its debt securities, through its participant, to the applicable trustee and to deliver the related debt securities by causing its participant to transfer its interest in those debt securities, on DTC's records, to the applicable trustee.

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DTC requires that those who purchase and sell interests in a global security deposited in its book-entry system use immediately available funds. Your broker or bank may also require you to use immediately available funds when purchasing or selling interests in a global security.

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Financial institutions that participate in the depositary's book-entry system, and through which an investor holds its interest in a global security, may also have their own policies affecting payments, notices and other matters relating to the debt securities. There may be more than one financial intermediary in the chain of ownership for an investor. We do not monitor and are not responsible for the actions of any of those intermediaries.

Special Situations when a Global Security will be Terminated

In a few special situations described below, a global security will be terminated and interests in it will be exchanged for certificates in non-book-entry form (certificated securities). After that exchange, the choice of whether to hold the certificated debt securities directly or in street name will be up to the investor. Investors must consult their own banks or brokers to find out how to have their interests in a global security transferred on termination to their own names, so that they will be holders. We have described the rights of legal holders and street name investors under "Issuance of Securities in Registered Form" above.

The prospectus supplement may list situations for terminating a global security that would apply only to the particular series of debt securities covered by the prospectus supplement. If a global security is terminated, only the depositary, and not we or the applicable trustee, is responsible for deciding the names of the institutions in whose names the debt securities represented by the global security will be registered and, therefore, who will be the holders of those debt securities.

Payment and Paying Agents

We will pay interest to the person listed in the applicable trustee's records as the owner of the debt security at the close of business on a particular day in advance of each due date for interest, even if that person no longer owns the debt security on the interest due date. That day, often approximately two weeks in advance of the interest due date, is called the record date. Because we will pay all the interest for an interest period to the holders on the record date, holders buying and selling debt securities must work out between themselves the appropriate purchase price. The most common manner is to adjust the sales price of the debt securities to prorate interest fairly between buyer and seller based on their respective ownership periods within the particular interest period. This prorated interest amount is called accrued interest.

Payments on Global Securities

We will make payments on a global security in accordance with the applicable policies of the depositary as in effect from time to time. Under those policies, we will make payments directly to the depositary, or its nominee, and not to any indirect holders who own beneficial interests in the global security. An indirect holder's right to those payments will be governed by the rules and practices of the depositary and its participants.

Payments on Certificated Securities

We will make payments on a certificated debt security as follows. We will pay interest that is due on an interest payment date by check mailed on the interest payment date to the holder at his or her address shown on the trustee's records as of the close of business on the regular record date. We will make all payments of principal and premium, if any, by check at the office of the applicable trustee in New York, New York and/or at other offices that may be specified in the prospectus supplement or in a notice to holders against surrender of the debt security.

Alternatively, if the holder asks us to do so, we will pay any amount that becomes due on the debt security by wire transfer of immediately available funds to an account at a bank in New York City, on the due date. To request payment by wire, the holder must give the applicable trustee or other paying agent appropriate transfer instructions at least 15 business days before the requested wire payment is due. In the case of any interest

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payment due on an interest payment date, the instructions must be given by the person who is the holder on the relevant regular record date. Any wire instructions, once properly given, will remain in effect unless and until new instructions are given in the manner described above.

Payment when Offices are Closed

If any payment is due on a debt security on a day that is not a business day, we will make the payment on the next day that is a business day. Payments made on the next business day in this situation will be treated under the indenture as if they were made on the original due date, except as otherwise indicated in the attached prospectus supplement. Such payment will not result in a default under any debt security or the indenture, and no interest will accrue on the payment amount from the original due date to the next day that is a business day.

Book-entry and other indirect holders should consult their banks or brokers for information on how they will receive payments on their debt securities.

Events of Default

You will have rights if an Event of Default occurs in respect of the debt securities of your series and is not cured, as described later in this subsection.

The term **Event of Default** in respect of the debt securities of your series means any of the following (unless the prospectus supplement relating to such debt securities states otherwise):

we do not pay the principal of, or any premium on, a debt security of the series on its due date, and do not cure this default within five days;

we do not pay interest on a debt security of the series when due, and such default is not cured within 30 days;

we do not deposit any sinking fund payment in respect of debt securities of the series on its due date, and do not cure this default within five days;

we remain in breach of a covenant in respect of debt securities of the series for 60 days after we receive a written notice of default stating we are in breach. The notice must be sent by either the trustee or holders of at least 25% of the principal amount of debt securities of the series;

we file for bankruptcy or certain other events of bankruptcy, insolvency or reorganization occur and remain undischarged or unstayed for a period of 60 days;

on the last business day of each of 24 consecutive calendar months, we have an asset coverage of less than 100%; and

any other Event of Default in respect of debt securities of the series described in the applicable prospectus supplement occurs. An Event of Default for a particular series of debt securities does not necessarily constitute an Event of Default for any other series of debt securities issued under the same or any other indenture. The trustee may withhold notice to the holders of debt securities of any default, except in the payment of principal, premium or interest, if it considers the withholding of notice to be in the best interests of the holders.

Remedies if an Event of Default Occurs

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If an Event of Default has occurred and has not been cured, the trustee or the holders of at least 25% in principal amount of the debt securities of the affected series may declare the entire principal amount of all the debt securities of that series to be due and immediately payable. This is called a declaration of acceleration of maturity. In certain circumstances, a declaration of acceleration of maturity may be canceled by the holders of a majority in principal amount of the debt securities of the affected series.

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The trustee is not required to take any action under the indenture at the request of any holders unless the holders offer the trustee reasonable protection from expenses and liability (called an indemnity). If reasonable indemnity is provided, the holders of a majority in principal amount of the outstanding debt securities of the relevant series may direct the time, method and place of conducting any lawsuit or other formal legal action seeking any remedy available to the trustee. The trustee may refuse to follow those directions in certain circumstances. No delay or omission in exercising any right or remedy will be treated as a waiver of that right, remedy or Event of Default.

Before you are allowed to bypass your trustee and bring your own lawsuit or other formal legal action or take other steps to enforce your rights or protect your interests relating to the debt securities, the following must occur:

the holder must give your trustee written notice that an Event of Default has occurred and remains uncured;

the holders of at least 25% in principal amount of all outstanding debt securities of the relevant series must make a written request that the trustee take action because of the default and must offer reasonable indemnity to the trustee against the cost and other liabilities of taking that action;

the trustee must not have taken action for 60 days after receipt of the above notice and offer of indemnity; and

the holders of a majority in principal amount of the debt securities must not have given the trustee a direction inconsistent with the above notice during that 60 day period.

However, you are entitled at any time to bring a lawsuit for the payment of money due on your debt securities on or after the due date.

Holders of a majority in principal amount of the debt securities of the affected series may waive any past defaults other than:

the payment of principal, any premium or interest; or

in respect of a covenant that cannot be modified or amended without the consent of each holder.

Book-entry and other indirect holders should consult their banks or brokers for information on how to give notice or direction to or make a request of the trustee and how to declare or cancel an acceleration of maturity.

Each year, we will furnish to each trustee a written statement of certain of our officers certifying that to their knowledge we are in compliance with the indenture and the debt securities, or else specifying any default.

Merger or Consolidation

Under the terms of the indenture, we are generally permitted to consolidate or merge with another entity. We may also be permitted to sell all or substantially all of our assets to another entity. However, unless the prospectus supplement relating to certain debt securities states otherwise, we may not take any of these actions unless all the following conditions are met:

where we merge out of existence or sell our assets, the resulting entity must agree to be legally responsible for our obligations under the debt securities;

immediately after giving effect to such transaction, no Default or Event of Default shall have happened and be continuing;

under the indenture, no merger or sale of assets may be made if as a result any of our property or assets or any property or assets of one of our subsidiaries, if any, would become subject to any mortgage, lien

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or other encumbrance unless either (a) the mortgage, lien or other encumbrance could be created pursuant to the limitation on liens covenant in the indenture without equally and ratably securing the indenture securities or (b) the indenture securities are secured equally and ratably with or prior to the debt secured by the mortgage, lien or other encumbrance;

we must deliver certain certificates and documents to the trustee; and

we must satisfy any other requirements specified in the prospectus supplement relating to a particular series of debt securities.

Modification or Waiver

There are three types of changes we can make to the indenture and the debt securities issued thereunder.

Changes Requiring Approval

First, there are changes that we cannot make to debt securities without specific approval of all of the holders. The following is a list of those types of changes:

change the stated maturity of the principal of or interest on a debt security;

reduce any amounts due on a debt security;

reduce the amount of principal payable upon acceleration of the maturity of a security following a default;

adversely affect any right of repayment at the holder's option;

change the place (except as otherwise described in the prospectus or prospectus supplement) or currency of payment on a debt security;

impair your right to sue for payment;

adversely affect any right to convert or exchange a debt security in accordance with its terms;

modify the subordination provisions in the indenture in a manner that is adverse to holders of the debt securities;

reduce the percentage of holders of debt securities whose consent is needed to modify or amend the indenture;

reduce the percentage of holders of debt securities whose consent is needed to waive compliance with certain provisions of the indenture or to waive certain defaults;

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modify any other aspect of the provisions of the indenture dealing with supplemental indentures, modification and waiver of past defaults, changes to the quorum or voting requirements or the waiver of certain covenants; and

change any obligation we have to pay additional amounts.

Changes Not Requiring Approval

The second type of change does not require any vote by the holders of the debt securities. This type is limited to clarifications and certain other changes that would not adversely affect holders of the outstanding debt securities in any material respect. We also do not need any approval to make any change that affects only debt securities to be issued under the indenture after the change takes effect.

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Changes Requiring Majority Approval

Any other change to the indenture and the debt securities would require the following approval:

if the change affects only one series of debt securities, it must be approved by the holders of a majority in principal amount of that series; and

if the change affects more than one series of debt securities issued under the same indenture, it must be approved by the holders of a majority in principal amount of all of the series affected by the change, with all affected series voting together as one class for this purpose.

The holders of a majority in principal amount of all of the series of debt securities issued under an indenture, voting together as one class for this purpose, may waive our compliance with some of our covenants in that indenture. However, we cannot obtain a waiver of a payment default or of any of the matters covered by the bullet points included above under **Changes Requiring Approval**.

Further Details Concerning Voting

When taking a vote, we will use the following rules to decide how much principal to attribute to a debt security:

for original issue discount securities, we will use the principal amount that would be due and payable on the voting date if the maturity of these debt securities were accelerated to that date because of a default;

for debt securities whose principal amount is not known (for example, because it is based on an index), we will use a special rule for that debt security described in the prospectus supplement; and

for debt securities denominated in one or more foreign currencies, we will use the U.S. dollar equivalent.

Debt securities will not be considered outstanding, and therefore not eligible to vote, if we have deposited or set aside in trust money for their payment or redemption. Debt securities will also not be eligible to vote if they have been fully defeased as described later under **Defeasance** **Full Defeasance**.

We will generally be entitled to set any day as a record date for the purpose of determining the holders of outstanding indenture securities that are entitled to vote or take other action under the indenture. If we set a record date for a vote or other action to be taken by holders of one or more series, that vote or action may be taken only by persons who are holders of outstanding indenture securities of those series on the record date and must be taken within eleven months following the record date.

Book-entry and other indirect holders should consult their banks or brokers for information on how approval may be granted or denied if we seek to change the indenture or the debt securities or request a waiver.

Defeasance

The following provisions will be applicable to each series of debt securities unless we state in the applicable prospectus supplement that the provisions of covenant defeasance and full defeasance will not be applicable to that series.

Covenant Defeasance

Under current U.S. federal tax law, we can make the deposit described below and be released from some of the restrictive covenants in the indenture under which the particular series was issued. This is called **covenant**

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defeasance. In that event, you would lose the protection of those restrictive covenants but would gain the protection of having money and government securities set aside in trust to repay your debt securities. If applicable, you also would be released from the subordination provisions as described under the Indenture Provisions Subordination section below. In order to achieve covenant defeasance, we must do the following:

if the debt securities of the particular series are denominated in U.S. dollars, we must deposit in trust for the benefit of all holders of such debt securities a combination of money and U.S. government or U.S. government agency notes or bonds that will generate enough cash to make interest, principal and any other payments on the debt securities on their various due dates;

we must deliver to the trustee a legal opinion of our counsel confirming that, under current U.S. federal income tax law, we may make the above deposit without causing you to be taxed on the debt securities any differently than if we did not make the deposit and just repaid the debt securities ourselves at maturity; and

we must deliver to the trustee a legal opinion of our counsel stating that the above deposit does not require registration by us under the 1940 Act, as amended, and a legal opinion and officers' certificate stating that all conditions precedent to covenant defeasance have been complied with.

If we accomplish covenant defeasance, you can still look to us for repayment of the debt securities if there were a shortfall in the trust deposit or the trustee is prevented from making payment. For example, if one of the remaining Events of Default occurred (such as our bankruptcy) and the debt securities became immediately due and payable, there might be a shortfall. Depending on the event causing the default, you may not be able to obtain payment of the shortfall.

Full Defeasance

If there is a change in U.S. federal tax law, as described below, we can legally release ourselves from all payment and other obligations on the debt securities of a particular series (called full defeasance) if we put in place the following other arrangements for you to be repaid:

if the debt securities of the particular series are denominated in U.S. dollars, we must deposit in trust for the benefit of all holders of such debt securities a combination of money and United States government or United States government agency notes or bonds that will generate enough cash to make interest, principal and any other payments on the debt securities on their various due dates.

we must deliver to the trustee a legal opinion confirming that there has been a change in current U.S. federal tax law or an IRS ruling that allows us to make the above deposit without causing you to be taxed on the debt securities any differently than if we did not make the deposit and just repaid the debt securities ourselves at maturity. Under current U.S. federal tax law, the deposit and our legal release from the debt securities would be treated as though we paid you your share of the cash and notes or bonds at the time the cash and notes or bonds were deposited in trust in exchange for your debt securities and you would recognize gain or loss on the debt securities at the time of the deposit;

we must deliver to the trustee a legal opinion of our counsel stating that the above deposit does not require registration by us under the 1940 Act, as amended, and a legal opinion and officers' certificate stating that all conditions precedent to defeasance have been complied with;

Defeasance must not result in a breach of the indenture or any other material agreements; and

Satisfy the conditions for covenant defeasance contained in any supplemental indentures.

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If we ever did accomplish full defeasance, as described above, you would have to rely solely on the trust deposit for repayment of the debt securities. You could not look to us for repayment in the unlikely event of any shortfall. Conversely, the trust deposit would most likely be protected from claims of our lenders and other creditors if we ever became bankrupt or insolvent. If applicable, you would also be released from the subordination provisions described later under Indenture Provisions Subordination.

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Form, Exchange and Transfer of Certificated Registered Securities

Holders may exchange their certificated securities, if any, for debt securities of smaller denominations or combined into fewer debt securities of larger denominations, as long as the total principal amount is not changed.

Holders may exchange or transfer their certificated securities, if any, at the office of their trustee. We have appointed the trustee to act as our agent for registering debt securities in the names of holders transferring debt securities. We may appoint another entity to perform these functions or perform them ourselves.

Holders will not be required to pay a service charge to transfer or exchange their certificated securities, if any, but they may be required to pay any tax or other governmental charge associated with the transfer or exchange. The transfer or exchange will be made only if our transfer agent is satisfied with the holder's proof of legal ownership.

If we have designated additional transfer agents for your debt security, they will be named in your prospectus supplement. We may appoint additional transfer agents or cancel the appointment of any particular transfer agent. We may also approve a change in the office through which any transfer agent acts.

If any certificated securities of a particular series are redeemable and we redeem less than all the debt securities of that series, we may block the transfer or exchange of those debt securities during the period beginning 15 days before the day we mail the notice of redemption and ending on the day of that mailing, in order to freeze the list of holders to prepare the mailing. We may also refuse to register transfers or exchanges of any certificated securities selected for redemption, except that we will continue to permit transfers and exchanges of the unredeemed portion of any debt security that will be partially redeemed.

Resignation of Trustee

Each trustee may resign or be removed with respect to one or more series of indenture securities provided that a successor trustee is appointed to act with respect to these series. In the event that two or more persons are acting as trustee with respect to different series of indenture securities under the indenture, each of the trustees will be a trustee of a trust separate and apart from the trust administered by any other trustee.

Indenture Provisions Subordination

Upon any distribution of our assets upon our dissolution, winding up, liquidation or reorganization, the payment of the principal of (and premium, if any) and interest, if any, on any indenture securities denominated as subordinated debt securities is to be subordinated to the extent provided in the indenture in right of payment to the prior payment in full of all senior indebtedness (as defined below), but our obligation to you to make payment of the principal of (and premium, if any) and interest, if any, on such subordinated debt securities will not otherwise be affected. In addition, no payment on account of principal (or premium, if any), sinking fund or interest, if any, may be made on such subordinated debt securities at any time unless full payment of all amounts due in respect of the principal (and premium, if any), sinking fund and interest on senior indebtedness has been made or duly provided for in money or money's worth.

In the event that, notwithstanding the foregoing, any payment by us is received by the trustee in respect of subordinated debt securities or by the holders of any of such subordinated debt securities before all senior indebtedness is paid in full, the payment or distribution must be paid over to the holders of the senior indebtedness or on their behalf for application to the payment of all the senior indebtedness remaining unpaid until all the senior indebtedness has been paid in full, after giving effect to any concurrent payment or distribution to the holders of the senior indebtedness. Subject to the payment in full of all senior indebtedness upon this distribution by us, the holders of such subordinated debt securities will be subrogated to the rights of the holders of the senior indebtedness to the extent of payments made to the holders of the senior indebtedness out of the distributive share of such subordinated debt securities.

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By reason of this subordination, in the event of a distribution of our assets upon our insolvency, certain of our senior creditors may recover more, ratably, than holders of any subordinated debt securities. The indenture provides that these subordination provisions will not apply to money and securities held in trust under the defeasance provisions of the indenture.

Senior indebtedness is defined in the indenture as the principal of (and premium, if any) and unpaid interest on:

our indebtedness (including indebtedness of others guaranteed by us), whenever created, incurred, assumed or guaranteed, for money borrowed (other than indenture securities issued under the indenture and denominated as subordinated debt securities), unless in the instrument creating or evidencing the same or under which the same is outstanding it is provided that this indebtedness is not senior or prior in right of payment to the subordinated debt securities; and

renewals, extensions, modifications and refinancings of any of this indebtedness.

If this prospectus is being delivered in connection with the offering of a series of indenture securities denominated as subordinated debt securities, the accompanying prospectus supplement will set forth the approximate amount of our senior indebtedness outstanding as of a recent date.

Secured Indebtedness

Certain of our indebtedness, including certain series of indenture securities, may be secured. The prospectus supplement for each series of indenture securities will describe the terms of any security interest for such series and will indicate the approximate amount of our secured indebtedness as of a recent date. In the event of a distribution of our assets upon our insolvency, the holders of unsecured indenture securities may recover less, ratably, than holders of any of our secured indebtedness.

The Trustee under the Indenture

U.S. Bank National Association will serve as the trustee under the indenture.

Certain Considerations Relating to Foreign Currencies

Debt securities denominated or payable in foreign currencies may entail significant risks. These risks include the possibility of significant fluctuations in the foreign currency markets, the imposition or modification of foreign exchange controls and potential illiquidity in the secondary market. These risks will vary depending upon the currency or currencies involved and will be more fully described in the applicable prospectus supplement.

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PLAN OF DISTRIBUTION

We may offer, from time to time, in one or more offerings or series, up to \$200,000,000 of our common stock, preferred stock, debt securities, subscription rights to purchase shares of our common stock or warrants representing rights to purchase shares of our common stock, preferred stock or debt securities, in one or more underwritten public offerings, at-the-market offerings, negotiated transactions, block trades, best efforts or a combination of these methods. We may sell the securities through underwriters or dealers, directly to one or more purchasers, including existing stockholders in a rights offering, through agents or through a combination of any such methods of sale. Any underwriter or agent involved in the offer and sale of the securities will be named in the applicable prospectus supplement. A prospectus supplement or supplements will also describe the terms of the offering of the securities, including: the purchase price of the securities and the proceeds we will receive from the sale; any over-allotment options under which underwriters may purchase additional securities from us; any agency fees or underwriting discounts and other items constituting agents' or underwriters' compensation; any expenses we incur in connection with the sale of such securities; the public offering price; any discounts or concessions allowed or re-allowed or paid to dealers; and any securities exchange or market on which the securities may be listed. Only underwriters named in the prospectus supplement will be underwriters of the securities offered by the prospectus supplement.

The distribution of the securities may be effected from time to time in one or more transactions at a fixed price or prices, which may be changed, at prevailing market prices at the time of sale, at prices related to such prevailing market prices, or at negotiated prices, provided, however, that the offering price per share of our common stock, less any underwriting commissions or discounts, must equal or exceed the net asset value per share of our common stock at the time of the offering except (1) in connection with a rights offering to our existing stockholders, (2) with the consent of the majority of our voting securities or (3) under such circumstances as the SEC may permit. The price at which securities may be distributed may represent a discount from prevailing market prices. On June 1, 2011, our common stockholders voted to allow us to issue up to 20% of our outstanding common stock at a price below net asset value per share for a period of one year ending on the earlier of June 1, 2012 and the date of our 2012 Annual Meeting of Stockholders, which is expected to be held in June 2012. See Sales of Common Stock Below Net Asset Value.

In connection with the sale of our securities, underwriters or agents may receive compensation from us or from purchasers of our securities, for whom they may act as agents, in the form of discounts, concessions or commissions. Underwriters may sell our securities to or through dealers and such dealers may receive compensation in the form of discounts, concessions or commissions from the underwriters and/or commissions from the purchasers for whom they may act as agents. Underwriters, dealers and agents that participate in the distribution of our securities may be deemed to be underwriters under the Securities Act, and any discounts and commissions they receive from us and any profit realized by them on the resale of our securities may be deemed to be underwriting discounts and commissions under the Securities Act. Any such underwriter or agent will be identified and any such compensation received from us will be described in the applicable prospectus supplement.

Any underwriter may engage in over-allotment, stabilizing transactions, short-covering transactions and penalty bids in accordance with Regulation M under the Exchange Act. Over-allotment involves sales in excess of the offering size, which create a short position. Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum price. Syndicate-covering or other short-covering transactions involve purchases of the securities, either through exercise of the over-allotment option or in the open market after the distribution is completed, to cover short positions. Penalty bids permit the underwriters to reclaim a selling concession from a dealer when the securities originally sold by the dealer are purchased in a stabilizing or covering transaction to cover short positions. Those activities may cause the price of the securities to be higher than it would otherwise be. If commenced, the underwriters may discontinue any of the activities at any time.

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Any underwriters that are qualified market makers on the Nasdaq Global Select Market may engage in passive market making transactions in our common stock on the Nasdaq Global Select Market in accordance with Regulation M under the Exchange Act, during the business day prior to the pricing of the offering, before the commencement of offers or sales of our common stock. Passive market makers must comply with applicable volume and price limitations and must be identified as passive market makers. In general, a passive market maker must display its bid at a price not in excess of the highest independent bid for such security; if all independent bids are lowered below the passive market maker's bid, however, the passive market maker's bid must then be lowered when certain purchase limits are exceeded. Passive market making may stabilize the market price of the securities at a level above that which might otherwise prevail in the open market and, if commenced, may be discontinued at any time.

We may sell securities directly or through agents we designate from time to time. We will name any agent involved in the offering and sale of securities and we will describe any commissions we will pay the agent in the prospectus supplement. Unless the prospectus supplement states otherwise, our agent will act on a best-efforts basis for the period of its appointment.

Unless otherwise specified in the applicable prospectus supplement, each class or series of securities will be a new issue with no trading market, other than our common stock, which is traded on The Nasdaq Global Select Market. We may elect to list any other class or series of securities on any exchanges, but we are not obligated to do so. We cannot guarantee the liquidity of the trading markets for any securities.

Under agreements that we may enter, underwriters, dealers and agents who participate in the distribution of our securities may be entitled to indemnification by us against certain liabilities, including liabilities under the Securities Act, or contribution with respect to payments that the agents or underwriters may make with respect to these liabilities. Underwriters, dealers and agents may engage in transactions with, or perform services for, us in the ordinary course of business.

If so indicated in the applicable prospectus supplement, we will authorize underwriters or other persons acting as our agents to solicit offers by certain institutions to purchase our securities from us pursuant to contracts providing for payment and delivery on a future date. Institutions with which such contracts may be made include commercial and savings banks, insurance companies, pension funds, investment companies, educational and charitable institutions and others, but in all cases such institutions must be approved by us. The obligations of any purchaser under any such contract will be subject to the condition that the purchase of our securities shall not at the time of delivery be prohibited under the laws of the jurisdiction to which such purchaser is subject. The underwriters and such other agents will not have any responsibility in respect of the validity or performance of such contracts. Such contracts will be subject only to those conditions set forth in the prospectus supplement, and the prospectus supplement will set forth the commission payable for solicitation of such contracts.

We may enter into derivative transactions with third parties, or sell securities not covered by this prospectus to third parties in privately negotiated transactions. If the applicable prospectus supplement indicates, in connection with those derivatives, the third parties may sell securities covered by this prospectus and the applicable prospectus supplement, including in short sale transactions. If so, the third party may use securities pledged by us or borrowed from us or others to settle those sales or to close out any related open borrowings of stock, and may use securities received from us in settlement of those derivatives to close out any related open borrowings of stock. The third parties in such sale transactions will be underwriters and, if not identified in this prospectus, will be identified in the applicable prospectus supplement.

In compliance with the guidelines of the Financial Industry Regulatory Authority, the maximum compensation to the underwriters or dealers in connection with the sale of our securities pursuant to this prospectus and the accompanying supplement to this prospectus may not exceed 8% of the aggregate offering price of the securities as set forth on the cover page of the supplement to this prospectus.

In order to comply with the securities laws of certain states, if applicable, our securities offered hereby will be sold in such jurisdictions only through registered or licensed brokers or dealers.

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BROKERAGE ALLOCATION AND OTHER PRACTICES

Because we generally acquire and dispose of our investments in privately negotiated transactions, we rarely use brokers in the normal course of business. In those cases where we do use a broker, we do not execute transactions through any particular broker or dealer, but will seek to obtain the best net results for Hercules, taking into account such factors as price (including the applicable brokerage commission or dealer spread), size of order, difficulty of execution, and operational facilities of the firm and the firm's risk and skill in positioning blocks of securities. While we generally seek reasonably competitive execution costs, we may not necessarily pay the lowest spread or commission available. Subject to applicable legal requirements, we may select a broker based partly upon brokerage or research services provided to us. In return for such services, we may pay a higher commission than other brokers would charge if we determine in good faith that such commission is reasonable in relation to the services provided. For the years ended December 31, 2010, 2009 and 2008 we paid approximately \$41,000, \$49,000 and \$80,000 in brokerage commissions, respectively.

CUSTODIAN, TRANSFER AND DIVIDEND PAYING AGENT AND REGISTRAR

Securities we hold in connection with our investments are held under a custody agreement with Union Bank of California. The address of the custodian is 475 Sansome Street, 15th Floor, San Francisco, California 94111. We have also entered into a custody agreement with U.S. Bank National Association, which is located at One Federal Street, Third Floor, Boston, Massachusetts 02110. The transfer agent and registrar for our common stock, American Stock Transfer & Trust Company, will act as our transfer agent, dividend paying and reinvestment agent and registrar. The principal business address of the transfer agent is 6201 15th Avenue, Brooklyn, New York 11219.

LEGAL MATTERS

Certain legal matters regarding the securities offered by this prospectus will be passed upon for us by Sutherland Asbill & Brennan LLP, Washington, D.C. Certain legal matters will be passed upon for underwriters, if any, by the counsel named in the prospectus supplement.

EXPERTS

The financial statements as of December 31, 2010 and for the year ended December 31, 2010 and management's assessment of the effectiveness of internal control over financial reporting (which is included in Management's Report on Internal Control over Financial Reporting) as of December 31, 2010 included in this Prospectus have been so included in reliance on the report (which contains an adverse opinion on the effectiveness of internal control over financial reporting) of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

The consolidated financial statements of the Company at December 31, 2009, and for each of the two years in the period ended December 31, 2009, appearing in this Prospectus and Registration Statement have been audited by Ernst & Young LLP, independent registered public accounting firm, and the information under the caption "Selected Financial Data" for each of the four years in the period ended December 31, 2009, appearing in this Prospectus and Registration Statement have been derived from consolidated financial statements audited by Ernst & Young LLP, as set forth in their report thereon appearing elsewhere herein. Such consolidated financial statements and selected financial data are included in reliance upon such reports given on the authority of such firms as experts in accounting and auditing.

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CHANGE IN INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

On September 9, 2010, we dismissed Ernst & Young LLP as our independent registered public accounting firm. During the fiscal years ended December 31, 2008 and 2009 and through September 9, 2010, there were no disagreements between us and Ernst & Young LLP with respect to any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of Ernst & Young LLP, would have caused it to make reference to the subject matter of such disagreements in its reports on the financial statements for such years. Nor were there any reportable events as such term is described in Item 304(a)(1)(v) of Regulation S-K, promulgated under the Securities Exchange Act of 1934, as amended.

On September 9, 2010, we engaged PricewaterhouseCoopers LLP as our new independent registered public accounting firm to audit our consolidated financial statements for the fiscal year ending December 31, 2010. During the two most recent fiscal years and through September 9, 2010, the date of the engagement of PriceWaterhouseCoopers, neither we nor any person on our behalf has consulted with PriceWaterhouseCoopers with respect to either (i) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Company's consolidated financial statements or (ii) any matter that was either the subject of a disagreement or a reportable event as such terms are described in Items 304(a)(1)(iv) or 304(a)(1)(v), respectively, of Regulation S-K promulgated under the Exchange Act. PricewaterhouseCoopers LLP's principal business address is 300 Madison Avenue, New York, NY 10017.

AVAILABLE INFORMATION

We have filed with the SEC a registration statement on Form N-2, together with all amendments and related exhibits, under the Securities Act, with respect to our securities offered by this prospectus. The registration statement contains additional information about us and our securities being offered by this prospectus.

We file annual, quarterly and current periodic reports, proxy statements and other information with the SEC under the Exchange Act. You may inspect and copy these reports, proxy statements and other information, as well as the registration statement of which this prospectus forms a part and the related exhibits and schedules, at the Public Reference Room of the SEC at 100 F Street, N.E., Washington, D.C. 20549-0102. You may obtain information on the operation of the Public Reference Room by calling the SEC at 202-551-8090. The SEC maintains an Internet website that contains reports, proxy and information statements and other information filed electronically by us with the SEC which are available on the SEC's Internet website at <http://www.sec.gov>. Copies of these reports, proxy and information statements and other information may be obtained, after paying a duplicating fee, by electronic request at the following E-mail address: publicinfo@sec.gov, or by writing the SEC's Public Reference Section, Washington, D.C. 20549-0102.

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Report of Independent Registered Public Accounting Firm

To Board of Directors and Shareholders of

Hercules Technology Growth Capital, Inc.

In our opinion, the consolidated statement of assets and liabilities, including the consolidated schedule of investments, as of December 31, 2010 and the related consolidated statements of operations, of changes in net assets, and of cash flows for the year then ended present fairly, in all material respects, the financial position of Hercules Technology Growth Capital, Inc. and its subsidiaries at December 31, 2010, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company did not maintain, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) because a material weakness in internal control over financial reporting related to valuation of debt investments existed as of that date. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. The material weakness referred to above is described in Management’s Report on Internal Control over Financial Reporting appearing under Item 9A. We considered this material weakness in determining the nature, timing, and extent of audit tests applied in our audit of the consolidated financial statements and our opinion regarding the effectiveness of the Company’s internal control over financial reporting does not affect our opinion on those consolidated financial statements. The Company’s management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in management’s report referred to above. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company’s internal control over financial reporting based on our integrated audit. We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audit of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

San Francisco, California

March 25, 2011

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders

Hercules Technology Growth Capital, Inc.

We have audited the accompanying consolidated statements of assets and liabilities of Hercules Technology Growth Capital, Inc. (the Company) including the consolidated schedules of investments, as of December 31, 2009 and 2008, and the related consolidated statements of operations, changes in net assets and cash flows for each of the three years in the period ended December 31, 2009, and the consolidated financial highlights for each of the five years in the period ended December 31, 2009. These financial statements and financial highlights are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of December 31, 2009, by correspondence with the custodian or by other appropriate auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the consolidated financial position of Hercules Technology Growth Capital, Inc. at December 31, 2009 and 2008, the consolidated results of its operations, changes in its net assets and its cash flows for each of the three years in the period ended December 31, 2009 and the consolidated financial highlights for each of the five years in the period ended December 31, 2009, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Hercules Technology Growth Capital, Inc.'s internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 12, 2010 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

San Francisco, California

March 12, 2010

Table of Contents**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES****(in thousands, except per share data)**

	December 31, 2010	December 31, 2009
Assets		
Investments:		
Non-affiliate investments (cost of \$445,782 and \$357,880, respectively)	\$ 428,782	\$ 340,211
Affiliate investments (cost of \$2,880 and \$2,880, respectively)	3,069	2,274
Control investments (cost of \$31,743 and \$23,823, respectively)	40,181	32,184
Total investments, at value (cost of \$480,405 and \$384,583 respectively)	472,032	374,669
Cash and cash equivalents	107,014	124,828
Interest receivable	4,520	3,757
Other assets	7,681	5,713
Total assets	\$ 591,247	\$ 508,967
Liabilities		
Accounts payable and accrued liabilities	8,716	11,852
Long-term SBA Debentures	170,000	130,600
Total liabilities	178,716	142,452
Net assets:		
Common stock, par value	\$ 43	\$ 35
Capital in excess of par value	477,549	409,036
Unrealized appreciation (depreciation) on investments	(8,038)	(10,028)
Accumulated realized gains (losses) on investments	(51,033)	(28,129)
Distributions in excess of investment income	(5,990)	(4,399)
Total net assets	\$ 412,531	\$ 366,515
Total liabilities and net assets	\$ 591,247	\$ 508,967
Shares of common stock outstanding (\$0.001 par value, 60,000 authorized)	43,444	35,634
Net asset value per share	\$ 9.50	\$ 10.29

See notes to consolidated financial statements.

Table of Contents**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS****December 31, 2010****(dollars in thousands)**

Portfolio Company	Industry	Type of Investment⁽¹⁾	Principal Amount	Cost⁽²⁾	Value⁽³⁾
Accelaron Pharmaceuticals, Inc.	Drug Discovery	Preferred Stock Warrants		\$ 69	\$ 922
		Preferred Stock Warrants		35	189
		Preferred Stock Warrants		39	99
		Preferred Stock		1,341	2,316
Total Accelaron Pharmaceuticals, Inc.				1,484	3,526
Aveo Pharmaceuticals, Inc.	Drug Discovery	Senior Debt			
		Matures September 2013			
		Interest rate Prime + 7.15% or			
		Floor rate of 11.9%	\$ 25,000	26,108	26,108
		Preferred Stock Warrants		190	686
		Preferred Stock Warrants		104	165
		Preferred Stock Warrants		24	58
		Preferred Stock Warrants		288	770
		Preferred Stock Warrants		236	630
Total Aveo Pharmaceuticals, Inc.				26,950	28,417
Dicerna Pharmaceuticals, Inc.	Drug Discovery	Senior Debt			
		Matures July 2012			
		Interest rate Prime + 9.20% or			
		Floor rate of 12.95%	\$ 4,699	4,678	4,706
		Preferred Stock Warrants		205	182
		Preferred Stock Warrants		30	33
		Preferred Stock Warrants		28	25
		Preferred Stock		503	503
Total Dicerna Pharmaceuticals, Inc.				5,444	5,449
EpiCept Corporation	Drug Discovery	Common Stock Warrants		4	112
		Common Stock Warrants		40	10
Total EpiCept Corporation				44	122
Horizon Therapeutics, Inc.	Drug Discovery	Preferred Stock Warrants		231	
Total Horizon Therapeutics, Inc.				231	
Inotek Pharmaceuticals Corp.	Drug Discovery	Preferred Stock		1,500	
Total Inotek Pharmaceuticals Corp.				1,500	
Merrimack Pharmaceuticals, Inc.	Drug Discovery	Preferred Stock Warrants		155	170
		Preferred Stock		2,000	1,547
Total Merrimack Pharmaceuticals, Inc.				2,155	1,717
Paratek Pharmaceuticals, Inc.	Drug Discovery	Preferred Stock Warrants		137	155

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		Preferred Stock	1,000	999
Total Paratek Pharmaceuticals, Inc.			1,137	1,154
PolyMedix, Inc.	Drug Discovery	Senior Debt Matures September 2013 Interest rate Prime + 7.1% or Floor rate of 12.35%	\$ 10,000	9,605
		Preferred Stock Warrants	480	248
Total PolyMedix, Inc.			10,085	9,853

See notes to consolidated financial statements.

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Table of Contents**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)****December 31, 2010****(dollars in thousands)**

Portfolio Company	Industry	Type of Investment⁽¹⁾	Principal Amount	Cost⁽²⁾	Value⁽³⁾
Portola Pharmaceuticals, Inc.	Drug Discovery	Senior Debt Matures April 2011 Interest rate Prime + 2.16%	\$ 1,666	\$ 2,033	\$ 2,033
		Preferred Stock Warrants		152	506
Total Portola Pharmaceuticals, Inc.				2,185	2,539
Total Drug Discovery (12.79%)*				51,215	52,777
Affinity Videonet, Inc.	Communications & Networking	Preferred Stock Warrants		102	180
Total Affinity Videonet, Inc.				102	180
E-band Communications, Corp. ⁽⁶⁾	Communications & Networking	Preferred Stock		2,880	3,069
Total E-Band Communications, Corp.				2,880	3,069
IKANO Communications, Inc.	Communications & Networking	Senior Debt Matures August 2011 Interest rate 12.00%	\$ 1,654	1,953	1,953
		Preferred Stock Warrants		45	
		Preferred Stock Warrants		72	
Total IKANO Communications, Inc.				2,070	1,953
Intelepeer, Inc.	Communications & Networking	Senior Debt Matures May 2013 Interest rate Prime + 8.125%	\$ 7,624	7,468	7,459
		Preferred Stock Warrants		102	111
Total Intelepeer, Inc.				7,570	7,570
Neonova Holding Company	Communications & Networking	Preferred Stock Warrants		94	12
		Preferred Stock		250	140
Total Neonova Holding Company				344	152
Opsource, Inc. ⁽⁴⁾	Communications & Networking	Senior Debt Matures June 2013 Interest rate Prime + 7.75% or Floor rate of 11.00%	\$ 5,000	4,888	4,888
		Senior Debt Matures October 2013 Interest rate Prime + 7.25% or Floor rate of 10.50%	\$ 2,000	1,944	1,905
			\$ 1,500	1,458	1,458

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	Revolving Line of Credit		
	Matures June 2011		
	Interest rate Prime + 5.25% or		
	Floor rate of 8.50%		
	Preferred Stock Warrants	223	105
Total Opsource, Inc.		8,513	8,356

See notes to consolidated financial statements.

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Table of Contents**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)****December 31, 2010****(dollars in thousands)**

Portfolio Company	Industry	Type of Investment⁽¹⁾	Principal Amount	Cost⁽²⁾	Value⁽³⁾
Pac-West Telecomm, Inc.	Communications & Networking	Senior Debt Matures April 2014 Interest rate Prime + 7.5% or Floor rate of 12.0%	\$ 10,000	\$ 9,634	\$ 9,634
		Preferred Stock Warrants		121	147
Total Pac-West Telecomm, Inc.				9,755	9,781
PeerApp, Inc.	Communications & Networking	Senior Debt Matures April 2013 Interest rate Prime + 7.5% or Floor rate of 11.50%	\$ 2,911	2,855	2,792
		Preferred Stock Warrants		61	65
Total PeerApp, Inc.				2,916	2,857
Peerless Network, Inc.	Communications & Networking	Preferred Stock Warrants		95	138
		Preferred Stock		1,000	1,930
Total Peerless Network, Inc.				1,095	2,068
Ping Identity Corporation	Communications & Networking	Preferred Stock Warrants		52	6
Total Ping Identity Corporation				52	6
Purcell Systems, Inc.	Communications & Networking	Preferred Stock Warrants		123	330
Total Purcell Systems, Inc.				123	330
Seven Networks, Inc.	Communications & Networking	Preferred Stock Warrants		174	40
Total Seven Networks, Inc.				174	40
Stoke, Inc. ⁽⁴⁾	Communications & Networking	Senior Debt Matures May 2013 Interest rate Prime + 7.0% or Floor rate of 10.25%	\$ 4,000	3,883	3,883
		Preferred Stock Warrants		53	210
		Preferred Stock Warrants		65	133
		Preferred Stock		500	500
Total Stoke, Inc.				4,501	4,726
Tectura Corporation	Communications & Networking	Senior Debt Matures December 2012 Interest rate 11%	\$ 5,625	5,512	5,512
			\$ 17,477	18,488	18,488

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Revolving Line of Credit
Matures July 2011
Interest rate 11%
Preferred Stock Warrants

	50	10
Total Tectura Corporation	24,050	24,010
Total Communications & Networking (15.78%)*	64,145	65,098

See notes to consolidated financial statements.

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Table of Contents**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)****December 31, 2010****(dollars in thousands)**

Portfolio Company	Industry	Type of Investment⁽¹⁾	Principal Amount	Cost⁽²⁾	Value⁽³⁾
Atrenta, Inc.	Software	Preferred Stock Warrants		\$ 102	\$ 46
		Preferred Stock Warrants		34	15
		Preferred Stock Warrants		95	22
		Preferred Stock		250	143
Total Atrenta, Inc.				481	226
Blurb, Inc.	Software	Senior Debt			
		Matures June 2011			
		Interest rate Prime + 3.50% or			
		Floor rate of 8.5%	\$ 1,162	1,392	1,392
		Preferred Stock Warrants		25	349
		Preferred Stock Warrants		299	228
Total Blurb, Inc.				1,716	1,969
Braxton Technologies, LLC.	Software	Preferred Stock Warrants		188	
Total Braxton Technologies, LLC.				188	
Bullhorn, Inc.	Software	Preferred Stock Warrants		43	234
Total Bullhorn, Inc.				43	234
Clickfox, Inc.	Software	Senior Debt			
		Matures July 2013			
		Interest rate Prime + 6.00% or			
		Floor rate of 11.25%	\$ 6,000	5,801	5,801
		Revolving Line of Credit			
		Matures July 2011			
		Interest rate Prime + 5.00% or			
		Floor rate of 12.00%	\$ 2,000	1,997	1,996
		Preferred Stock Warrants		177	643
		Preferred Stock Warrants		152	643
Total Clickfox, Inc.				8,127	9,083
Forescout Technologies, Inc.	Software	Preferred Stock Warrants		99	14
Total Forescout Technologies, Inc.				99	14
GameLogic, Inc.	Software	Preferred Stock Warrants		92	
Total GameLogic, Inc.				92	
HighJump Acquisition, LLC.	Software	Senior Debt			
		Matures May 2013			
		Interest rate Libor + 9.25% or			
		Floor rate of 12.50%	\$ 17,500	17,386	17,386
Total HighJump Acquisition, LLC.				17,386	17,386

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HighRoads, Inc.	Software	Preferred Stock Warrants	44	65
Total HighRoads, Inc.			44	65

See notes to consolidated financial statements.

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Table of Contents**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)****December 31, 2010****(dollars in thousands)**

Portfolio Company	Industry	Type of Investment⁽¹⁾	Principal Amount	Cost⁽²⁾	Value⁽³⁾
Infologix, Inc. ⁽⁷⁾	Software	Senior Debt Matures November 2013 Interest rate 18.00%	\$ 5,500	\$ 5,162	\$ 5,162
		Convertible Senior Debt Matures November 2014 Interest rate 12.00%		1,111	1,127
		Revolving Line of Credit Matures May 2011 Interest rate 12.00%	\$12,317	12,317	12,317
		Senior Debt Matures December 2010 Interest rate 18.00%	\$2,178	2,178	2,178
		Senior Debt Matures April 2013 Interest rate 8.00%	\$1,350	1,350	1,350
		Senior Debt Matures September 2011 Interest rate 10.00%	\$500	509	509
		Preferred Stock Warrants		725	1,394
		Common Stock		5,000	9,620
		Common Stock		36	69
		Common Stock		3,355	6,455
Total Infologix, Inc.				31,743	40,181
PSS Systems, Inc.	Software	Preferred Stock Warrants		51	17
Total PSS Systems, Inc.				51	17
Rockyou, Inc.	Software	Preferred Stock Warrants		117	186
Total Rockyou, Inc.				117	186
Sportvision, Inc.	Software	Preferred Stock Warrants		39	
Total Sportvision, Inc.				39	
Unify Corporation	Software	Senior Debt Matures June 2015 Interest rate Libor + 8.50% or Floor rate of 10.50%	\$ 24,000	22,248	22,968
		Revolving Line of Credit Matures June 2015 Interest rate Libor + 7.50% or Floor rate of 9.50%	\$3,750	3,731	3,476
		Preferred Stock Warrants		1,434	693
Total Unify Corporation				27,413	27,137
WildTangent, Inc.	Software	Preferred Stock Warrants		238	10

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Total WildTangent, Inc.		238	10
Total Software (23.39%)*		87,777	96,508
Luminus Devices, Inc.	Electronics & Computer Hardware	Senior Debt	
		Matures December 2011	
		Interest rate 11.875%	
		\$ 540	540
		Preferred Stock Warrants	183
		Preferred Stock Warrants	84
		Preferred Stock Warrants	334
Total Luminus Devices, Inc.		1,141	540

See notes to consolidated financial statements.

Table of Contents**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)****December 31, 2010****(dollars in thousands)**

Portfolio Company	Industry	Type of Investment⁽¹⁾	Principal Amount	Cost⁽²⁾	Value⁽³⁾
Maxvision Holding, LLC.	Electronics & Computer Hardware	Senior Debt Matures October 2012 Interest rate Prime + 7.25% or Floor rate of 10.75%	\$ 5,000	\$ 5,377	\$ 377
		Senior Debt Matures April 2012 Interest rate Prime + 5.0% or Floor rate of 8.5%	\$ 3,409	3,382	3,382
		Revolving Line of Credit Matures April 2012 Interest rate Prime + 5.0% or Floor rate of 8.5%	\$ 3,100	3,163	3,163
		Common Stock		81	
Total Maxvision Holding, LLC.				12,003	6,922
Shocking Technologies, Inc.	Electronics & Computer Hardware	Preferred Stock Warrants		63	90
Total Shocking Technologies, Inc.				63	90
Spatial Photonics, Inc.	Electronics & Computer Hardware	Preferred Stock Warrants		129	
		Preferred Stock		767	267
Total Spatial Photonics, Inc.				896	267
VeriWave, Inc.	Electronics & Computer Hardware	Preferred Stock Warrants		54	
		Preferred Stock Warrants		46	
Total VeriWave, Inc.				100	
Total Electronics & Computer Hardware (1.90%)*				14,203	7,819
Aegerion Pharmaceuticals, Inc.	Specialty Pharmaceuticals	Preferred Stock Warrants		69	761
		Preferred Stock		1,475	2,206
Total Aegerion Pharmaceuticals, Inc.				1,544	2,967
Althea Technologies, Inc.	Specialty Pharmaceuticals	Senior Debt Matures October 2013 Interest rate Prime + 7.70% or Floor rate of 10.95%	\$ 12,000	11,661	11,661
		Preferred Stock Warrants		309	276
Total Althea Technologies, Inc.				11,970	11,937

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Chroma Therapeutics, Ltd. ⁽⁵⁾	Specialty Pharmaceuticals	Senior Debt			
		Matures September 2013			
		Interest rate Prime + 7.75% or			
		Floor rate of 12.00%	\$ 10,000	9,797	10,021
		Preferred Stock Warrants		490	632
Total Chroma Therapeutics, Ltd.				10,287	10,653

See notes to consolidated financial statements.

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Table of Contents**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)****December 31, 2010****(dollars in thousands)**

Portfolio Company	Industry	Type of Investment⁽¹⁾	Principal Amount	Cost⁽²⁾	Value⁽³⁾
Pacira Pharmaceuticals, Inc. ⁽⁴⁾	Specialty Pharmaceuticals	Senior Debt Matures May 2014 Interest rate Prime + 6.25% or Floor rate of 10.25%	\$ 11,250	\$ 11,105	\$ 11,105
		Senior Debt Matures May 2014 Interest rate Prime + 8.65% or Floor rate of 12.65%	\$ 15,000	13,749	13,749
		Preferred Stock Warrants		1,086	1,255
Total Pacira Pharmaceuticals, Inc.				25,940	26,109
QuatRx Pharmaceuticals Company	Specialty Pharmaceuticals	Senior Debt Matures October 2011 Interest rate Prime + 8.90% or Floor rate of 12.15%	\$ 9,306	9,474	9,474
		Convertible Senior Debt Interest Rate of 8.0% Matures March 2012	\$ 1,888	1,888	2,467
		Preferred Stock Warrants		220	
		Preferred Stock Warrants		307	
		Preferred Stock		751	
Total QuatRx Pharmaceuticals Company				12,640	11,941
Total Specialty Pharmaceuticals (15.42%)*				62,381	63,607
Annie's, Inc.	Consumer & Business Products	Preferred Stock Warrants		321	75
Total Annie's, Inc.				321	75
IPA Holdings, LLC. ⁽⁴⁾	Consumer & Business Products	Senior Debt Matures November 2012 Interest rate Prime + 6.75% or Floor rate of 11.0%	\$ 8,250	8,505	8,160
		Senior Debt Matures May 2013 Interest rate Prime + 9.75% or Floor rate of 14.0%	\$ 6,500	7,019	6,995
		Revolving Line of Credit Matures November 2012 Interest rate Prime + 6.25% or Floor rate of 10.50%	\$ 856	761	761
		Preferred Stock Warrants		275	
		Common Stock		500	
Total IPA Holdings, LLC.				17,060	15,916
Market Force Information, Inc.		Preferred Stock Warrants		24	60

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Consumer & Business Products				
	Preferred Stock		500	439
Total Market Force Information, Inc.			524	499
Trading Machines, Inc. ⁽⁸⁾	Consumer & Business Products	Senior Debt Matures January 2014 Interest rate Prime + 10.25% or Floor rate of 13.50%	\$ 9,812	8,644
		Preferred Stock Warrants		878
		Preferred Stock		50
Total Trading Machines, Inc.			9,572	4,000

See notes to consolidated financial statements.

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Table of Contents**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)****December 31, 2010****(dollars in thousands)**

Portfolio Company	Industry	Type of Investment⁽¹⁾	Principal Amount	Cost⁽²⁾	Value⁽³⁾
Velocity Technology Solutions, Inc.	Consumer & Business Products	Senior Debt Matures February 2015 Interest rate LIBOR + 8% or Floor rate of 11.00%	\$ 15,417	\$ 15,072	\$ 14,574
		Senior Debt Matures February 2015 Interest rate LIBOR + 10% or Floor rate of 13.00%	\$ 8,333	8,317	8,526
Total Velocity Technology Solutions, Inc.				23,389	23,100
Wageworks, Inc.	Consumer & Business Products	Preferred Stock Warrants		253	1,443
		Preferred Stock		250	283
Total Wageworks, Inc.				503	1,726
Total Consumer & Business Products (10.98%)*				51,369	45,316
Enpirion, Inc.	Semiconductors	Preferred Stock Warrants		157	1
Total Enpirion, Inc.				157	1
iWatt, Inc.	Semiconductors	Preferred Stock Warrants		46	1
		Preferred Stock Warrants		51	33
		Preferred Stock Warrants		73	44
		Preferred Stock Warrants		458	391
		Preferred Stock		490	940
Total iWatt, Inc.				1,118	1,409
NEXX Systems, Inc.	Semiconductors	Preferred Stock Warrants		297	1,113
		Preferred Stock		277	704
Total NEXX Systems, Inc.				574	1,817
Quartics, Inc.	Semiconductors	Preferred Stock Warrants		53	
Total Quartics, Inc.				53	
Solarflare Communications, Inc.	Semiconductors	Preferred Stock Warrants		83	
		Common Stock		642	
Total Solarflare Communications, Inc.				725	
Total Semiconductors (0.78%)*				2,627	3,227

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Alexza Pharmaceuticals, Inc. ⁽⁴⁾	Drug Delivery	Senior Debt			
		Matures October 2013			
		Interest rate Prime + 6.5% or			
		Floor rate of 10.75%	\$ 15,000	14,526	14,472
		Preferred Stock Warrants		645	193
Total Alexza Pharmaceuticals, Inc.				15,171	14,665
Labopharm USA, Inc. ⁽⁵⁾	Drug Delivery	Senior Debt			
		Matures December 2012			
		Interest rate 10.95%	\$ 20,000	19,872	19,872
		Common Stock Warrants		635	329
Total Labopharm USA, Inc.				20,507	20,201

See notes to consolidated financial statements.

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Table of Contents**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)****December 31, 2010****(dollars in thousands)**

Portfolio Company	Industry	Type of Investment⁽¹⁾	Principal Amount	Cost⁽²⁾	Value⁽³⁾
Transcept Pharmaceuticals, Inc.	Drug Delivery	Common Stock Warrants		\$ 36	\$ 60
		Common Stock Warrants		51	16
		Common Stock		500	308
Total Transcept Pharmaceuticals, Inc.				587	384
Total Drug Delivery (8.54%)*				36,265	35,250
BARRX Medical, Inc.	Therapeutic	Senior Debt Mature December 2011 Interest rate 11.00%	\$ 2,901	3,350	3,350
		Preferred Stock Warrants		76	70
		Preferred Stock		1,500	1,890
Total BARRX Medical, Inc.				4,926	5,310
EKOS Corporation	Therapeutic	Preferred Stock Warrants		174	
		Preferred Stock Warrants		153	
Total EKOS Corporation				327	
Gelesis, Inc. ⁽⁸⁾	Therapeutic	Senior Debt Matures May 2012 Interest rate Prime + 7.5% or Floor rate of 10.75%	\$ 2,771	2,800	45
Total Gelesis, Inc.				2,800	45
Gynesonics, Inc.	Therapeutic	Senior Debt Mature October 2013 Interest rate Prime + 8.25% or Floor rate of 11.50%	\$ 6,500	6,277	6,277
		Preferred Stock Warrants		228	221
		Preferred Stock		532	456
Total Gynesonics, Inc.				7,037	6,954
Light Science Oncology, Inc.	Therapeutic	Preferred Stock Warrants		99	26
Total Light Science Oncology, Inc.				99	26
Novasys Medical, Inc.	Therapeutic	Preferred Stock Warrants		71	1
		Preferred Stock Warrants		54	7
		Preferred Stock		1,000	1,159
Total Novasys Medical, Inc.				1,125	1,167
Pacific Child & Family Associates, LLC.	Therapeutic	Senior Debt Matures January 2015	\$ 6,539	6,392	5,802

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	Interest rate LIBOR + 8.0% or Floor rate of 10.50%			
	Senior Debt			
	Matures January 2015			
	Interest rate LIBOR + 10.50% or Floor rate of 13.0%	\$ 5,900	5,996	5,996
Total Pacific Child & Family Associates, LLC.			12,388	11,798
Total Therapeutic (6.13%)*			28,702	25,300

See notes to consolidated financial statements.

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Table of Contents**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)****December 31, 2010****(dollars in thousands)**

Portfolio Company	Industry	Type of Investment⁽¹⁾	Principal Amount	Cost⁽²⁾	Value⁽³⁾
Cozi Group, Inc.	Internet Consumer & Business Services	Preferred Stock Warrants		\$ 147	\$
		Preferred Stock		177	292
Total Cozi Group, Inc.				324	292
Invoke Solutions, Inc.	Internet Consumer & Business Services	Preferred Stock Warrants		56	74
		Preferred Stock Warrants		26	18
Total Invoke Solutions, Inc.				82	92
Prism Education Group, Inc.	Internet Consumer & Business Services	Preferred Stock Warrants		43	50
Total Prism Education Group, Inc.				43	50
RazorGator Interactive Group, Inc. ⁽⁴⁾	Internet Consumer & Business Services	Revolving Line of Credit Matures October 2011 Interest rate Prime + 9.50% or Floor rate of 14.00%	\$ 2,108	1,855	1,855
		Preferred Stock Warrants		13	
		Preferred Stock Warrants		28	
		Preferred Stock Warrants		1,183	
		Preferred Stock		1,000	
Total RazorGator Interactive Group, Inc.				4,079	1,855
Reply! Inc. ⁽⁴⁾	Internet Consumer & Business Services	Senior Debt Matures June 2013 Interest rate Prime + 6.5% or Floor rate of 9.75%	\$ 5,000	4,646	4,646
		Preferred Stock Warrants		320	320
Total Reply! Inc.				4,966	4,966
Total Internet Consumer & Business Services (1.76%)*				9,494	7,255
Lilliputian Systems, Inc.	Energy	Preferred Stock Warrants		106	3
		Common Stock Warrants		49	
Total Lilliputian Systems, Inc.				155	3
Total Energy (0.00%)*				155	3
Box.net, Inc.	Information Services		\$ 213	270	270

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	Senior Debt			
	Matures May 2011			
	Interest rate Prime + 1.50% or			
	Floor rate of 7.50%			
	Senior Debt			
	Matures September 2011			
	Interest rate Prime + 0.50% or			
	Floor rate of 6.50%	\$	127	139
	Preferred Stock Warrants		73	184
	Preferred Stock Warrants		117	117
	Preferred Stock		500	500
Total Box.net, Inc.			1,099	1,210

See notes to consolidated financial statements.

Table of Contents**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)****December 31, 2010****(dollars in thousands)**

Portfolio Company	Industry	Type of Investment⁽¹⁾	Principal Amount	Cost⁽²⁾	Value⁽³⁾
Buzznet, Inc.	Information Services	Preferred Stock Warrants		\$ 9	\$
		Preferred Stock		250	37
Total Buzznet, Inc.				259	37
XL Education Corp.	Information Services	Common Stock		880	880
Total XL Education Corp.				880	880
hi5 Networks, Inc.	Information Services	Preferred Stock Warrants		213	
		Preferred Stock		250	247
Total hi5 Networks, Inc.				463	247
Jab Wireless, Inc.	Information Services	Preferred Stock Warrants		265	122
Total Jab Wireless, Inc.				265	122
Solutionary, Inc.	Information Services	Preferred Stock Warrants		94	
		Preferred Stock Warrants		2	
		Preferred Stock		250	50
Total Solutionary, Inc.				346	50
Intelligent Beauty, Inc.	Information Services	Senior Debt Matures March 2013 Interest rate Prime + 8.0% or Floor rate of 11.25%	\$ 5,812	5,563	5,557
		Senior Debt Matures October 2013 Interest rate Prime + 8.0% or Floor rate of 11.25%	\$ 2,000	1,942	1,942
		Preferred Stock Warrants		230	230
Total Intelligent Beauty, Inc.				7,735	7,729
Good Technologies, Inc.	Information Services	Common Stock		603	150
Total Good Technologies, Inc.				603	150
Coveroo, Inc.	Information Services	Preferred Stock Warrants		7	
Total Coveroo, Inc.				7	
Zeta Interactive Corporation	Information Services	Preferred Stock Warrants		172	57
		Preferred Stock		500	375
Total Zeta Interactive Corporation				672	432
Total Information Services (2.63%)*				12,329	10,857

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Novadaq Technologies, Inc. ⁽⁵⁾	Diagnostic	Common Stock	1,415	675
Total Novadaq Technologies, Inc.			1,415	675

See notes to consolidated financial statements.

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Table of Contents**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)****December 31, 2010****(dollars in thousands)**

Portfolio Company	Industry	Type of Investment⁽¹⁾	Principal Amount	Cost⁽²⁾	Value⁽³⁾
Optiscan Biomedical Corp.	Diagnostic	Senior Debt			
		Matures December 2013			
		Interest rate Prime + 7.0% or			
		Floor rate of 10.25%	\$ 10,750	\$ 10,392	\$ 10,392
		Preferred Stock Warrants		1,069	637
		Preferred Stock		3,656	3,207
Total Optiscan Biomedical Corp.				15,117	14,236
Total Diagnostic (3.61%)*				16,532	14,911
Kamada, LTD. ⁽⁵⁾	Biotechnology Tools	Preferred Stock Warrants		159	164
		Common Stock		752	1,754
Total Kamada, LTD.				911	1,918
Labcyte, Inc.	Biotechnology Tools	Senior Debt			
		Matures May 2013			
		Interest rate Prime + 8.6% or			
		Floor rate of 11.85%	\$ 3,885	3,761	3,821
		Common Stock Warrants		192	
Total Labcyte, Inc.				3,953	3,821
NuGEN Technologies, Inc.	Biotechnology Tools	Preferred Stock Warrants		45	44
		Preferred Stock Warrants		33	1
		Preferred Stock		500	203
Total NuGEN Technologies, Inc.				578	248
Total Biotechnology Tools (1.45%)*				5,442	5,987
Crux Biomedical, Inc.	Surgical Devices	Preferred Stock Warrants		37	
		Preferred Stock		250	
Total Crux Biomedical, Inc.				287	
Transmedics, Inc. ⁽⁴⁾	Surgical Devices	Senior Debt			
		Matures February 2014			
		Interest rate Prime + 9.70% or			
		Floor rate of 12.95%	\$ 8,375	8,913	8,913
		Preferred Stock Warrants		224	159
		Preferred Stock		1,100	1,100
Total Transmedics, Inc.				10,237	10,172

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Total Surgical Devices (2.47%)*		10,524	10,172
Glam Media, Inc.	Media/Content/ Info Preferred Stock Warrants	482	283
Total Glam Media, Inc.		482	283
Everyday Health, Inc.	Media/Content/ Info Preferred Stock Warrants	60	630
	Preferred Stock	1,000	1,310
Total Everyday Health, Inc.		1,060	1,940
Total Media/Content/Info (0.54%)*		1,542	2,223

See notes to consolidated financial statements.

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Table of Contents**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)****December 31, 2010****(dollars in thousands)**

Portfolio Company	Industry	Type of Investment⁽¹⁾	Principal Amount	Cost⁽²⁾	Value⁽³⁾
BrightSource Energy, Inc. ⁽⁴⁾	Clean Tech	Senior Debt Matures December 2011 Interest rate Prime + 7.75% or Floor rate of 11.0%	\$ 3,750	\$ 3,265	\$ 3,265
		Senior Debt Matures June 2012 Interest rate Prime + 9.55% or Floor rate of 12.80%	\$ 4,583	4,156	4,156
		Preferred Stock Warrants		675	674
Total BrightSource Energy, Inc.				8,096	8,095
Calera, Inc.	Clean Tech	Senior Debt Matures July 2013 Interest rate Prime + 7.0% or Floor rate of 10.25%	\$ 3,621	3,109	3,109
		Preferred Stock Warrants		513	527
Total Calera, Inc.				3,622	3,636
GreatPoint Energy, Inc.	Clean Tech	Senior Debt Matures October 2013 Interest rate Prime + 8.2% or Floor rate of 11.45%	\$ 5,000	4,322	4,322
		Preferred Stock Warrants		548	627
Total GreatPoint Energy, Inc.				4,870	4,949
Propel Biofuels, Inc.	Clean Tech	Senior Debt Matures September 2013 Interest rate 11.0%	\$ 2,118	1,880	1,850
		Preferred Stock Warrants		211	192
Total Propel Biofuels, Inc.				2,091	2,042
Solexel, Inc.	Clean Tech	Senior Debt Matures June 2013 Interest rate Prime + 8.25% or Floor rate of 11.50%	\$ 1,109	1,010	1,010
		Senior Debt Matures June 2013 Interest rate Prime + 7.25% or Floor rate of 10.50%	\$ 6,000	5,519	5,519
		Preferred Stock Warrants		335	292
Total Solexel, Inc.				6,864	6,821
Trilliant, Inc.	Clean Tech	Preferred Stock Warrants		88	99
		Preferred Stock Warrants		72	80
Total Trilliant, Inc.				160	179

Total Clean Tech (6.24%)*	25,703	25,722
Total Investments	\$ 480,405	\$ 472,032

See notes to consolidated financial statements.

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2010

(dollars in thousands)

* 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 \$22,458, \$32,232 and \$9,774 respectively. The tax cost of investments is \$481,432
- (3) Except for warrants in ten publicly traded companies and common stock in five publicly traded companies, all investments are restricted at December 31, 2010 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 as least 5% but not more than 25% of the voting securities of the company.
- (7) Control investment that is defined under the Investment Company Act of 1940 as companies in which HTGC owns as least 25% but no more than 50% of the voting securities of the company
- (8) Debt is on non-accrual status at December 31, 2010, and is therefore considered non-income producing.

See notes to consolidated financial statements.

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Table of Contents**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS****December 31, 2009****(dollars in thousands)**

Portfolio Company	Industry	Type of Investment⁽¹⁾	Principal Amount	Cost⁽²⁾	Value⁽³⁾
Accelaron Pharmaceuticals, Inc.	Drug Discovery	Preferred Stock Warrants		\$ 69	\$ 1,157
		Preferred Stock Warrants		35	215
		Preferred Stock		1,243	2,508
Total Accelaron Pharmaceuticals, Inc.				1,347	3,880
Aveo Pharmaceuticals, Inc.	Drug Discovery	Senior Debt			
		Matures May 2012			
		Interest rate 11.13%	\$ 14,564	15,121	15,121
		Preferred Stock Warrants		190	725
		Preferred Stock Warrants		104	219
		Preferred Stock Warrants		24	76
Total Aveo Pharmaceuticals, Inc.				15,439	16,141
Dicerna Pharmaceuticals, Inc.	Drug Discovery	Senior Debt			
		Matures April 2012			
		Interest rate Prime + 9.20% or			
		Floor rate of 12.95%	\$ 6,603	6,412	6,412
		Preferred Stock Warrants		206	128
		Preferred Stock Warrants		31	22
Total Dicerna Pharmaceuticals, Inc.				6,649	6,562
Elixir Pharmaceuticals, Inc.	Drug Discovery	Senior Debt			
		Matures October 2011			
		Interest rate Prime + 9.25% or			
		Floor rate of 12.5%	\$ 8,067	8,603	8,603
		Preferred Stock Warrants		217	
Total Elixir Pharmaceuticals, Inc.				8,820	8,603
EpiCept Corporation	Drug Discovery	Common Stock Warrants		8	38
		Common Stock Warrants		40	201
		Common Stock			
Total EpiCept Corporation				48	239
Horizon Therapeutics, Inc.	Drug Discovery	Senior Debt			
		Matures July 2011			
		Interest rate Prime + 1.50%	\$ 4,699	4,740	4,740
		Preferred Stock Warrants		231	
Total Horizon Therapeutics, Inc.				4,971	4,740
Inotek Pharmaceuticals Corp.	Drug Discovery	Preferred Stock		1,500	353
Total Inotek Pharmaceuticals Corp.				1,500	353
Merrimack Pharmaceuticals, Inc.	Drug Discovery	Preferred Stock Warrants		155	269
		Preferred Stock		2,000	1,699

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Total Merrimack Pharmaceuticals, Inc.				2,155	1,968
Paratek Pharmaceuticals, Inc.	Drug Discovery	Preferred Stock Warrants		137	55
		Preferred Stock		1,000	1,000
Total Paratek Pharmaceuticals, Inc.				1,137	1,055
Portola Pharmaceuticals, Inc.	Drug Discovery	Senior Debt			
		Matures April 2011			
		Interest rate Prime + 2.16%	\$ 6,666	6,893	6,893
		Preferred Stock Warrants		152	288
Total Portola Pharmaceuticals, Inc.				7,045	7,181
See notes to consolidated financial statements.					

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Table of Contents**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)****December 31, 2009****(dollars in thousands)**

Portfolio Company	Industry	Type of Investment⁽¹⁾	Principal Amount	Cost⁽²⁾	Value⁽³⁾
Recoly, N.V. ⁽⁵⁾	Drug Discovery	Senior Debt Matures June 2012 Interest rate Prime + 4.25%	\$ 2,576	\$ 2,544	\$ 2,544
Total Recoly, N.V.				2,544	2,544
Total Drug Discovery (14.53%)*				51,655	53,266
Affinity Videonet, Inc. ⁽⁴⁾	Communications & Networking	Senior Debt Matures June 2012 Interest rate Prime + 8.75% or Floor rate of 12.00%	\$ 2,318	2,306	2,306
		Senior Debt Matures June 2012 Interest rate Prime + 14.75% or Floor rate of 18.00%	\$ 2,000	2,030	2,030
		Revolving Line of Credit Matures June 2012 Interest rate Prime + 9.75% or Floor rate of 13.00%	\$ 500	495	495
		Preferred Stock Warrants		102	83
Total Affinity Videonet, Inc.				4,933	4,914
E-Band Communications Corp. ⁽⁶⁾	Communications & Networking	Preferred Stock		2,880	2,274
Total E-Band Communications Corp.				2,880	2,274
IKANO Communications, Inc.	Communications & Networking	Senior Debt Matures August 2011 Interest rate 12.00%	\$ 6,472	6,682	6,682
		Preferred Stock Warrants		45	
		Preferred Stock Warrants		72	
Total IKANO Communications, Inc.				6,799	6,682
Neonova Holding Company	Communications & Networking	Preferred Stock Warrants		94	42
		Preferred Stock		250	247
Total Neonova Holding Company				344	289
Peerless Network, Inc.	Communications & Networking	Preferred Stock Warrants		95	
		Preferred Stock		1,000	800

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Total Peerless Network, Inc.			1,095	800
Ping Identity Corporation	Communications & Networking	Preferred Stock Warrants	52	168
Total Ping Identity Corporation			52	168
Purcell Systems, Inc.	Communications & Networking	Preferred Stock Warrants	123	386
Total Purcell Systems, Inc.			123	386
Rivulet Communications, Inc. ⁽⁴⁾	Communications & Networking	Senior Debt Matures March 2010 Interest rate Prime + 8.00% or Floor rate of 12%	\$ 1,063	1,059
		Preferred Stock Warrants		146
		Common Stock		250
Total Rivulet Communications, Inc.			1,455	1,059

See notes to consolidated financial statements.

Table of Contents**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)****December 31, 2009****(dollars in thousands)**

Portfolio Company	Industry	Type of Investment⁽¹⁾	Principal Amount	Cost⁽²⁾	Value⁽³⁾
Seven Networks, Inc.	Communications & Networking	Preferred Stock Warrants		\$ 174	\$ 11
Total Seven Networks, Inc.				174	11
Stoke, Inc.	Communications & Networking	Preferred Stock Warrants		53	81
Total Stoke, Inc.				53	81
Tectura Corporation	Communications & Networking	Senior Debt Matures September 2010 Interest rate Prime + 10.75% or Floor rate of 14.00%	\$ 1,875	1,875	1,875
		Revolving Line of Credit Matures July 2011 Interest rate Prime + 10.75% or Floor rate of 14.00%	\$ 9,908	10,239	10,239
		Revolving Line of Credit Matures July 2011 Interest rate Prime + 10.75% or Floor rate of 14.00%	\$ 5,000	5,156	5,156
		Preferred Stock Warrants		51	
Total Tectura Corporation				17,321	17,270
Zayo Bandwidth, Inc.	Communications & Networking	Senior Debt Matures November 2013 Interest rate Libor + 5.25%	\$ 24,750	24,539	24,105
Total Zayo Bandwidth, Inc.				24,539	24,105
Total Communications & Networking (15.84)*				59,768	58,039
Atrenta, Inc.	Software	Preferred Stock Warrants		102	99
		Preferred Stock Warrants		34	32
		Preferred Stock Warrants		95	159
		Preferred Stock		250	375
Total Atrenta, Inc.				481	665
Blurb, Inc.	Software	Senior Debt Matures June 2011 Interest rate Prime + 3.50% or Floor rate of 8.5%	\$ 3,329	3,400	3,400
		Preferred Stock Warrants		25	128
		Preferred Stock Warrants		299	69

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Total Blurb, Inc.			3,724	3,597
Braxton Technologies, LLC.	Software	Preferred Stock Warrants	188	116
Total Braxton Technologies, LLC.			188	116
Bullhorn, Inc.	Software	Preferred Stock Warrants	43	248
Total Bullhorn, Inc.			43	248

See notes to consolidated financial statements.

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Table of Contents**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)****December 31, 2009****(dollars in thousands)**

Portfolio Company	Industry	Type of Investment⁽¹⁾	Principal Amount	Cost⁽²⁾	Value⁽³⁾
Clickfox, Inc.	Software	Senior Debt Matures September 2011 Interest rate Prime + 5.00% or Floor rate of 10.25%	\$ 3,754	\$ 3,628	\$ 3,628
		Revolving Line of Credit Matures July 2010 Interest rate Prime + 8.50% or Floor rate of 13.5%	\$ 2,000	1,965	1,965
		Preferred Stock Warrants		177	143
Total Clickfox, Inc.				5,770	5,736
Forescout Technologies, Inc.	Software	Preferred Stock Warrants		99	77
Total Forescout Technologies, Inc.				99	77
GameLogic, Inc.	Software	Preferred Stock Warrants		92	1
Total GameLogic, Inc.				92	1
HighJump Acquisition, LLC.	Software	Senior Debt Matures May 2013 Interest rate Libor + 8.75% or Floor rate of 12.00%	\$ 15,000	14,758	14,758
Total HighJump Acquisition, LLC.				14,758	14,758
HighRoads, Inc.	Software	Preferred Stock Warrants		44	13
Total HighRoads, Inc.				44	13
Infologix, Inc. ⁽⁴⁾⁽⁷⁾	Software	Senior Debt Matures November 2013 Interest rate 12.00%	\$ 5,500	5,500	5,500
		Convertible Senior Debt Matures November 2014 Interest rate 12.00%	\$ 5,000	5,004	10,060
		Revolving Line of Credit Matures May 2011 Interest rate 12.00%	\$ 7,559	7,559	7,559
		Common Stock Warrants		760	1,494
		Common Stock		5,000	7,571
Total Infologix, Inc.				23,823	32,184
Intelliden, Inc.	Software	Preferred Stock Warrants		18	
Total Intelliden, Inc.				18	
PSS Systems, Inc.	Software	Preferred Stock Warrants		51	71

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Total PSS Systems, Inc.				51	71
Rockyou, Inc.	Software	Preferred Stock Warrants		117	140
Total Rockyou, Inc.				117	140
Savvion, Inc. ⁽⁴⁾	Software	Senior Debt			
		Matures February 2011			
		Interest rate Prime + 7.75% or			
		Floor rate of 11.00%	\$ 2,117	2,085	2,085
		Revolving Line of Credit			
		Matures May 2010			
		Interest rate Prime + 6.75% or			
		Floor rate of 10.00%	\$ 1,500	1,516	1,516
		Preferred Stock Warrants		52	183
Total Savvion, Inc.				3,653	3,784

See notes to consolidated financial statements.

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Table of Contents**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)****December 31, 2009****(dollars in thousands)**

Portfolio Company	Industry	Type of Investment⁽¹⁾	Principal Amount	Cost⁽²⁾	Value⁽³⁾
Sportvision, Inc.	Software	Preferred Stock Warrants		\$ 39	\$ 47
Total Sportvision, Inc.				39	47
WildTangent, Inc.	Software	Preferred Stock Warrants		238	77
Total WildTangent, Inc.				238	77
Total Software (16.78%)*				53,138	61,514
Luminus Devices, Inc.	Electronics & Computer Hardware	Senior Debt Matures December 2011 Interest rate 12.875%	\$ 1,062	1,062	1,062
		Preferred Stock Warrants		183	
		Preferred Stock Warrants		84	
		Preferred Stock Warrants		334	
Total Luminus Devices, Inc.				1,663	1,062
Maxvision Holding, LLC.	Electronics & Computer Hardware	Senior Debt Matures October 2012 Interest rate Prime + 5.50%	\$ 5,000	5,192	5,192
		Senior Debt Matures April 2012 Interest rate Prime + 2.25%	\$ 4,409	4,378	4,378
		Revolving Line of Credit Matures April 2012 Interest rate Prime + 2.25%	\$ 2,500	2,584	2,584
Maxvision Holding, LLC.	Electronics & Computer Hardware	Common Stock		81	170
Total Maxvision Holding, LLC.				12,235	12,324
Shocking Technologies, Inc.	Electronics & Computer Hardware	Senior Debt Matures December 2010 Interest rate Prime + 2.50%	\$ 1,867	1,854	1,854
		Preferred Stock Warrants		63	119
Total Shocking Technologies, Inc.				1,917	1,973
Spatial Photonics, Inc.	Electronics & Computer Hardware	Senior Debt Matures April 2011 Interest rate 10.066%	\$ 1,980	2,102	2,101
		Senior Debt Mature April 2011 Interest rate 9.217%	\$ 197	197	197
		Preferred Stock Warrants		129	
		Preferred Stock		500	129

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Total Spatial Photonics Inc.			2,928	2,427
VeriWave, Inc.	Electronics & Computer Hardware			
		Preferred Stock Warrants	54	
		Preferred Stock Warrants	46	
Total VeriWave, Inc.			100	
Total Electronics & Computer Hardware (4.85%)*			18,843	17,786

See notes to consolidated financial statements.

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Table of Contents**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)****December 31, 2009****(dollars in thousands)**

Portfolio Company	Industry	Type of Investment⁽¹⁾	Principal Amount	Cost⁽²⁾	Value⁽³⁾
Aegerion Pharmaceuticals, Inc. ⁽⁴⁾	Specialty Pharmaceuticals	Senior Debt Matures September 2011 Interest rate Prime + 2.50% or Floor rate of 11.00%	\$ 5,481	\$ 5,786	\$ 5,786
		Convertible Senior Debt Matures December 2010	\$ 279	279	279
		Preferred Stock Warrants		69	253
		Preferred Stock		1,000	1,019
Total Aegerion Pharmaceuticals, Inc.				7,134	7,337
QuatRx Pharmaceuticals Company	Specialty Pharmaceuticals	Senior Debt Matures October 2011 Interest rate Prime + 8.90% or Floor rate of 12.15%	\$ 15,417	15,422	15,422
		Convertible Senior Debt Matures March 2010	\$ 1,888	1,888	2,861
		Preferred Stock Warrants		220	
		Preferred Stock Warrants		307	
		Preferred Stock		750	
Total QuatRx Pharmaceuticals Company				18,587	18,283
Total Specialty Pharmaceuticals (6.99%)*				25,721	25,620
Annie s, Inc.	Consumer & Business Products	Senior Debt - Second Lien Matures April 2011 Interest rate LIBOR + 6.50% or Floor rate of 10.00%	\$ 6,000	6,005	6,005
		Preferred Stock Warrants		321	113
Total Annie s, Inc.				6,326	6,118
IPA Holdings, LLC. ⁽⁴⁾	Consumer & Business Products	Senior Debt Matures November 2012 Interest rate Prime + 8.25% or Floor rate of 12.5%	\$ 9,500	9,432	9,432
		Senior Debt Matures May 2013 Interest rate Prime + 11.25% or Floor rate of 15.5%	\$ 6,500	6,684	6,684
		Revolving Line of Credit Matures November 2012 Interest rate Prime + 7.75% or Floor rate of 12.00%	\$ 856	786	786
		Preferred Stock Warrants		275	
		Common Stock		500	120

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Total IPA Holdings, LLC.			17,677	17,022
Market Force Information, Inc.	Consumer & Business Products	Preferred Stock Warrants	24	
		Preferred Stock	500	267
Total Market Force Information, Inc.			524	267

See notes to consolidated financial statements.

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Table of Contents**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)****December 31, 2009****(dollars in thousands)**

Portfolio Company	Industry	Type of Investment⁽¹⁾	Principal Amount	Cost⁽²⁾	Value⁽³⁾
OnTech Operations, Inc. ⁽⁸⁾	Consumer & Business Products	Senior Debt Matures June 2010 Interest rate 16.00%	\$ 106	\$ 106	\$
		Preferred Stock Warrants		452	
		Preferred Stock Warrants		218	
		Preferred Stock		1,000	
Total OnTech Operations, Inc.				1,776	
Wageworks, Inc.	Consumer & Business Products	Preferred Stock Warrants		252	1,425
		Preferred Stock		250	368
Total Wageworks, Inc.				502	1,793
Total Consumer & Business Products (6.88%)*				26,805	25,200
Custom One Design, Inc. ⁽⁸⁾	Semiconductors	Senior Debt Matures September 2010 Interest rate 11.50%	\$ 426	409	109
		Common Stock Warrants		18	
Total Custom One Design, Inc.				427	109
Enpirion, Inc.	Semiconductors	Senior Debt Matures August 2011 Interest rate Prime + 2.00% or Floor rate of 7.625%	\$ 5,094	5,359	5,359
		Preferred Stock Warrants		157	2
Total Enpirion, Inc.				5,516	5,361
iWatt, Inc.	Semiconductors	Preferred Stock Warrants		46	
		Preferred Stock Warrants		51	
		Preferred Stock Warrants		73	
		Preferred Stock Warrants		458	
		Preferred Stock		490	950
Total iWatt, Inc.				1,118	950
NEXX Systems, Inc. ⁽⁴⁾	Semiconductors	Senior Debt Matures March 2010 Interest rate Prime + 3.50% or Floor rate of 11.25%	\$ 565	547	547
		Revolving Line of Credit Matures June 2010 Interest rate Prime + 8.00% or Floor rate of 13.25%	\$ 3,000	3,102	3,102
		Revolving Line of Credit Matures June 2010 Interest rate Prime + 8.00% or	\$ 500	500	500

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		Floor rate of 17.50%		
		Preferred Stock Warrants	562	784
		Preferred Stock	6	332
Total NEXX Systems, Inc.			4,717	5,265
Quartics, Inc.	Semiconductors	Senior Debt		
		Matures May 2010		
		Interest rate 10.00%	\$ 139	131
		Preferred Stock Warrants		53
Total Quartics, Inc.			184	131

See notes to consolidated financial statements.

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2009

(dollars in thousands)

Portfolio Company	Industry	Type of Investment ⁽¹⁾	Principal Amount	Cost ⁽²⁾	Value ⁽³⁾
Solarflare Communications, Inc.	Semiconductors	Senior Debt			
		Matures August 2010			
		Interest rate 11.75%	\$ 197	\$ 166	\$ 166
		Preferred Stock Warrants		83	
		Common Stock		641	
Total Solarflare Communications, Inc.				890	166
Total Semiconductors (3.27%)*				12,852	11,982
Labopharm USA, Inc. ⁽⁵⁾	Drug Delivery	Senior Debt			
		Matures June 2012			
		Interest rate 10.95%	\$ 20,000	19,704	19,704
		Common Stock Warrants		687	1,307
Total Labopharm USA, Inc.				20,391	21,011
Transcept Pharmaceuticals, Inc.	Drug Delivery	Common Stock Warrants		36	94
		Common Stock Warrants		51	91
		Common Stock		500	283
Total Transcept Pharmaceuticals, Inc.				587	468
Total Drug Delivery (5.86%)*				20,978	21,479
BARRX Medical, Inc.	Therapeutic	Senior Debt			
		Mature December 2011			
		Interest rate 11.00%	\$ 5,481	5,697	5,697
		Revolving Line of Credit			
		Matures May 2010			
		Interest rate 10.00%	\$ 1,000	1,000	1,000
		Preferred Stock Warrants		76	111
		Preferred Stock		1,500	2,303
Total BARRX Medical, Inc.				8,273	9,111
EKOS Corporation	Therapeutic	Senior Debt			
		Matures November 2010			
		Interest rate Prime + 2.00%	\$ 2,677	3,193	3,193
		Preferred Stock Warrants		175	
		Preferred Stock Warrants		153	
Total EKOS Corporation				3,521	3,193
Gelesis, Inc. ⁽⁸⁾	Therapeutic	Senior Debt	\$ 2,847	2,852	41
		Matures May 2012			

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Interest rate Prime + 7.5% or
Floor rate of 10.75%

		Floor rate of 10.75%		
		Preferred Stock Warrants	58	
Total Gelesis, Inc.			2,910	41
Gynesonics, Inc.	Therapeutic	Preferred Stock Warrants	18	5
		Preferred Stock	250	627
Total Gynesonics, Inc.			268	632
Light Science Oncology, Inc.	Therapeutic	Preferred Stock Warrants	99	26
Total Light Science Oncology, Inc.			99	26

See notes to consolidated financial statements.

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Table of Contents**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)****December 31, 2009****(dollars in thousands)**

Portfolio Company	Industry	Type of Investment⁽¹⁾	Principal Amount	Cost⁽²⁾	Value⁽³⁾
Novasys Medical, Inc. ⁽⁴⁾	Therapeutic	Senior Debt			
		Matures January 2010			
		Interest rate 9.70%	\$ 295	\$ 529	\$ 529
		Preferred Stock Warrants		71	
		Preferred Stock Warrants		54	
		Preferred Stock		1,000	1,000
Total Novasys Medical, Inc.				1,654	1,529
Total Therapeutic (3.96%)*				16,725	14,532
Cozi Group, Inc.	Internet Consumer & Business Services	Preferred Stock Warrants		148	
		Preferred Stock		177	7
Total Cozi Group, Inc.				325	7
Invoke Solutions, Inc.	Internet Consumer & Business Services	Preferred Stock Warrants		56	129
		Preferred Stock Warrants		26	29
Total Invoke Solutions, Inc.				82	158
Prism Education Group, Inc.	Internet Consumer & Business Services	Senior Debt			
		Matures December 2010			
		Interest rate 11.25%	\$ 801	777	777
		Preferred Stock Warrants		43	104
Total Prism Education Group, Inc.				820	881
RazorGator Interactive Group, Inc. ⁽⁴⁾	Internet Consumer & Business Services	Revolving Line of Credit			
		Matures May 2010			
		Interest rate Prime + 6.00% or			
		Floor rate of 12.00%	\$ 10,000	9,989	9,989
		Preferred Stock Warrants		14	223
		Preferred Stock Warrants		28	33
		Preferred Stock		1,000	1,037
Total RazorGator Interactive Group, Inc.				11,031	11,282

See notes to consolidated financial statements.

Table of Contents**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)****December 31, 2009****(dollars in thousands)**

Portfolio Company	Industry	Type of Investment⁽¹⁾	Principal Amount	Cost⁽²⁾	Value⁽³⁾
Spa Chakra, Inc. ⁽⁸⁾	Internet Consumer & Business Services	Senior Debt Matures October 2011 Interest rate 16.45%	\$ 10,000	\$ 10,222	\$ 5,444
		Senior Debt Matures April 2010 Interest rate 16.45%	\$ 850	850	850
		Senior Debt Matures December 2009 Interest rate 16.45%	\$ 250	250	250
		Senior Debt Matures February 2010 Interest rate 17%	\$ 1,225	1,225	1,225
		Senior Debt Matures February 2010 Interest rate 17%	\$ 157	157	157
		Preferred Stock Warrants		1	
Total Spa Chakra, Inc.				12,705	7,926
Total Internet Consumer & Business Services (5.53%)*				24,963	20,254
Lilliputian Systems, Inc.	Energy	Preferred Stock Warrants		107	104
		Common Stock Warrants		48	
Total Lilliputian Systems, Inc.				155	104
Total Energy (0.03%)*				155	104
Box.net, Inc.	Information Services	Senior Debt Matures May 2011 Interest rate Prime + 1.50%	\$ 676	687	687
		Senior Debt Matures September 2011 Interest rate Prime + 0.50%	\$ 287	300	300
		Preferred Stock Warrants		73	53
Total Box.net, Inc.				1,060	1,040
Buzznet, Inc.	Information Services	Preferred Stock Warrants		9	
		Preferred Stock		250	74
Total Buzznet, Inc.				259	74
XL Education Corp.	Information Services	Common Stock		880	880
Total XL Education Corp.				880	880

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hi5 Networks, Inc.		Senior Debt			
		Matures December 2010			
	Information Services	Interest rate Prime + 2.5%	\$ 1,357	1,347	1,347
		Senior Debt			
		Matures June 2011			
		Interest rate Prime + 0.5%	\$ 3,603	4,305	4,305
		Preferred Stock Warrants		213	
Total hi5 Networks, Inc.				5,865	5,652

See notes to consolidated financial statements.

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Table of Contents**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)****December 31, 2009****(dollars in thousands)**

Portfolio Company	Industry	Type of Investment⁽¹⁾	Principal Amount	Cost⁽²⁾	Value⁽³⁾
Jab Wireless, Inc.	Information Services	Senior Debt Matures November 2012 Interest rate Prime + 3.50% or Floor rate of 9.5%	\$ 14,750	\$ 14,594	\$ 14,594
		Revolving Line of Credit Matures October 2010 Interest rate Prime + 3.50% or Floor rate of 9.5%	\$ 2,500	2,492	2,492
		Preferred Stock Warrants		265	151
Total Jab Wireless, Inc.				17,351	17,237
Solutionary, Inc.	Information Services	Preferred Stock Warrants		94	
		Preferred Stock Warrants		2	
		Preferred Stock		250	83
Total Solutionary, Inc.				346	83
Ancestry.com, Inc. (The Generation Networks, Inc.)	Information Services	Common Stock		452	880
Total Ancestry.com, Inc.				452	880
Good Technologies, Inc. (Visto Corporation)	Information Services	Common Stock		603	603
Total Visto Corporation				603	603
Coveroo, Inc.	Information Services	Preferred Stock Warrants		7	
Total Coveroo, Inc.				7	
Zeta Interactive Corporation	Information Services	Senior Debt Matures November 2012 Interest rate 9.50%	\$ 4,731	4,649	4,649
		Senior Debt Matures November 2012 Interest rate 10.50%	\$ 6,484	6,719	6,719
		Preferred Stock Warrants		172	
		Preferred Stock		500	310
Total Zeta Interactive Corporation				12,040	11,678
Total Information Services (10.40%)*				38,863	38,127
Novadaq Technologies, Inc.	Diagnostic	Common Stock		1,567	542
Total Novadaq Technologies, Inc.				1,567	542
Optiscan Biomedical Corp.	Diagnostic	Senior Debt Matures June 2011 Interest rate 10.25%	\$ 7,696	8,040	8,040
		Preferred Stock Warrants		760	342

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		Preferred Stock	3,000	3,000
Total Optiscan Biomedical Corp.			11,800	11,382
Total Diagnostic (3.25%)*			13,367	11,924
Kamada, LTD. ⁽⁵⁾	Biotechnology Tools	Common Stock Warrants	159	149
		Common Stock	794	1,161
Total Kamada, LTD.			953	1,310

See notes to consolidated financial statements.

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Table of Contents**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)****December 31, 2009****(dollars in thousands)**

Portfolio Company	Industry	Type of Investment⁽¹⁾	Principal Amount	Cost⁽²⁾	Value⁽³⁾
Labcyte, Inc.	Biotechnology Tools	Senior Debt Matures November 2012 Interest rate Prime + 8.6% or Floor rate of 11.85%	\$ 3,500	\$ 3,282	\$ 3,282
		Common Stock Warrants		192	235
Total Labcyte, Inc.				3,474	3,517
NuGEN Technologies, Inc.	Biotechnology Tools	Senior Debt Matures November 2010 Interest rate Prime + 3.45% or Floor rate of 6.75%	\$ 785	917	917
		Senior Debt Matures November 2010 Interest rate Prime + 1.70% or Floor rate of 6.75%	\$ 442	442	442
		Preferred Stock Warrants		45	391
		Preferred Stock Warrants		33	41
		Preferred Stock		500	587
Total NuGEN Technologies, Inc.				1,937	2,378
Solace Pharmaceuticals, Inc. ⁽⁴⁾	Biotechnology Tools	Senior Debt Matures August 2012 Interest rate Prime + 4.25% or Floor rate of 9.85%	\$ 2,617	2,521	2,521
		Preferred Stock Warrants		42	
		Preferred Stock Warrants		54	
Total Solace Pharmaceuticals, Inc.				2,617	2,521
Total Biotechnology Tools (2.65%)*				8,981	9,726
Crux Biomedical, Inc.	Surgical Devices	Preferred Stock Warrants		37	
		Preferred Stock		250	26
Total Crux Biomedical, Inc.				287	26
Transmedics, Inc. ⁽⁸⁾	Surgical Devices	Senior Debt Matures December 2011 Interest rate Prime + 5.25% or Floor rate of 10.50%	\$ 9,475	9,715	2,715
		Preferred Stock Warrants		225	
Total Transmedics, Inc.				9,940	2,715
Total Surgical Devices (0.75%)*				10,227	2,741

See notes to consolidated financial statements.

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Table of Contents**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)****December 31, 2009****(dollars in thousands)**

Portfolio Company	Industry	Type of Investment⁽¹⁾	Principal Amount	Cost⁽²⁾	Value⁽³⁾
Glam Media, Inc.	Media/Content/Info	Preferred Stock Warrants	\$	482	\$ 283
Total Glam Media, Inc.				482	283
Waterfront Media Inc.		Preferred Stock Warrants		60	592
		Preferred Stock		1,000	1,500
Total Waterfront Media Inc.				1,060	2,092
Total Media/Content/Info (0.65%)*				1,542	2,375
Total Investments				\$ 384,583	\$ 374,669

* Value as a percent of net assets

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

(2) Gross unrealized appreciation, gross unrealized depreciation, and net depreciation for federal income tax purposes totaled \$17,409, \$30,495 and \$13,086, respectively. The tax cost of investments is \$379,600.

(3) Except for warrants in six publicly traded companies and common stock in four publicly traded companies, all investments are restricted at December 31, 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.

(7) Control investment that is defined under the Investment Company Act of 1940 as companies in which HTGC owns at least 25% but no more than 50% of the voting securities of the company.

(8) Debt is on non-accrual status at December 31, 2009, and is therefore considered non-income producing.

See notes to consolidated financial statements.

Table of Contents**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED STATEMENTS OF OPERATIONS**

(Dollars in thousands, except per share data)

	For the Years Ended December 31,		
	2010	2009	2008
Investment Income:			
Interest income			
Non Control/Non Affiliate investments	\$ 51,417	\$ 61,781	\$ 67,080
Affiliate investments		153	203
Control investments	3,283	266	
Total interest income	54,700	62,200	67,283
Fees			
Non Control/Non Affiliate investments	5,045	10,883	8,533
Affiliate investments		19	19
Control investments	(271)	1,175	
Total fees	4,774	12,077	8,552
Total investment income	59,474	74,277	75,835
Operating expenses:			
Interest	8,572	9,387	13,121
Loan fees	1,259	1,880	2,649
General and administrative	7,086	7,281	6,899
Employee Compensation:			
Compensation and benefits	10,474	10,737	11,595
Stock-based compensation	2,709	1,888	1,590
Total employee compensation	13,183	12,625	13,185
Total operating expenses	30,100	31,173	35,854
Net investment income	29,374	43,104	39,981
Net realized (losses) gains on investments			
Non Control/Non Affiliate investments	(28,873)	(26,501)	2,643
Affiliate investments		(4,300)	
Control investments	2,491		
Total net realized (loss) gain on investments	(26,382)	(30,801)	2,643
Provision for excise tax			(203)
Net increase (decrease) in unrealized appreciation on investments			
Non Control/Non Affiliate investments	1,118	(12,426)	(18,082)
Affiliate investments	795	5,334	(3,344)
Control investments	77	8,361	
Total net unrealized (depreciation) appreciation on investments	1,990	1,269	(21,426)

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Total net realized and unrealized gains (losses)	(24,392)	(29,532)	(18,986)
Net increase in net assets resulting from operations	\$ 4,982	\$ 13,572	\$ 20,995
Net investment income per common share:			
Basic	\$ 0.80	\$ 1.25	\$ 1.23
Net increase in net assets resulting from operations per common share:			
Basic	\$ 0.12	\$ 0.38	\$ 0.64
Diluted	\$ 0.12	\$ 0.37	\$ 0.64
Weighted average shares outstanding			
Basic	36,156	34,486	32,619
Diluted	36,870	34,891	32,619

See notes to consolidated financial statements.

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Table of Contents**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS**

(in thousands)

	Common Shares	Stock Par Value	Capital in excess of par value	Unrealized Appreciation 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 December 31, 2007	32,541	\$ 33	\$ 393,452	\$ 10,129	\$ 819	\$ (3,557)	\$ (139)	\$ 400,737
Net increase in net assets resulting from operations				(21,426)	2,643	39,981	(203)	20,995
Issuance of common stock	7		70					70
Issuance of common stock from exercise of warrants	88		934					934
Issuance of common stock under restricted stock plan	238							
Issuance of common stock under dividend reinvestment plan	222		1,414					1,414
Dividends declared						(43,282)		(43,282)
Tax Reclassification of stockholders equity			(1,700)		444	1,256		
Stock-based compensation			1,590					1,590
Balance at December 31, 2008	33,096	\$ 33	\$ 395,760	\$ (11,297)	\$ 3,906	\$ (5,602)	\$ (342)	\$ 382,458
Net increase in net assets resulting from operations		\$	\$	\$ 1,269	\$ (30,801)	\$ 43,104	\$	\$ 13,572
Issuance of common stock	3		22					22
Issuance of common stock under restricted stock plan	307							
Issuance of common stock under dividend reinvestment plan	307		2,862					2,862
Issuance of common stock dividend in first quarter of 2009	1,921	2	9,530					9,532
Dividends declared						(43,914)		(43,914)
Stock-based compensation			1,983					1,983
Tax Reclassification of stockholders equity			(1,121)		(1,234)	2,355		
Balance at December 31, 2009	35,634	\$ 35	\$ 409,036	\$ (10,028)	\$ (28,129)	\$ (4,057)	\$ (342)	\$ 366,515
Net increase in net assets resulting from operations		\$	\$	\$ 1,990	\$ (26,382)	\$ 29,374	\$	\$ 4,982
Issuance of common stock	531	1	2,661					2,662
Issuance of common stock under restricted stock plan	485							
Acquisition of common stock under repurchase plan	(403)		(3,699)					(3,699)
Issuance of common stock under dividend reinvestment plan	199		1,927					1,927
Retired shares from net issuance	(189)		(1,934)					(1,934)
Public Offering	7,187	7	68,097					68,104
Dividends declared						(28,816)		(28,816)

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Stock-based compensation					2,790				2,790						
Tax Reclassification of stockholders' equity					(1,329)				3,478 (2,149)						
Balance at December 31, 2010	43,444	\$	43	\$	477,549	\$	(8,038)	\$	(51,033)	\$	(5,648)	\$	(342)	\$	412,531

See notes to consolidated financial statements.

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Table of Contents**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS**

(in thousands)

	For the Years Ended December 31,		
	2010	2009	2008
Cash flows from operating activities:			
Net increase in net assets resulting from operations	\$ 4,982	\$ 13,572	\$ 20,995
Adjustments to reconcile net increase in net assets resulting from operations to net cash used in and provided by operating activities:			
Purchase of investments	(322,331)	(89,188)	(304,666)
Principal payments received on investments	196,119	274,819	222,668
Proceeds from sale of investments	7,613	5,769	20,170
Net unrealized (appreciation) depreciation on investments	(1,990)	(1,269)	21,426
Net realized (gain) loss on investments	26,382	30,801	(2,643)
Net unrealized appreciation on investments due to lender	(13)	29	143
Accretion of paid-in-kind principal	(3,246)	(2,959)	(954)
Accretion of loan discounts	(4,526)	(5,463)	(7,239)
Accretion of loan exit fees	437	(4,649)	(1,588)
Depreciation	400	367	306
Stock-based compensation	2,790	1,983	1,590
Common stock issued in lieu of Director compensation	105	22	70
Change in deferred loan origination revenue	4,185	(4,446)	279
Change in operating assets and liabilities:			
Interest and fees receivable	(1,200)	1,478	(830)
Prepaid expenses and other assets	263	2,844	506
Accounts payable	350	(70)	302
Income tax receivable (payable)	(41)		
Accrued liabilities	(3,529)	2,484	1,840
Excise tax payable		(196)	98
Net cash provided by (used in) operating activities	(93,250)	225,928	(27,527)
Cash flows from investing activities:			
Purchases of capital equipment	(244)	(134)	(606)
Other long-term assets	350	(360)	(6)
Net cash provided by (used in) investing activities	106	(494)	(612)
Cash flows from financing activities:			
Proceeds from issuance of common stock, net	68,727		934
Stock repurchase program	(3,699)		
Dividends paid	(26,889)	(31,519)	(41,868)
Borrowings of credit facilities	39,400	98,988	252,499
Repayments of credit facilities		(185,170)	(169,967)
Fees paid for credit facilities and debentures	(2,209)	(147)	(4,073)
Net cash provided by (used) in financing activities	75,330	(117,848)	37,525
Net increase in cash	(17,814)	107,586	9,386
Cash and cash equivalents at beginning of period	124,828	17,242	7,856
Cash and cash equivalents at end of period	\$ 107,014	\$ 124,828	\$ 17,242

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Supplemental disclosures:

Interest paid	\$	8,274	\$	9,386	\$	10,880
Income taxes paid		39		228		139
Stock dividend				9,532		

See notes to consolidated financial statements.

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Description of Business, Basis of Presentation and Summary of Significant Accounting Policies

Hercules Technology Growth Capital, Inc. (the *Company*) is a specialty finance company that provides debt and equity growth capital to technology-related companies at various stages of development, which include select publicly listed companies and lower middle market companies. The Company sources its investments through its principal office located in Silicon Valley, as well as through its additional offices in the Boston, Massachusetts and Boulder, Colorado. 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, and Hercules Technology III, L.P. (*HT III*) which was licensed on May 26, 2010, to operate as Small Business Investment Companies (*SBIC*) under the authority of the Small Business Administration (*SBA*). As SBICs, HT II and HT III are subject to a variety of regulations concerning, among other things, the size and nature of the companies in which they may invest and the structure of those investments. The Company also formed Hercules Technology SBIC Management, LLC (*HTM*), a limited liability company. HTM is a wholly-owned subsidiary of the Company. The Company is the sole limited partner of HT II and HT III, 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 distribute to our stockholders. The purpose of establishing these entities is to satisfy the RIC tax requirement that at least 90% of our gross income for income tax purposes is investment income.

The consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation. In accordance with Article 6 of Regulation S-X under the Securities Act of 1933 and the Securities and Exchange Act of 1934, the Company does not consolidate portfolio company investments.

Summary of Significant Accounting Policies

Use of Estimates

The accompanying consolidated financial statements are presented in conformity with accounting principles generally accepted in the United States. This requires management to make estimates and assumptions that affect the amounts and disclosures reported in the financial statements and accompanying notes. Such estimates and assumptions could change in the future as more information becomes known, and actual results could differ from those estimates.

Valuation of Investments

Our investments are carried at fair value in accordance with the 1940 Act and Accounting Standards Codification (*ASC*) topic 820 Fair Value Measurements and Disclosures, (formerly known as SFAS No. 157, Fair

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Value Measurements). At December 31, 2010, approximately 79.8% of the Company's total assets represented investments in portfolio companies that are valued at fair value by the Board of Directors. Value, as defined in Section 2(a) (41) of the 1940 Act, is (i) the market price for those securities for which a market quotation is readily available and (ii) for all other securities and assets, fair value is as determined in good faith by the Board of Directors. The Company's debt securities are primarily invested in equity sponsored technology, life science and clean technology companies. Given the nature of lending to these types of businesses, the Company's investments in these portfolio companies are considered Level 3 assets under ASC 820 because there is no known or accessible market or market indexes for these investment securities to be traded or exchanged. As such, 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 ASC 820 and the 1940 Act. Due to the inherent uncertainty in determining the fair value of investments that do not have a readily available market value, the fair value of the Company's investments determined in good faith by its Board may differ significantly from the value that would have been used had a ready market existed for such investments, and the differences could be material.

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

With respect to investments for which market quotations are not readily available or when such market quotations are deemed not to represent fair value, our board of directors has approved a multi-step valuation process each quarter, as described below:

- (1) our quarterly valuation process begins with each portfolio company or investment being initially valued by the investment professionals responsible for the portfolio investment;
- (2) preliminary valuation conclusions are then documented and discussed with our investment committee;
- (3) the valuation committee of the board of directors reviews the preliminary valuation of the investment committee and that of the independent valuation firm and responds to the valuation recommendation of the independent valuation firm to reflect any comments, if any; and
- (4) the board of directors discusses valuations and determines the fair value of each investment in our portfolio in good faith based on the input of, where applicable, the respective independent valuation firm and the valuation committee.

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

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

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

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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.

Debt Investments

The Company follows the guidance set forth in ASC 820 which establishes a framework for measuring the fair value of assets and liabilities and outlines a fair value hierarchy which prioritizes the inputs used to measure fair value and the effect of fair value measures on earnings. The Company's debt securities are primarily invested in equity sponsored technology, life science and clean technology companies. Given the nature of lending to these types of businesses, the Company's investments in these portfolio companies are considered Level 3 assets under ASC 820 because there is no known or accessible market or market indexes for these investment securities to be traded or exchanged.

During the quarter ended December 31, 2010, and in connection with the year-end audit process, the Company corrected the valuation process to refine its application of ASC 820. We applied a new procedure that assumes a sale of investment in a hypothetical market to a hypothetical market participant where buyers and sellers are willing participants. The hypothetical market does not include scenarios where the underlying security was simply repaid or extinguished, but includes an exit concept. Under the new process, the Company has continued to evaluate the collateral for recoverability of the debt investments as well as apply all of its historical fair value analysis excluding its interest rate sensitivity analysis, which was replaced by the hypothetical market participant method, as discussed above. The Company uses pricing on recently issued comparable debt securities to determine the baseline hypothetical market yields as of the measurement date. The Company considers each portfolio company's credit rating, security liens and other characteristics of the investment to adjust the baseline yield to derive a hypothetical yield for each investment. The anticipated future cash flows from each investment are then discounted at the hypothetical yield to estimate each investment's fair value as of the measurement date.

The Company's audited consolidated financial statements for the year ended December 31, 2010 reflect the fair value of its debt investments in accordance with ASC 820 using the new valuation procedures described above. The Company determined that if it had analyzed the fair value of its investments for the year ended December 31, 2009 using this procedure, the result to the 2009 consolidated financial statements would not have been material. During the year ended December 31, 2010, the Company recognized additional unrealized depreciation of \$803,000 which is not material to the 2010 consolidated financial statements.

In addition, amounts previously recorded as deferred fee income (\$2.4 million at December 31, 2009) and accrued back-end fees (\$6.6 million at December 31, 2009) are no longer shown separately on the consolidated Balance Sheets because these amounts are a component of fair value of the investments on the consolidated Schedule of Investments.

Under the new valuation methodology, the Company's process 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, current market yield and interest rate spreads of similar securities as of the measurement date. If there is a significant deterioration of the credit quality of a debt investment, the Company may consider other factors to estimate fair value, including the proceeds that would be received in a liquidation analysis.

The Company records unrealized depreciation on investments when it believes that an investment has decreased in value, including where collection of a loan is doubtful or if under the in exchange premise when the

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value of a debt security were to be less than amortized cost of the investment. 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 or if under the in exchange premise the value of a debt security were to greater than amortized cost.

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.

Equity-Related Securities and Warrants

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. We have a limited number of equity securities in public companies. In accordance with the 1940 Act, unrestricted publicly traded securities for which market quotations are readily available are valued at the closing market quote on the valuation date.

The Company estimates the fair value of warrants using a Black Scholes pricing model. At each reporting date, privately held warrant and equity related 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, price to enterprise value or price to equity ratios, discounted cash flow, valuation comparisons to comparable public companies or other industry benchmarks. 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 warrant and equity related. 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.

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

Investments at Fair Value as of December 31, 2010				
(in thousands)	12/31/2010	Quoted Prices In Active Markets For Identical Assets (Level 1)		
		Significant Other Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)
Description				
Senior secured debt	\$ 394,198	\$	\$	\$ 394,198
Subordinated debt	7,420			7,420
Preferred stock	24,607			24,607
Common stock	22,117	4,943	16,144	1,030
Warrants	23,690		6,289	17,401
	\$ 472,032	\$ 4,943	\$ 22,433	\$ 444,656

Investments at Fair Value as of December 31, 2009				
(in thousands)	12/31/2009	Quoted Prices In Active Markets For Identical Assets (Level 1)		
		Significant Other Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)
Description				
Senior secured debt	\$ 319,129	\$	\$	\$ 319,129
Senior debt-second lien	6,005			6,005
Preferred stock	22,875			22,875

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Common stock	12,210	1,986	8,451	1,773
Warrants	14,450		3,374	11,076
	\$ 374,669	\$ 1,986	\$ 11,825	\$ 360,858

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

(in thousands)	Balance, January 1, 2010	Net Realized Gains (losses) ⁽¹⁾	Net change in unrealized appreciation or depreciation ⁽²⁾	Purchases, sales, repayments, and exit, net	Transfer in & out of Level 3	Balances, December 31, 2010
Senior Debt	\$ 319,129	\$ (12,835)	\$ (3,076)	\$ 98,058	\$ (7,078)	\$ 394,198
Subordinated Debt				7,420		7,420
Senior Debt-Second Lien	6,005			(6,005)		
Preferred Stock	22,875	(1,250)	(995)	2,603	1,374	24,607
Common Stock	1,773	(15,037)	(743)	15,037		1,030
Warrants	11,076	(1,225)	568	8,650	(1,668)	17,401
Total	\$ 360,858	\$ (30,347)	\$ (4,246)	\$ 125,763	\$ (7,372)	\$ 444,656

(in thousands)	Balance, January 1, 2009	Net Realized Gains (losses) ⁽¹⁾	Net change in unrealized appreciation or depreciation ⁽²⁾	Purchases, sales, repayments, and exit, net	Transfer in & out of Level 3	Balances, December 31, 2009
Senior Debt	\$ 534,230	\$ (27,192)	\$ 4,698	\$ (192,607)	\$	\$ 319,129
Senior Debt-Second Lien	5,824			181		6,005
Preferred Stock	21,249	(3,000)	4,373	661	(408)	22,875
Common Stock	1,894	(105)	(749)	1,204	(471)	1,773
Warrants	14,952	(1,150)	(4,116)	1,390		11,076
Total	\$ 578,149	\$ (31,447)	\$ 4,206	\$ (189,171)	\$ (879)	\$ 360,858

(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.

Transfers out of Level 3 Senior Debt resulted from four distinct transactions totaling approximately \$7.1 million, the majority of which relates to the conversion of InfoLogix, Inc. debt to public equity. Further transfers out of Level 3 Warrants resulted from three distinct transactions totaling approximately \$1.7 million, the majority of which relates to the Aveo Pharmaceutical IPO. Transfers in to Preferred Stock Level 3 resulted from four distinct transactions totaling approximately \$1.4 million, the majority of which resulted from the conversion of Transmedics, Inc. debt to equity.

For the year ended December 31, 2010 approximately \$3.1 million, \$3.0 million and \$461,000 in unrealized depreciation was recorded for debt equity and warrant Level 3 investments.

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

At December 31, 2010, we had one Control Investment, InfoLogix, Inc. Approximately \$3.0 million in investment income was derived from the debt investment in this software and internet consumer portfolio

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company during the period ended December 31, 2010. See Subsequent Events. At December 31, 2009, the Company had an investment in one portfolio company deemed to be a Control Investment and \$1.4 million in investment income was derived from the debt investment in this portfolio company. No investments in 2008 were deemed to be Control Investments.

Approximately \$2.5 million of realized gains and net unrealized appreciation of approximately \$77,000 on the Control Investment were recognized during the period ended December 31, 2010. No realized gains or losses related to Control Investments were recognized during the years ended December 31, 2009 and 2008. We recognized unrealized appreciation of approximately \$8.4 million on Control Investments in 2009. No unrealized appreciation or depreciation was recognized on Control Investments during the year end December 31, 2008.

At December 31, 2010 and 2009, the Company had one investment in a portfolio company deemed to be an Affiliate. No income was derived from this investment as this is a non-income producing equity investment. At December 31, 2008, the Company had three portfolio companies deemed to be Affiliates. For the year ended December 31, 2008, income derived from these investments was \$199,000 in interest income and \$18,000 related to commitment and facility fee amortization. One company that was an Affiliate in 2008 performed a capital raise in 2009 which resulted in the company no longer being an Affiliate and one investment was disposed of in 2009.

There were no realized gains or losses related to Affiliates during the years ended December 31, 2010 and 2008. During 2009, the Company recognized a realized loss of approximately \$4.0 million in a portfolio company that was an affiliate prior to the disposal of the investment. During the years ended December 31, 2010 and 2009, we recognized unrealized appreciation of approximately \$795,000 and \$5.3 million, respectively, and in unrealized depreciation in 2008 of \$3.3 million related to Affiliates.

Income Recognition

Interest income is recorded on the accrual basis to the extent it is expected to be collected. Original Issue Discount (OID), represents the estimated fair value of detachable equity warrants obtained in conjunction with the acquisition of debt securities and is accreted into interest income over the term of the loan as a yield enhancement. When a loan becomes 90 days or more past due, or if management otherwise does not expect the portfolio company to be able to service its debt and other obligations, the Company will, as a general matter, place the loan on non-accrual status and cease recognizing interest income on that loan until all principal and interest has been brought current through payment. However, Hercules may make exceptions to this policy if the investment has sufficient collateral value and is in the process of collection. There were two loans on non-accrual status as of December 31, 2010 with an aggregated cost of \$11.4 million and fair values of \$4.0 million. There were five loans on non-accrual as of December 31, 2009 with an aggregate cost of \$25.5 million and fair value of approximately \$10.5 million.

Contractual paid-in-kind (PIK) interest, which represents contractually deferred interest added to the loan balance that is generally due at the end of the loan term, is generally recorded on the accrual basis to the extent such amounts are expected to be collected. The Company will generally cease accruing PIK interest if there is insufficient value to support the accrual or if it does not expect the portfolio company to be able to pay all principal and interest due. To maintain its status as a RIC, PIK income must be paid out to stockholders in the form of dividends even though the Company has not yet collected the cash. Amounts necessary to pay these dividends may come from available cash or the liquidation of certain investments. For the years ended December 31, 2010, 2009 and 2008, the Company recognized approximately \$2.3 million, \$2.9 million and \$1.0 million in PIK income, respectively.

Effective January 1, 2011, the Company will recognize nonrecurring fees amortized over the remaining term of the loan commencing in the quarter relating to specific loan modifications. Certain fees may still be recognized as one-time fees, including prepayment penalties, fees related to select covenant default waiver fees and acceleration of previously deferred loan fees and original issue discount (OID) related to early loan pay-off or material modification of the specific debt outstanding.

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During its quarter ended December 31, 2010, the Company corrected its method of accounting for nonrecurring fees related to loan modifications. The Company previously recognized these fees upon modification of loans. The Company's audited consolidated financial statements for the year ended December 31, 2010 reflect the correct accounting and recognize fee income in accordance with the procedures described in the preceding paragraph. The Company determined that if it had analyzed the one-time fees for the year ended December 31, 2009 using these procedures, the result to the 2009 consolidated financial statements would not have been material. In addition, the change in method of accounting for nonrecurring fees related to loan modifications has no impact on taxable income. During the year ended December 31, 2010, the Company deferred one-time fee revenue that was recognized in previous periods as income of approximately \$1.0 million which is not material to the 2010 consolidated financial statements.

In addition, the Company has considered the aggregated impact of the out of period adjustments recorded in 2010 related to the application of ASC 820 as discussed above under *Debt Investments* and the one-time fee recognition, and concluded that the aggregated impact would not be material to the 2010 or previously issued consolidated financial statements.

Loan origination, commitment and nonrecurring fees received in full at the inception of a loan or upon modification are deferred and amortized into fee income as an enhancement to the related loan's yield over the contractual life of the loan. Loan exit fees to be paid at the termination of the loan are accreted into fee income over the contractual life of the loan. The Company had approximately \$6.6 million, \$2.4 million and \$6.9 million of unamortized fees at December 31, 2010, 2009 and 2008, respectively, and approximately \$5.1 million, \$6.6 million \$3.6 million in exit fees receivable at December 31, 2010, 2009 and 2008, respectively.

In certain investment transactions, the Company may provide advisory services. For services that are separately identifiable and external evidence exists to substantiate fair value, income is recognized as earned, which is generally when the investment transaction closes. The Company had no income from advisory services in 2010, 2009 and 2008.

Financing costs

Debt financing costs are fees and other direct incremental costs incurred by the Company in obtaining debt financing and are recognized as prepaid expenses and amortized into the consolidated statement of operations as loan fees over the term of the related debt instrument. Prepaid financing costs, net of accumulated amortization, were as follows:

(in thousands)	As of December 31	
	2010	2009
Wells Facility	\$ 250	\$ 325
SBA Debenture	4,917	3,622
	\$ 5,167	\$ 3,947

Cash Equivalents

The Company considers money market funds and other highly liquid short-term investments with a maturity of less than 90 days to be cash equivalents.

Stock Based Compensation

The Company recognizes share based compensation in accordance with ASC Topic 718, formerly known as FAS 123R, Share-Based Payment. Under ASC 718, compensation expense associated with stock based compensation is measured at the grant date based on the fair value of the award and is recognized over the

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vesting period. Determining the appropriate fair value model and calculating the fair value of stock-based awards at the grant date requires judgment, including estimating stock price volatility, forfeiture rate and expected option life.

Earnings Per Share (EPS)

Basic EPS is calculated by dividing net earnings applicable to common shareholders by the weighted average number of common shares outstanding. Common shares outstanding includes common stock and restricted stock for which no future service is required as a condition to the delivery of the underlying common stock. Diluted EPS includes the determinants of basic EPS and, in addition, reflects the dilutive effect of the common stock deliverable pursuant to stock options and to restricted stock for which future service is required as a condition to the delivery of the underlying common stock.

Income Taxes

We operate to qualify to be taxed as a RIC under the Internal Revenue Code. Generally, a RIC is entitled to deduct dividends it pays to its shareholders from its income to determine taxable income. Taxable income includes our net taxable interest, dividend and fee income, as well as our net realized capital gains. Taxable income generally differs from net income for financial reporting purposes due to temporary and permanent differences in the recognition of income and expenses. In addition, taxable income generally excludes any unrealized appreciation or depreciation in our investments, because gains and losses are not included in taxable income until they are realized and required to be recognized. Taxable income includes certain income, such as contractual payment-in-kind interest and amortization of discounts and fees that is required to be accrued for tax purposes even though cash collections of such income are generally deferred until repayment of the loans or debt securities that gave rise to such income.

We have distributed and currently intend to distribute sufficient dividends to eliminate taxable income. We are subject to a nondeductible federal excise tax of 4% if we do not distribute at least 98% of our investment company taxable income in any calendar year and 98.2% of our capital gain net income for each one year period ending on October 31. We did not record an excise tax provision for the years ended December 31, 2010 and 2009. The maximum amount of excess taxable income that may be carried over for distribution in the next year under the Code is the total amount of dividends paid in the following year, subject to certain declaration and payment guidelines.

Dividends

Dividends and distributions to common stockholders are approved by the Board of Directors on a quarterly basis and the dividend payable is recorded on the ex-dividend date.

We have adopted an opt out dividend reinvestment plan that provides for reinvestment of our distribution on behalf of our stockholders, unless a stockholder elects to receive cash. As a result, if our Board of Directors authorizes, and we declare a cash dividend, then our stockholders who have not opted out of our dividend reinvestment plan will have their cash dividend automatically reinvested in additional shares of our common stock, rather than receiving the cash dividends. During 2010 and 2009, the Company issued approximately 199,000 and 307,000 shares, respectively, of common stock to shareholders in connection with the dividend reinvestment plan.

Segments

The Company lends to and invests in portfolio companies in various technology-related companies, including clean technology, life sciences, and lower middle market companies. The Company separately evaluates the performance of each of its lending and investment relationships. However, because each of these

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loan and investment relationships has similar business and economic characteristics, they have been aggregated into a single lending and investment segment. All segment disclosures are included in or can be derived from the Company's consolidated financial statements.

Reclassifications

Certain prior period information has been reclassified to conform to current year presentation.

Recent Accounting Pronouncements

In January 2010, the FASB issued ASU No. 2010-01, *Accounting for Distributions to Shareholders with Components of Stock and Cash* (ASU 2010-01), which addresses the accounting for a distribution to shareholders that offers them the ability to elect to receive their entire distribution in cash or shares of equivalent value with a potential limitation on the total amount of cash that shareholders can receive in the aggregate. ASU 2010-01 clarifies that the stock portion of such a distribution is considered a share issuance reflected prospectively in earnings per share. ASU 2010-01 is effective for interim and annual periods ending after December 15, 2009 and should be applied on a prospective basis. The Company adopted the requirements of ASU 2010-01 in the fourth quarter of 2009 and its adoption did not have a material effect on our consolidated financial statements.

In January 2010, the FASB issued ASU No. 2010-06, *Fair Value Measurements and Disclosures* (ASU 2010-06), which amends ASC 820 and requires additional disclosure related to recurring and non-recurring fair value measurements with respect to transfers in and out of Levels 1 and 2 and activity in Level 3 fair value measurements. The update also clarifies existing disclosure requirements related to the level of disaggregation and disclosure about inputs and valuation techniques. ASU 2010-06 is effective for interim and annual periods beginning after December 15, 2009 except for disclosures related to activity in Level 3 fair value measurements which are effective for fiscal years beginning after December 15, 2010 and for interim periods within those fiscal years. The Company adopted the requirements of ASU 2010-06 in the fourth quarter of 2009 and its adoption did not have a material effect on our consolidated financial statements.

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

2. Investments

Investments consist of securities issued by privately- and publicly-held companies consisting of senior debt, subordinated debt, warrants and preferred equity securities. Our investments are identified in the accompanying consolidated schedule of investments. Our debt securities are payable in installments with final maturities generally from 3 to 7 years and are generally collateralized by all assets of the borrower.

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

(in thousands)	December 31, 2010		December 31, 2009	
	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
Senior secured debt with warrants	\$ 357,963	75.8%	\$ 226,391	60.4%
Senior secured debt	59,251	12.6%	107,075	28.6%
Preferred stock	26,813	5.7%	22,875	6.1%
Senior debt-second lien with warrants	8,094	1.7%	6,118	1.6%
Common Stock	19,911	4.2%	12,210	3.3%
	\$ 472,032	100.0%	\$ 374,669	100%

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

(in thousands)	December 31, 2010		December 31, 2009	
	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
United States	\$ 438,585	92.9%	\$ 349,262	93.2%
Canada	20,876	4.4%	21,553	5.8%
England	10,653	2.3%		0.0%
Israel	1,918	0.4%	1,310	0.3%
Netherlands		0.0%	2,544	0.7%
	\$ 472,032	100.0%	\$ 374,669	100%

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

(in thousands)	December 31, 2010		December 31, 2009	
	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
Software	\$ 96,508	20.4%	\$ 61,514	16.5%
Communications & Networking	65,098	13.8%	58,039	15.6%
Specialty Pharma	63,607	13.5%	25,628	6.8%
Drug Discovery	52,777	11.2%	53,266	14.2%
Consumer & Business Products	45,316	9.6%	25,200	6.7%
Drug Delivery	35,250	7.5%	21,479	5.7%
Clean Tech	25,722	5.4%		0.0%
Therapeutic	25,300	5.4%	14,532	3.9%
Diagnostic	14,911	3.2%	11,924	3.2%
Information Services	10,857	2.3%	38,127	10.2%
Surgical Devices	10,172	2.1%	2,741	0.7%
Electronics & Computer Hardware	7,819	1.6%	17,778	4.7%
Internet Consumer & Business Services	7,255	1.5%	20,254	5.4%
Biotechnology Tools	5,987	1.3%	9,726	2.6%
Semiconductors	3,227	0.7%	11,982	3.2%
Media/Content/Info	2,223	0.5%	2,375	0.6%
Energy	3	0.0%	104	0.0%

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\$ 472,032

100.0%

\$ 374,669

100%

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During the years ended December 31, 2010 and 2009, the Company made investments in debt securities totaling \$320.4 and \$86.3 million, respectively, and made investments in equity securities of approximately \$2.3 and \$2.9 million, respectively. In addition, during the year ended December 31, 2010, the Company converted approximately \$7.1 million of debt to equity in four portfolio companies. No single portfolio investment represents more than 10% of the fair value of the investments as of December 31, 2010 and 2009.

3. Fair Value of Financial Instruments

Fair value estimates are made at discrete points in time based on relevant information. These estimates may be subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. The Company believes that the carrying amounts of its financial instruments, consisting of cash and cash equivalents, receivables, accounts payable and accrued liabilities approximate the fair values of such items due to the short maturity of such instruments. As of December 31, 2010, calculated based on the net present value of payments over the term of the notes using estimated market rates for similar notes and remaining terms, the fair value of its SBIC debentures would be approximately \$175.5 million, compared to carrying amount of \$170.0 million as of December 31, 2010.

See the accompanying consolidated schedule of investments for the fair value of the Company's investments. The methodology for the determination of the fair value of the Company's investment is discussed in Note 1.

4. Borrowings
Citibank Credit Facility

The Company, through Hercules Funding Trust I, an affiliated statutory trust, had a securitized credit facility (the "Citibank Credit Facility") with Citigroup Global Markets Realty Corp. which expired under the normal terms. During the first quarter of 2009, the Company paid off all remaining principal and interest owed under the Credit Facility. Citigroup has an equity participation right through a warrant participation agreement on the pool of loans and warrants collateralized under the Citibank Credit Facility. Pursuant to the warrant participation agreement, the Company granted to Citigroup a 10% participation in all warrants held as collateral. However, no additional warrants were included in collateral subsequent to the facility amendment on May 2, 2007. As a result, Citigroup is entitled to 10% of the realized gains on the warrants until the realized gains paid to Citigroup pursuant to the agreement equal \$3,750,000 (the "Maximum Participation Limit"). The obligations under the warrant participation agreement continue even after the Credit Facility is terminated until the Maximum Participation Limit has been reached. The value of their participation right on unrealized gains in the related equity investments was approximately \$481,000 as of December 31, 2010 and is included in accrued liabilities. There can be no assurances that the unrealized appreciation of the warrants will not be higher or lower in future periods due to fluctuations in the value of the warrants, thereby increasing or reducing the effect on the cost of borrowing. Since inception of the agreement, the Company has paid Citigroup approximately \$1.1 million under the warrant participation agreement thereby reducing its realized gains by this amount. The Company will continue to pay Citigroup under the warrant participation agreement until the Maximum Participation Limit is reached or the warrants expire.

Long-term SBA Debentures

On September 27, 2006, HT II and on May 26, 2010, HT III received a license to operate as a SBIC under the SBIC program and is able to borrow funds from the SBA against eligible investments and additional contributions to regulatory capital. Under the Small Business Investment Company Act and current SBA policy applicable to SBICs, an SBIC can have outstanding at any time SBA guaranteed debentures up to twice the amount of its regulatory capital. As of December 31, 2010, the maximum statutory limit on the dollar amount of outstanding SBA guaranteed debentures issued by a single SBIC is \$150.0 million, subject to periodic

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adjustments by the SBA. With our net investment of \$75.0 million in HT II as of December 31, 2010, HT II has the current capacity to issue up to a total of \$150.0 million of SBA guaranteed debentures, of which \$150.0 million was outstanding. Currently, HT II has paid commitment fees of approximately \$1.5 million. As of December 31, 2010, the maximum statutory limit on the dollar amount of combined outstanding SBA guaranteed debentures is \$225.0 million, subject to periodic adjustments by the SBA. As of December 31, 2010, HT III had the potential to borrow up to \$75.0 million of SBA-guaranteed debentures under the SBIC program. With our net investment of \$37.5 million in HT III as of December 31, 2010, HT III has the capacity to issue a total of \$75.0 million of SBA guaranteed debentures, subject to SBA approval, of which \$20.0 million was outstanding at December 31, 2010. Currently, HT III has paid commitment fees of approximately \$750,000. There is no assurance that HT II or HT III will be able to draw up to the maximum limit available under the SBIC program.

SBICs are designed to stimulate the flow of private equity capital to eligible small businesses. Under present SBA regulations, eligible small businesses include businesses that have a tangible net worth not exceeding \$18.0 million and have average annual fully taxed net income not exceeding \$6.0 million for the two most recent fiscal years. In addition, SBICs must devote 25.0% of its investment activity to smaller concerns as defined by the SBA. A smaller concern is one that has a tangible net worth not exceeding \$6.0 million and has average annual fully taxed net income not exceeding \$2.0 million for the two most recent fiscal years. SBA regulations also provide alternative size standard criteria to determine eligibility, which depend on the industry in which the business is engaged and are based on such factors as the number of employees and gross sales. According to SBA regulations, SBICs may make long-term loans to small businesses, invest in the equity securities of such businesses and provide them with consulting and advisory services. Through its wholly-owned subsidiaries HT II and HT III, the Company plans to provide long-term loans to qualifying small businesses, and in connection therewith, make equity investments.

HT II and HT III are periodically examined and audited by the SBA's staff to determine its compliance with SBA regulations. If HT II or HT III fails to comply with applicable SBA regulations, the SBA could, depending on the severity of the violation, limit or prohibit HT II's or HT III's use of debentures, declare outstanding debentures immediately due and payable, and/or limit HT II or HT III from making new investments. In addition, HT II or HT III may also be limited in their ability to make distributions to us if they do not have sufficient capital in accordance with SBA regulations. Such actions by the SBA would, in turn, negatively affect us because HT II and III are our wholly owned subsidiaries. HT II and HT III were in compliance with the terms of the SBIC's leverage as of December 31, 2010 as a result of having sufficient capital as defined under the SBA regulations. As of December 31, 2010, HT III could draw up to \$55.0 million of additional leverage from SBA, as noted above. The rates of borrowings under various draws from the SBA beginning in April 2007 and set semiannually in March and September range from 3.22% to 5.73%. In addition, the SBA charges a fee that is set annually, depending on the Federal fiscal year the leverage commitment was delegated by the SBA, regardless of the date that the leverage was drawn by the SBIC. The annual fees related to HT II debentures that pooled on September 22, 2010 were 0.406% and 0.285%, depending upon the year the underlying commitment was closed in. The annual fees on other debentures have been set at 0.906%. The average amount of debentures outstanding for the year ended December 31, 2010 for HT II was approximately \$139.4 million with an average interest rate of approximately 5.11%. The average amount of debentures outstanding for the year ended December 31, 2010 for HT III was approximately \$13.9 million with an average interest rate of approximately 3.215%. Interest is payable semiannually and there are no principal payments required on these issues prior to maturity. Debentures under the SBA generally mature ten years after being borrowed. Based on the initial draw down date of April 2007, the initial maturity of SBA debentures will occur in April 2017.

See Note 16 regarding the payment of the Company's SBIC debentures.

Wells Facility

On August 25, 2008, the Company, through a special purpose wholly-owned subsidiary of the Company, Hercules Funding II, LLC, entered into a two-year revolving senior secured credit facility with an optional

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one-year extension with total commitments of \$50 million, with Wells Fargo Capital Finance as a lender and as an arranger and administrative agent (the Wells Facility). The Wells Facility has the capacity to increase to \$300 million if additional lenders are added to the syndicate. We continue to be in discussions with various other potential lenders to join the facility; however, there is no assurance that additional lenders may join the facility. The Wells Facility expires in August 2011.

Borrowings under the Wells Facility will generally bear interest at a rate per annum equal to LIBOR plus 3.25% or PRIME plus 2.0%, but not less than 5.0%. The Wells Facility requires the payment of a non-use fee of 0.3% annually. The Wells Facility is collateralized by debt investments in our portfolio companies, and includes an advance rate equal to 50% of eligible loans placed in the collateral pool. The Wells Facility generally requires payment of interest on a monthly basis. All outstanding principal is due upon maturity. We have paid a total of \$1.1 million in structuring fees in connection with the Wells Facility which is being amortized through August 2011. There was no outstanding debt under the Wells Facility at December 31, 2010.

The Wells Facility requires various financial and operating covenants. These covenants require us to maintain certain financial ratios and a minimum tangible net worth of \$250 million, contingent upon our total commitments under all lines of credit not exceeding \$250 million. To the extent our total commitments exceeds \$250 million, the minimum tangible net worth covenant will increase on a pro rata basis commensurate with our net worth on a dollar for dollar basis. In addition, the tangible net worth covenant will increase by 90 cents on the dollar for every dollar of equity capital subsequently raised by the Company. Based on the net proceeds from the equity raise we completed in November 2010 the adjusted minimum tangible net worth at December 31, 2010 would be approximately \$311.0 million. The Wells Facility provides for customary events of default, including, but not limited to, payment defaults, breach of representations or covenants, bankruptcy events and change of control. We were in compliance with all covenants at December 31, 2010.

Union Bank Facility

On February 10, 2010, we entered a \$20.0 million one-year revolving senior secured credit facility with Union Bank (the Union Bank Facility). Borrowings under the Union Bank Facility will generally bear interest at a rate per annum equal to LIBOR plus 2.25% with a floor of 4.0%, an advance rate of 50% against eligible loans, and secured by loans in the borrowing base. At December 31, 2010, there were no borrowings outstanding on this facility. The Union Bank Facility requires the payment of a nonuse fee of 0.25% annually. The Union Bank Facility is collateralized by debt investments in our portfolio companies, and includes an advance rate equal to 50% of eligible loans placed in the collateral pool. The Union Bank generally requires payment of interest on a monthly basis. All outstanding principal is due upon maturity. In February 2011, the maturity date of the facility was extended from May 1, 2011 to July 31, 2011.

At December 31, 2010 and December 31, 2009, the Company had the following borrowing capacity and outstandings:

(in thousands)	December 31, 2010		December 31, 2009	
	Facility Amount	Amount Outstanding	Facility Amount	Amount Outstanding
Union Bank Facility	\$ 20,000	\$	\$	\$
Wells Facility	50,000		50,000	
SBA Debenture ⁽¹⁾	225,000	170,000	150,000	130,600
Total	\$ 295,000	\$ 170,000	\$ 200,000	\$ 130,600

(1) The Company has the ability to borrow \$55.0 million in SBA debentures under HT III, subject to SBA approval.

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

To qualify as a RIC, the Company is required to meet certain income and asset diversification tests in addition to distributing at least 90% of its investment company taxable income, as defined by the Code. Because federal income tax regulations differ from accounting principles generally accepted in the United States, distributions in accordance with tax regulations may differ from net investment income and realized gains recognized for financial reporting purposes. Differences may be permanent or temporary in nature. Permanent differences are reclassified among capital accounts in the financial statements to reflect their tax character. Differences in classification may also result from the treatment of short-term gains as ordinary income for tax purposes. During the year ended December 31, 2010 and 2009, the Company reclassified for book purposes amounts arising from permanent book/tax differences primarily related to accelerated revenue recognition for income tax purposes, respectively, as follows:

(in thousands)	2010	2009
Distributions in excess of investment income	\$ (2,149)	\$ 2,355
Accumulated realized gains (losses)	3,478	(1,234)
Additional paid-in capital	(1,329)	(1,121)

For income tax purposes, distributions paid to shareholders are reported as ordinary income, return of capital, long term capital gains or a combination thereof. The tax character of distributions paid for the years ended December 31, 2010 and 2009 was as follows:

(in thousands)	2010	2009
Ordinary Income ^(a)	\$ 28,816	\$ 43,914
Capital Gains		
Return of Capital		
	\$ 28,816	\$ 43,914

(a) Ordinary income is reported on form 1099-DIV as non-qualified.

The aggregate gross unrealized appreciation of our investments over cost for federal income tax purposes was \$22.4 million and \$17.4 million as of December 31, 2010 and 2009, respectively. The aggregate gross unrealized depreciation of our investments under cost for federal income tax purposes was \$32.2 million and \$30.5 million as of December 31, 2010 and 2009, respectively. The net unrealized depreciation over cost for federal income tax purposes was \$9.8 million as of December 31, 2010 and net unrealized depreciation over cost for federal income tax purposes was \$13.1 million as of December 31, 2009. The aggregate cost of securities for federal income tax purposes was \$481.4 million and \$379.6 million as of December 31, 2010 and 2009, respectively.

At December 31, 2010 and 2009, the components of distributable earnings on a tax basis detailed below differ from the amounts reflected in the Company's Statement of Net Assets and Liabilities by temporary book/ tax differences primarily arising from the treatment of loan related yield enhancements.

(in thousands)	2010	2009
Accumulated Capital Gains (Losses)	\$ (50,057)	\$ (27,153)
Other Temporary Differences	(6,260)	(6,974)
Undistributed Ordinary Income	220	849
Unrealized Appreciation (Depreciation)	(8,963)	(9,278)
Components of Distributable Earnings	\$ (65,060)	\$ (42,556)

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The Company adopted FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109*, which is codified in FASB ASC Topic 740, *Income Taxes* (ASC 740), on January 1, 2007. ASC 740 clarifies the accounting for income taxes by prescribing the minimum recognition threshold that an uncertain tax position is required to meet before tax benefits associated with such uncertain tax position are recognized in the consolidated financial statements. The adoption of ASC 740 did not require a cumulative effect adjustment to the January 1, 2007 undistributed net realized earnings. The Company will classify interest and penalties, if any, related to unrecognized tax benefits as a component of provision for income taxes.

Based on an analysis of our tax position, there are no uncertain tax positions that met the recognition or measurement criteria of ASC 740. The Company is currently not undergoing any tax examinations. The Company does not anticipate any significant increase or decrease in unrecognized tax benefits for the next twelve months. The 2007, 2008 and 2009 federal tax years for the Company remain subject to examination by the IRS. The 2006, 2007, 2008 and 2009 state tax years for the Company remain subject to examination by the California Franchise Tax Board.

6. Shareholders' Equity

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

In conjunction with a June 2004 private placement, the Company issued warrants to purchase one share of common stock within five years (the Five Year Warrants). Warrants for 88,323 shares were exercised in 2008 for net proceeds of approximately \$934,000 and 283,614 warrants expired in June of 2009.

On November 10, 2010, the Company raised approximately \$68.1 million, net of issuance costs, in a public offering of 7,187,500 shares of its common stock.

During 2010, 2009 and 2008 the Board of Directors elected to receive approximately \$105,000, \$22,000 and \$70,000 respectively, of their compensation in the form of common stock and the Company issued 10,479, 3,334 and 6,668 shares, respectively, to the directors based on the closing prices of the common stock on the specified election dates.

The Company has issued stock options for common stock subject to future issuance, of which, 4,729,849 and 4,924,405 were outstanding at December 31, 2010 and 2009, respectively.

7. Equity Incentive Plan

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

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

On June 21, 2007, the shareholders approved amendments to the 2004 Plan and the 2006 Plan allowing for the grant of restricted stock. The amended Plans limit the combined maximum amount of restricted stock that

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

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

In 2010, 2009 and 2008, the Company issued 491,500, 306,500 and 248,650 restricted shares, respectively, pursuant to the 2004 Plan. There were 1,018,103 restricted shares outstanding as of December 31, 2010. The shares granted in 2010 and 2009 vest 25% on the first anniversary of the grant and ratably over the succeeding 36 months. The shares granted in 2008 vest 25% per year on an annual basis from the date of grant. Share based compensation cost will be recognized ratably over the four year vesting period. No restricted stock was granted pursuant to the 2004 Plan prior to 2008. The Company determined that the fair value of restricted stock granted under the 2006 and 2004 Plans during the years ended December 31, 2010, 2009 and 2008 was approximately \$5.1 million, \$1.3 million and \$3.0 million, respectively. During the years ended December 31, 2010, 2009 and 2008, approximately \$2.0 million, \$1.0 million and \$600,000 of share-based cost was expensed, respectively. As of December 31, 2010, there was \$5.6 million of total unrecognized compensation costs related to restricted stock. These costs are expected to be recognized over a weighted average period of 2.8 years.

A summary of restricted stock activity under the Company's 2006 and 2004 Plans for each of the three periods ended December 31, 2010 is as follows:

	2006 Plan	2004 Plan
Outstanding at December 31, 2007	6,668	
Granted	10,000	248,650
Cancelled		(20,500)
Outstanding at December 31, 2008	16,668	228,150
Granted	5,000	306,500
Cancelled		(4,175)
Outstanding at December 31, 2009	21,668	530,475
Granted		491,500
Cancelled		(3,872)
Outstanding at December 31, 2010	21,668	1,018,103

In conjunction with stock options issued in 2004, the Company issued warrants to purchase one share of common stock within five years. The warrants expired in June 2009.

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A summary of common stock options and warrant activity under the Company's 2006 and 2004 Plans for each of the three periods ended December 31, 2010 is as follows:

	Common Stock Options	Five-Year Warrants
Outstanding at December 31, 2007	2,900,513	10,692
Granted	1,319,086	
Exercised		
Cancelled	(288,072)	
Outstanding at December 31, 2008	3,931,527	10,692
Granted	1,357,000	
Exercised		
Cancelled	(364,122)	(10,692)
Outstanding at December 31, 2009	4,924,405	
Granted	575,250	
Exercised	(520,666)	
Cancelled	(249,140)	
Outstanding at December 31, 2010	4,729,849	
Weighted-average exercise price at December 31, 2010	\$ 11.33	\$

Options generally vest 33% one year after the date of grant and ratably over the succeeding 24 months. All options may be exercised for a period ending seven years after the date of grant. At December 31, 2010, options for approximately 3.6 million shares were exercisable at a weighted average exercise price of approximately \$12.43 per share with weighted average of remaining contractual term of 2.86. The Company determined that the fair value of options and warrants granted under the 2006 and 2004 Plans during the years ended December 31, 2010, 2009 and 2008 was approximately \$1.0 million, \$746,000 and \$1.2 million, respectively. During the years ended December 31, 2010, 2009 and 2008, approximately \$719,000, \$977,000 and \$1.0 million, of share-based cost was expensed, respectively. As of December 31, 2010, there was \$1.1 million of total unrecognized compensation costs related to stock options. These costs are expected to be recognized over a weighted average period of 2.2 years. The fair value of options granted is based upon a Black Scholes option pricing model using the assumptions in the following table for each of the three periods ended December 31, 2010:

	2010	2009	2008
Expected Volatility	46.39%	31.52%-45.88%	23%
Expected Dividends	10%	10%	8%-10%
Expected term (in years)	4.5	4.5	4.5
Risk-free rate	0.89%-2.51%	1.77%-2.22%	2.27%-3.18%

The following table summarizes stock options outstanding and exercisable at December 31, 2010:

(Dollars in thousands, except exercise price)

	Number of shares	Options outstanding Weighted average remaining contractual life	Aggregate intrinsic value	Weighted average exercise price	Number of shares	Options exercisable Weighted average remaining contractual life	Aggregate intrinsic value	Weighted average exercise price
Range of exercise prices								
\$4.21-\$6.74	653,116	5.18	\$ 4,014	\$ 4.21	196,332	5.15	\$ 1,207	\$ 4.21

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\$8.49-\$12.84	2,157,470	4.44	248	11.48	1,487,726	3.60	25	12.04
\$13.00-\$15.00	1,919,263	2.06		13.57	1,919,263	2.06		13.57
\$4.21-\$15.00	4,729,849	3.58	\$ 4,262	\$ 11.33	3,603,321	2.86	\$ 1,232	\$ 12.43

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Table of Contents**8. Earnings per Share**

In June 2008, the FASB issued ASC 260 (formerly known as FASB EITF 03-6-1). Under this standard, unvested awards of share-based payments with non-forfeitable rights to receive dividends or dividend equivalents, such as our restricted stock issued under the 2004 Plan and 2006 Plan, are considered participating securities for purposes of calculating change in net assets per share. Under the two-class method, a portion of net increase in net assets resulting from operations is allocated to these participating securities and therefore is excluded from the calculation of change in net assets per share allocated to common stock, as shown in the table below. This standard requires retrospective application for periods prior to the effective date and as a result, all prior period earnings per share data presented herein have been adjusted to conform to these provisions. This standard was effective for financial statements issued for fiscal years beginning after December 15, 2008. The Company adopted this standard beginning with financial statements ended March 31, 2009. The adoption of the standard did not change the previously reported basic change in net assets per share and diluted change in net assets per share for the years ended December 31, 2008.

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

(in thousands, except per share data)	Year Ended December 31,		
	2010	2009	2008
Numerator			
Net increase in net assets resulting from operations	\$ 4,982	\$ 13,572	\$ 20,995
Less: Dividends declared-common and restricted shares	(28,816)	(43,914)	(43,281)
Undistributed earnings	(23,834)	(30,342)	(22,286)
Undistributed earnings-common shares	(23,834)	(30,342)	(22,286)
Add: Dividend declared-common shares	28,228	43,377	43,048
Numerator for basic and diluted change in net assets per common share	4,394	13,035	20,762
Denominator			
Basic weighted average common shares outstanding	36,156	34,486	32,619
Common shares issuable	714	405	
Weighted average common shares outstanding assuming dilution	36,870	34,891	32,619
Change in net assets per common share			
Basic	\$ 0.12	\$ 0.38	\$ 0.64
Diluted	\$ 0.12	\$ 0.37	\$ 0.64

The calculation of change in net assets resulting from operations per common share assuming dilution, excludes all anti-dilutive shares. For the years ended December 31, 2010, 2009 and 2008, the number of anti-dilutive shares, as calculated based on the weighted average closing price of the Company's common stock for the periods, was approximately 5,168,022; 4,124,000; and 3,844,000 shares, respectively.

9. Commitments and Contingencies

In the normal course of business, the Company is party to financial instruments with off-balance sheet risk. These instruments consist primarily of unused commitments to extend credit, in the form of loans, to the Company's portfolio companies. The balance of unfunded commitments to extend credit at December 31, 2010 totaled approximately \$117.2 million. Since this commitment may expire without being drawn upon, the total commitment amount does not necessarily represent future cash requirements.

Certain premises are leased under agreements which expire at various dates through December 2013. Total rent expense amounted to approximately \$1.0 million, \$966,000 and \$957,000 during the years ended December 31, 2010, 2009 and 2008, respectively.

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Future commitments under the credit facility and operating leases were as follows at December 31, 2010:

		Payments due by period (in thousands)			
Contractual Obligations ⁽¹⁾⁽²⁾	Total	Less than 1 year	1 - 3 years	3 - 5 years	After 5 years
Borrowings ⁽³⁾	\$ 170,000	\$	\$	\$	\$ 170,000
Operating Lease Obligations ⁽⁴⁾	3,367	1,202	2,165		
Total	\$ 173,367	\$ 1,202	\$ 2,165	\$	\$ 170,000

(1) Excludes commitments to extend credit to our portfolio companies.

(2) The Company also has a warrant participation agreement with Citigroup. See Note 4.

(3) Includes borrowings under the SBA debentures. There were no outstanding borrowings under the Wells Facility or Union Bank facility at December 31, 2010.

(4) Long-term facility leases.

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

As of December 31, 2010, the Company was not a party to any material legal proceedings. However, from time to time, we may be party to certain legal proceedings incidental to the normal course of our business including the enforcement of our rights under contracts with our portfolio companies.

10. Indemnification

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

11. Concentrations of Credit Risk

The Company's customers are primarily small and medium sized companies in the biopharmaceutical, clean technology, communications and networking, consumer and business products, electronics and computers, energy, information services, internet consumer and business services, medical devices, semiconductor and software industry sectors. These sectors are characterized by high margins, high growth rates, consolidation and product and market extension opportunities. Value is often vested in intangible assets and intellectual property.

The largest portfolio companies vary from year to year as new loans are recorded and loans pay off. Loan revenue, consisting of interest, fees, and recognition of gains on equity interests, can fluctuate dramatically when a loan is paid off or a related equity interest is sold. Revenue recognition in any given year can be highly concentrated among several portfolio companies.

For years ended December 31, 2010 and 2009, our ten largest portfolio companies represented approximately 57.5% and 51.9% of the total fair value of our investments in portfolio companies, respectively. At December 31, 2010 and 2009, we had six and three investments, respectively, that represented 5% or more of our net assets. At December 31, 2010, we had three equity investments representing approximately 48.0% of the total fair value of our equity investments, and each represented 5% or more of the total fair value of our equity investments. At December 31, 2009, we had five equity investments which represented approximately 50.3% of the total fair value of our equity investments, and each represented 5% or more of the total fair value of such investments.

Table of Contents**12. Financial Highlights**

Following is a schedule of financial highlights for five years ended December 31, 2010.

HERCULES TECHNOLOGY GROWTH CAPITAL, INC.**FINANCIAL HIGHLIGHTS**

(in thousands, except per share data)

	2010	2009	For the Years Ended December 31,		2006
			2008	2007	
Per share data:					
Net asset value at beginning of period	\$ 10.29	\$ 11.56	\$ 12.31	\$ 11.65	\$ 11.67
Net investment income ⁽¹⁾	0.81	1.25	1.23	1.15	0.78
Net realized gain (loss) on investments	(0.73)	0.03	0.07	0.09	(0.12)
Net unrealized appreciation (depreciation) on investments	0.06	(0.90)	(0.66)	0.26	0.19
Total from investment operations	0.14	0.38	0.64	1.50	0.85
Net increase/(decrease) in net assets from capital share transactions	(0.21)	(0.44)	(0.12)	0.32	0.28
Distributions	(0.80)	(1.26)	(1.32)	(1.20)	(1.20)
Stock-based compensation expense included in investment income ⁽²⁾	0.08	0.05	0.05	0.04	0.05
Net asset value at end of period	\$ 9.50	\$ 10.29	\$ 11.56	\$ 12.31	\$ 11.65
Ratios and supplemental data:					
Per share market value at end of period	\$ 10.36	\$ 10.39	\$ 7.92	\$ 12.42	\$ 14.25
Total return ⁽³⁾	7.70%	45.63%	(25.60)%	(4.42)%	28.86%
Shares outstanding at end of period	43,444	35,634	33,096	32,541	21,927
Weighted average number of common shares outstanding	36,156	34,486	32,619	28,295	13,352
Net assets at end of period	\$ 412,531	\$ 366,515	\$ 382,458	\$ 400,737	\$ 255,413
Ratio of operating expense to average net assets	8.25%	8.23%	8.85%	6.46%	13.11%
Ratio of net investment income before provision for income tax expense and investment gains and losses to average net assets	8.05%	11.38%	9.86%	9.81%	7.93%
Average debt outstanding	\$ 142,410	\$ 147,446	\$ 196,928	\$ 66,334	\$ 77,795
Weighted average debt per common share	\$ 3.94	\$ 4.28	\$ 6.04	\$ 2.34	\$ 5.83
Portfolio turnover	1.82%	1.38%	3.39%	0.42%	1.50%

(1) For 2010, 2009 and 2008, basic net income per share are calculated as net investment income divided by the basic and diluted weighted average shares outstanding. Basic net income per share calculated under the two class methods are \$0.12 and \$0.38 and \$0.64 for 2010, 2009 and 2008, respectively. There is no difference of net investment income calculated under the two class method and as disclosed above for 2007 and 2006.

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

(3) The total return for the period ended December 31, 2010, 2009, 2008, 2007 and 2006 equals the change in the ending market value over the beginning of period price per share plus dividends paid per share during the period, divided by the beginning price.

Table of Contents**13. Senior Securities**

Information about Company's senior securities is shown in the following table for the periods as of December 31, 2010, 2009, 2008, 2007, 2006, 2005 and 2004.

Class and Year	Total Amount Outstanding Exclusive of Treasury Securities⁽¹⁾⁽⁵⁾	Asset Coverage per Unit⁽²⁾	Average Market Value per Unit⁽³⁾
Bridge Loan Credit Facility with Alcmena Funding L.L.C.			
December 31, 2004			N/A
December 31, 2005	\$ 25,000,000	\$ 2,505	N/A
December 31, 2006			N/A
December 31, 2007			N/A
December 31, 2008			N/A
December 31, 2009			N/A
December 31, 2010			N/A
Securitized Credit Facility			
December 31, 2004			N/A
December 31, 2005	\$ 51,000,000	\$ 2,505	N/A
December 31, 2006	\$ 41,000,000	\$ 7,230	N/A
December 31, 2007	\$ 79,200,000	\$ 6,755	N/A
December 31, 2008	\$ 89,582,000	\$ 6,689	N/A
December 31, 2009			N/A
December 31, 2010			N/A
Small Business Administration Debentures (HT II)⁽⁴⁾			
December 31, 2004			N/A
December 31, 2005			N/A
December 31, 2006			N/A
December 31, 2007	\$ 55,050,000	\$ 9,718	N/A
December 31, 2008	\$ 127,200,000	\$ 4,711	N/A
December 31, 2009	\$ 130,600,000	\$ 3,806	N/A
December 31, 2010	\$ 150,000,000	\$ 3,942	N/A
Small Business Administration(HT III)⁽⁴⁾			
December 31, 2004			N/A
December 31, 2005			N/A
December 31, 2006			N/A
December 31, 2007			N/A
December 31, 2008			N/A
December 31, 2009			N/A
December 31, 2010	\$ 20,000,000	\$ 29,564	N/A

(1) Total amount of each class of senior securities outstanding at the end of the period presented, rounded to nearest thousand.

(2) The asset coverage ratio for a class of senior securities representing indebtedness is calculated as our consolidated total assets, less all liabilities and indebtedness not represented by senior securities, divided by senior securities representing indebtedness. This asset coverage ratio is multiplied by \$1,000 to determine the Asset Coverage per Unit.

(3) Not applicable because senior securities are not registered for public trading.

(4) Issued by our SBIC subsidiaries to the SBA. These categories of senior securities were not subject to the asset coverage requirements of the 1940 Act.

(5) The Company's Wells Facility and Union Bank Facility had no borrowings outstanding during the periods noted above.

Table of Contents**14. Selected Quarterly Data (Unaudited)**

The following tables set forth certain quarterly financial information for each of the last eight quarters ended December 31, 2010. This information was derived from our unaudited consolidated financial statements. Results for any quarter are not necessarily indicative of results for the full year or for any further quarter.

(in thousands, except per share data)	Quarter Ended			
	3/31/2010	6/30/2010	9/30/2010	12/31/2010
Total investment income	\$ 12,520	\$ 14,501	\$ 15,646	\$ 16,807
Net investment income before provision for income taxes and investment gains and losses	5,612	6,863	8,148	8,751
Net increase (decrease) in net assets resulting from operations	5,714	(4,630)	(7,823)	11,721
Change in net assets resulting from operations per common share (basic)	0.16	(0.14)	(0.23)	0.30

	Quarter Ended			
	3/31/2009	6/30/2009	9/30/2009	12/31/2009
Total investment income	\$ 20,450	\$ 19,480	\$ 17,681	\$ 16,666
Net investment income before provision for income taxes and investment gains and losses	11,558	11,821	10,347	9,377
Net increase (decrease) in net assets resulting from operations	4,482	(13,059)	13,690	8,459
Change in net assets resulting from operations per common share (basic)	0.14	(0.38)	0.39	0.24

As discussed in Note 1, the Company corrected the valuation process to refine its application of ASC 820. The new procedure applied during the three month period ended December 31, 2010 resulted in a \$282,000 out of period reduction in net unrealized (depreciation) appreciation on investments and net increase in net assets resulting from operations. The Company has concluded that the out of period effect of these adjustments is not material to any of its previously issued condensed consolidated financial statements. In addition, as discussed in Note 1, the Company has corrected its accounting for one-time fees. This resulted in a \$776,000 out of period reduction in total investment income and net increase in net assets resulting from operations during the three month period ended December 31, 2010.

15. Subsequent Events*Dividend Declaration*

On March 1, 2011 the Board of Directors increased the quarterly dividend by 10.0% and declared a cash dividend of \$0.22 per share that was paid on March 24, 2011 to shareholders of record as of March 10, 2011. This dividend would represent the Company's twenty-second consecutive dividend declaration since its initial public offering, bringing the total cumulative dividend declared to date to \$6.03 per share.

Share Repurchase Program

On January 27, 2011, The Company approved the extension of the stock repurchase plan as previously approved on February 8, 2010 under the same terms and conditions that allows the Company to repurchase up to \$35.0 million of its common stock set to expire on February 11, 2011 for an additional six month period with a new expiration date of August 26, 2011.

Liquidity and Capital Resources

In January 2011, the Company repaid \$25.0 million of SBA debentures under its first license, priced at approximately 6.63%, including annual fees. In February 2011, the Company submitted a request to the SBA to borrow \$25.0 million under a new capital commitment which is subject to SBA approval.

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In February 2011, the Company extended the termination date under the credit facility with Union Bank from May 1, 2011 to July 31, 2011. Terms and conditions under the agreement remain the same through the extension period.

In January 2011, the Company's portfolio company InfoLogix, Inc, a leading provider of enterprise mobile solutions for the healthcare and commercial industries, completed the sale of all of its shares to Stanley Black & Decker, Inc. (NYSE: SWK). The transaction was valued at approximately \$61.2 million prior to transaction fees, closing costs, and working capital adjustments.

In February 2011, portfolio company Pacira, an emerging specialty pharmaceutical company focused on the development, commercialization and manufacture of novel pharmaceutical products, priced its initial public offering (IPO) on Nasdaq-GM under the symbol (PCRX).

In February 2011, the Company sold part of its equity position in portfolio company Kamada (Tel Aviv: KMDA.TA), a publicly traded Israeli-based biopharmaceutical company, and expects to recognize a realized gain of approximately \$1.2 million in Q1 2011.

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

	September 30, 2011 (unaudited)	December 31, 2010
Assets		
Investments:		
Non-Control/Non-Affiliate investments (cost of \$572,558 and \$445,782, respectively)	\$ 573,494	\$ 428,782
Affiliate investments (cost of \$3,236 and \$2,880, respectively)		3,069
Control investments (cost of \$11,611 and \$31,743, respectively)	2,983	40,181
Total investments, at value (cost of \$587,405 and \$480,405, respectively)	576,477	472,032
Cash and cash equivalents	96,309	107,014
Interest receivable	4,667	4,520
Other assets	11,184	7,681
Total assets	\$ 688,637	\$ 591,247
Liabilities		
Accounts payable and accrued liabilities	\$ 7,755	\$ 8,716
Long-term SBA Debentures	188,750	170,000
Long-term Liabilities (Convertible Debt)	70,082	
Total liabilities	266,587	178,716
Net assets consist of:		
Common stock, par value	43	43
Capital in excess of par value	486,557	477,549
Unrealized depreciation on investments	(10,861)	(8,038)
Accumulated realized losses on investments	(47,604)	(51,033)
Distributions in excess of investment income	(6,085)	(5,990)
Total net assets	\$ 422,050	\$ 412,531
Total liabilities and net assets	\$ 688,637	\$ 591,247
Shares of common stock outstanding (\$0.001 par value, 100,000,000 authorized)	43,908	43,444
Net asset value per share	\$ 9.61	\$ 9.50

See notes to Consolidated Financial Statements (unaudited)

Table of Contents**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS****September 30, 2011****(unaudited)****(dollars in thousands)**

Portfolio Company	Industry	Type of Investment ⁽¹⁾	Principal Amount	Cost ⁽²⁾	Value ⁽³⁾
Accelaron Pharmaceuticals, Inc.	Drug Discovery	Preferred Stock Warrants		\$ 69	\$ 878
		Preferred Stock Warrants		35	186
		Preferred Stock Warrants		39	85
		Preferred Stock		1,341	2,473
Total Accelaron Pharmaceuticals, Inc.				1,484	3,622
Anthera Pharmaceuticals Inc.	Drug Discovery	Senior Debt			
		Matures September 2014			
		Interest rate Prime + 7.3% or			
		Floor rate of 10.55%	\$ 25,000	24,269	25,019
		Common Stock Warrants		541	378
Total Anthera Pharmaceuticals Inc.		Common Stock Warrants		443	308
				25,253	25,705
Aveo Pharmaceuticals, Inc.	Drug Discovery	Senior Debt			
		Matures June 2014			
		Interest rate Prime + 7.15% or			
		Floor rate of 11.9%	\$ 25,000	26,554	27,304
		Common Stock		842	2,583
Total Aveo Pharmaceuticals, Inc.				27,396	29,887
Dicerna Pharmaceuticals, Inc.	Drug Discovery	Senior Debt			
		Matures January 2015			
		Interest rate Prime + 5.75% or			
		Floor rate of 10.15%	\$ 7,000	6,986	6,986
		Preferred Stock Warrants		206	90
		Preferred Stock Warrants		31	26
		Preferred Stock Warrants		28	15
		Preferred Stock Warrants		187	143
				502	439
Total Dicerna Pharmaceuticals, Inc.				7,940	7,699

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EpiCept Corporation ⁽⁵⁾	Drug Discovery	Common Stock Warrants	4	13
Total EpiCept Corporation			4	13
Horizon Therapeutics, Inc.	Drug Discovery	Common Stock Warrants	231	1
Total Horizon Therapeutics, Inc.			231	1
Inotek Pharmaceuticals Corp.	Drug Discovery	Preferred Stock	1,500	
Total Inotek Pharmaceuticals Corp.			1,500	
Merrimack Pharmaceuticals, Inc.	Drug Discovery	Preferred Stock Warrants	155	1,115
		Preferred Stock	2,000	3,825
Total Merrimack Pharmaceuticals, Inc.			2,155	4,940
Paratek Pharmaceuticals, Inc.	Drug Discovery	Preferred Stock Warrants	137	140
		Preferred Stock	1,000	1,348
Total Paratek Pharmaceuticals, Inc.			1,137	1,488
See notes to Consolidated Financial Statements (unaudited)				

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Table of Contents**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)****September 30, 2011****(unaudited)****(dollars in thousands)**

Portfolio Company	Industry	Type of Investment⁽¹⁾	Principal Amount	Cost⁽²⁾	Value⁽³⁾
PolyMedix, Inc.	Drug Discovery	Senior Debt Matures September 2013			
		Interest rate Prime + 7.1% or			
		Floor rate of 12.35%	\$ 7,611	\$ 7,394	\$ 7,546
		Common Stock Warrants		480	78
Total PolyMedix, Inc.				7,874	7,624
Portola Pharmaceuticals, Inc.	Drug Discovery	Preferred Stock Warrants		152	285
Total Portola Pharmaceuticals, Inc.				152	285
Total Drug Discovery (19.25%)*				75,126	81,264
Affinity Videonet, Inc.	Communications & Networking	Preferred Stock Warrants		102	149
Total Affinity Videonet, Inc.				102	149
E-band Communications, Corp. ⁽⁶⁾	Communications & Networking	Convertible Senior Debt Matures May 2013			
		Interest rate Fixed 6.00%	\$ 356	356	
		Preferred Stock		2,880	
Total E-Band Communications, Corp.				3,236	
IKANO Communications, Inc.	Communications & Networking	Preferred Stock Warrants		45	
		Preferred Stock Warrants		72	
Total IKANO Communications, Inc.				117	
Intelepeer, Inc.	Communications & Networking	Senior Debt Matures May 2013			
		Interest rate Prime + 8.12% or			
		Floor rate of 11.37%	\$ 6,524	6,509	6,640
		Senior Debt	\$ 1,100	998	998

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Matures May 2012

		Interest rate Prime + 4.25%			
		Preferred Stock Warrants		102	123
Total Intelepeer, Inc.				7,609	7,761
Neonova Holding Company	Communications & Networking	Preferred Stock Warrants		94	21
		Preferred Stock		250	197
Total Neonova Holding Company				344	218
Pac-West Telecomm, Inc.	Communications & Networking	Senior Debt			
		Matures October 2014			
		Interest rate Prime + 7.50% or			
		Floor rate of 12.00%	\$ 4,369	4,164	4,164
		Preferred Stock Warrants		121	
Total Pac-West Telecomm, Inc.				4,285	4,164
PeerApp, Inc.	Communications & Networking	Senior Debt			
		Matures April 2013			
		Interest rate Prime + 7.5% or			
		Floor rate of 11.50%	\$ 2,072	2,091	2,112
		Preferred Stock Warrants		61	91
Total PeerApp, Inc. ⁽⁵⁾				2,152	2,203

See Notes to Consolidated Financial Statements (unaudited)

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Table of Contents**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)****September 30, 2011****(unaudited)****(dollars in thousands)**

Portfolio Company	Industry	Type of Investment⁽¹⁾	Principal Amount	Cost⁽²⁾	Value⁽³⁾
Peerless Network, Inc.	Communications & Networking	Preferred Stock Warrants		\$ 95	\$ 187
		Preferred Stock		1,000	2,370
Total Peerless Network, Inc.				1,095	2,557
Ping Identity Corporation	Communications & Networking	Preferred Stock Warrants		52	410
Total Ping Identity Corporation				52	410
PointOne, Inc.	Communications & Networking	Senior Debt			
		Matures April 2013			
		Interest rate Libor + 9.0% or			
		Floor rate of 11.50%	\$ 8,375	8,153	8,153
	Communications & Networking	Common Stock Warrants		131	194
Total PointOne, Inc.				8,284	8,347
Purcell Systems, Inc.	Communications & Networking	Preferred Stock Warrants		123	89
Total Purcell Systems, Inc.				123	89
Seven Networks, Inc.	Communications & Networking	Preferred Stock Warrants		174	
Total Seven Networks, Inc.				174	
Stoke, Inc ⁽⁴⁾	Communications & Networking	Senior Debt			
		Matures May 2013			
		Interest rate Prime + 7.0% or			
		Floor rate of 10.25%	\$ 3,051	2,995	3,025
		Preferred Stock Warrants		53	68
		Preferred Stock Warrants		65	54
		Preferred Stock		500	500
Total Stoke, Inc.				3,613	3,647

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Tectura Corporation	Communications & Networking	Senior Debt				
		Matures December 2012				
		Interest rate 11%	\$	8,125	9,324	9,209
		Revolving Line of Credit				
		Matures July 2012				
		Interest rate 11%,				
		PIK interest 1.00%	\$	17,207	17,332	17,332
		Preferred Stock Warrants		51	33	
Total Tectura Corporation				26,707	26,574	
Total Communications & Networking (13.30%)*				57,893	56,119	
Atrenta, Inc.	Software	Preferred Stock Warrants		102	368	
		Preferred Stock Warrants		34	121	
		Preferred Stock Warrants		95	174	
		Preferred Stock		250	375	
Total Atrenta, Inc.				481	1,038	
Blurb, Inc.	Software	Preferred Stock Warrants		25	403	
		Preferred Stock Warrants		298	400	
Total Blurb, Inc.				323	803	

See Notes to Consolidated Financial Statements (unaudited)

Table of Contents**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)****September 30, 2011****(unaudited)****(dollars in thousands)**

Portfolio Company	Industry	Type of Investment⁽¹⁾	Principal Amount	Cost⁽²⁾	Value⁽³⁾
Braxton Technologies, LLC.	Software	Preferred Stock Warrants		\$ 188	\$
Total Braxton Technologies, LLC.				188	
Bullhorn, Inc.	Software	Preferred Stock Warrants		43	188
Total Bullhorn, Inc.				43	188
Central Desktop, Inc.	Software	Senior Debt			
		Matures April 2014			
		Interest rate Prime + 6.75% or			
		Floor rate of 10.50%	\$ 3,000	2,872	2,872
		Preferred Stock Warrants		108	299
Total Central Desktop, Inc.				2,980	3,171
Clickfox, Inc.	Software	Senior Debt			
		Matures July 2013			
		Interest rate Prime + 6.00% or			
		Floor rate of 11.25%	\$ 4,565	4,462	4,553
		Preferred Stock Warrants		177	327
		Preferred Stock Warrants		152	296
Total Clickfox, Inc.				4,791	5,176
Forescout Technologies, Inc.	Software	Preferred Stock Warrants		99	47
Total Forescout Technologies, Inc.				99	47
GameLogic, Inc.	Software	Preferred Stock Warrants		92	
Total GameLogic, Inc.				92	
HighRoads, Inc.	Software	Preferred Stock Warrants		44	7
Total HighRoads, Inc.				44	7
Kxen, Inc.	Software	Senior Debt	\$ 3,000	2,938	2,938
		Matures January 2015			

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		Interest rate Prime + 5.08% or		
		Floor rate of 8.33%		
		Preferred Stock Warrants	47	29
Total Kxen, Inc.			2,985	2,967
RichRelevance, Inc.	Software	Senior Debt		
		Matures January 2015		
		Interest rate Prime + 3.25% or		
		Floor rate of 7.50%	\$ 5,000	4,857
		Preferred Stock Warrants	98	23
Total RichRelevance, Inc.			4,955	4,880
Rockyou, Inc.	Software	Preferred Stock Warrants	117	7
Total Rockyou, Inc.			117	7
Sportvision, Inc.	Software	Preferred Stock Warrants	39	
Total Sportvision, Inc.			39	
SugarSync Inc.	Software	Senior Debt		
		Matures April 2015		
		Interest rate Prime + 4.50% or		
		Floor rate of 8.25%	\$ 2,000	1,946
		Preferred Stock Warrants	78	77
Total SugarSync Inc.			2,024	2,023

See Notes to Consolidated Financial Statements (unaudited)

Table of Contents**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)****September 30, 2011****(unaudited)****(dollars in thousands)**

Portfolio Company	Industry	Type of Investment⁽¹⁾	Principal Amount	Cost⁽²⁾	Value⁽³⁾
Unify Corporation	Software	Common Stock Warrants		\$ 1,434	\$ 332
Total Unify Corporation				1,434	332
White Sky, Inc.	Software	Senior Debt			
		Matures June 2014			
		Interest rate Prime + 7.00% or			
		Floor rate of 10.25%	\$ 1,500	1,443	1,443
	Software	Preferred Stock Warrants		54	1
Total White Sky, Inc.				1,497	1,444
WildTangent, Inc.	Software	Preferred Stock Warrants		238	11
Total WildTangent, Inc.				238	11
Total Software (5.23%)*				22,330	22,094
Luminus Devices, Inc.	Electronics & Computer Hardware	Preferred Stock Warrants		183	
		Preferred Stock Warrants		84	
		Preferred Stock Warrants		334	
Total Luminus Devices, Inc.				601	
Maxvision Holding, LLC ⁽⁷⁾	Electronics & Computer Hardware	Senior Debt			
		Matures December 2013			
		Interest rate Prime + 8.25% or			
		Floor rate of 12.00%,			
		PIK interest 5.00%	\$ 4,366	4,462	2,069
		Senior Debt			
		Matures December 2013			
		Interest rate Prime + 6.25% or			
		Floor rate of 10.00%, PIK interest 2.00%	\$ 2,681	2,653	

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		Revolving Line of Credit		
		Matures December 2013		
		Interest rate Prime + 6.25% or		
		Floor rate of 10.00%	\$ 923	914
		Common Stock		3,581
Total Maxvision Holding, LLC			11,610	2,983
Shocking Technologies, Inc.	Electronics & Computer Hardware	Preferred Stock Warrants	63	57
Total Shocking Technologies, Inc.			63	57
Spatial Photonics, Inc. ⁽⁸⁾	Electronics & Computer Hardware	Preferred Stock Warrants	130	
		Preferred Stock	768	
Total Spatial Photonics Inc.			898	
Total Electronics & Computer Hardware (.72%)*			13,172	3,040

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CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

(unaudited)

(dollars in thousands)

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Interest rate Prime + 8.65% or

Floor rate of 12.65%

		Common Stock Warrants	1,086	584
Total Pacira Pharmaceuticals, Inc.			26,578	26,264
Quatrx Pharmaceuticals Company	Specialty Pharmaceuticals	Convertible Senior Debt		
		Matures March 2012		
		Interest rate 8.00%	\$ 1,888	1,888
		Preferred Stock Warrants	220	
		Preferred Stock Warrants	307	
		Preferred Stock	750	
Total Quatrx Pharmaceuticals Company			3,165	1,888
Total Specialty Pharmaceuticals (14.60%)*			61,424	61,603
Annie s, Inc.	Consumer & Business Products	Preferred Stock Warrants	321	96
Total Annie s, Inc.			321	96
IPA Holdings, LLC	Consumer & Business Products	Preferred Stock Warrants	275	24
		Preferred Stock	500	260
Total IPA Holding, LLC			775	284
Market Force Information, Inc.	Consumer & Business Products	Preferred Stock Warrants	24	105
		Preferred Stock	500	481
Total Market Force Information, Inc.			524	586

See Notes to Consolidated Financial Statements (unaudited)

Table of Contents**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)****September 30, 2011****(unaudited)****(dollars in thousands)**

Portfolio Company	Industry	Type of Investment⁽¹⁾	Principal Amount	Cost⁽²⁾	Value⁽³⁾
TV Guide, Inc.	Consumer & Business Products	Revolving Line of Credit Matures October 2011 Interest rate Prime + 11.00% or Floor rate of 13.00%	\$ 500	\$ 479	\$ 479
Total TV Guide, Inc.				479	479
Wageworks, Inc.	Consumer & Business Products	Preferred Stock Warrants		252	2,510
		Preferred Stock		250	390
Total Wageworks, Inc.				502	2,900
Total Consumer & Business Products (1.03%)*				2,601	4,345
Achronix Semiconductor Corporation	Semiconductors	Senior Debt Matures January 2015 Interest rate Prime + 10.60% or Floor rate of 13.85%	\$ 2,500	2,396	2,396
		Preferred Stock Warrants		160	152
Total Achronix Semiconductor Corporation				2,556	2,548
Enpirion, Inc.	Semiconductors	Preferred Stock Warrants		157	
Total Enpirion, Inc.				157	
iWatt, Inc.	Semiconductors	Preferred Stock Warrants		46	3
		Preferred Stock Warrants		51	1
		Preferred Stock Warrants		73	2
		Preferred Stock Warrants		458	7
		Preferred Stock		490	983
Total iWatt, Inc.				1,118	996
Kovio Inc.	Semiconductors	Senior Debt Matures March 2015 Interest rate Prime + 5.50% or Floor rate of 9.25%	\$ 1,250	1,213	1,213
		Preferred Stock Warrants		27	27
Total Kovio Inc.				1,240	1,240
NEXX Systems, Inc.	Semiconductors	Preferred Stock Warrants		297	1,330
		Preferred Stock		277	802
Total NEXX Systems, Inc.				574	2,132

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Quartics, Inc.	Semiconductors	Preferred Stock Warrants	53
Total Quartics, Inc.			53

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Portfolio Company	Industry	Type of Investment ⁽¹⁾	Principal Amount	Cost ⁽²⁾	Value ⁽³⁾
Total Semiconductors (1.64%)*				\$ 5,698	\$ 6,916
AcelRX Pharmaceuticals, Inc.	Drug Delivery	Senior Debt			
		Matures December 2014			
		Interest rate Prime + 3.25% or			
		Floor rate of 8.50%	\$ 5,000	4,889	4,889
		Senior Debt			
		Matures December 2014			
		Interest rate Prime + 3.25% or			
		Floor rate of 8.50%	\$ 5,000	4,889	4,889
		Common Stock Warrants		178	102
		Common Stock Warrants		178	102
Total AcelRX Pharmaceuticals, Inc.				10,134	9,982
Alexza Pharmaceuticals, Inc. ⁽⁴⁾	Drug Delivery	Senior Debt			
		Matures October 2013			
		Interest rate Prime + 6.5% or			
		Floor rate of 10.75%	\$ 11,770	11,699	12,121
		Preferred Stock Warrants		645	103
Total Alexza Pharmaceuticals, Inc.				12,344	12,224
BIND Biosciences, Inc.	Drug Delivery	Senior Debt			
		Matures July 2014			
		Interest rate Prime + 7.45% or			
		Floor rate of 10.70%	\$ 5,000	4,655	4,805
		Preferred Stock Warrants		53	75
		Preferred Stock Warrants		50	76
		Preferred Stock Warrants		188	312

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Total BIND Biosciences, Inc.			4,946	5,268
Labopharm USA, Inc. ⁽⁵⁾	Drug Delivery	Senior Debt		
		Matures December 2012		
		Interest rate 10.95%	\$ 9,771	9,718
		Senior Debt		9,718
		Matures December 2012		
		Interest rate Prime + 3.20% or		
		Floor rate of 10.95%	\$ 3,257	3,417
				3,417
Total Labopharm USA, Inc.			13,135	13,135
Merrion Pharmaceuticals, Inc. ⁽⁵⁾	Drug Delivery	Senior Debt		
		Matures January 2015		
		Interest rate Prime + 9.20% or		
		Floor rate of 12.45%	\$ 5,000	4,735
		Common Stock Warrants		213
				23
Total Merrion Pharmaceuticals, Inc.			4,948	3,893
Transcept Pharmaceuticals, Inc.	Drug Delivery	Common Stock Warrants	36	57
		Common Stock Warrants	51	86
		Common Stock	500	275
Total Transcept Pharmaceuticals, Inc.			587	418
Revance Therapeutics, Inc.	Drug Delivery	Senior Debt		
		Matures March 2015		
		Interest rate Prime + 6.60% or		
		Floor rate of 9.85%	\$ 22,000	21,257
		Preferred Stock Warrants		557
				557
Total Revance Therapeutics, Inc.			21,814	21,814
Total Drug Delivery (15.81%)*			67,908	66,734

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Table of Contents**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)****September 30, 2011****(unaudited)****(dollars in thousands)**

Portfolio Company	Industry	Type of Investment⁽¹⁾	Principal Amount	Cost⁽²⁾	Value⁽³⁾
BARRX Medical, Inc.	Therapeutic	Senior Debt			
		Matures December 2011			
		Interest rate 11.00%	\$ 768	\$ 1,295	\$ 1,295
		Preferred Stock Warrants		76	110
		Preferred Stock		1,501	2,607
Total BARRX Medical, Inc.				2,872	4,012
EKOS Corporation	Therapeutic	Preferred Stock Warrants		175	
		Preferred Stock Warrants		153	
Total EKOS Corporation				328	
Gelesis, Inc. ⁽⁸⁾	Therapeutic	Senior Debt			
		Matures April 2013			
		Interest rate Prime + 4.65% or			
		Floor rate of 10.75%	\$ 2,771	2,820	
Total Gelesis, Inc.				2,820	
Gynesonics, Inc.	Therapeutic	Senior Debt			
		Matures October 2013			
		Interest rate Prime + 8.25% or			
		Floor rate of 11.50%	\$ 5,846	5,775	5,842
		Preferred Stock Warrants		228	240
		Preferred Stock		532	451
Total Gynesonics, Inc.				6,535	6,533
Light Science Oncology, Inc.	Therapeutic	Preferred Stock Warrants		99	176
Total Light Science Oncology, Inc.				99	176
Novasys Medical, Inc.	Therapeutic	Preferred Stock Warrants		71	
		Preferred Stock Warrants		54	1
		Preferred Stock		1,000	1,001

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Total Novasys Medical, Inc.			1,125	1,002
Oraya Therapeutics, Inc.	Therapeutic	Senior Debt		
		Matures March 2015		
		Interest rate Prime + 4.75% or		
		Floor rate of 9.50%	\$ 7,500	7,317
		Preferred Stock Warrants		232
Total Oraya Therapeutics, Inc.			7,549	7,549
Pacific Child & Family Associates, LLC	Therapeutic	Senior Debt		
		Matures January 2015		
		Interest rate LIBOR + 8.0% or		
		Floor rate of 10.50%	\$ 5,685	5,592
		Revolving Line of Credit		
		Matures January 2015		
		Interest rate LIBOR + 6.5% or		
		Floor rate of 9.00%	\$ 1,500	1,483
		Senior Debt		
		Matures January 2015		
		Interest rate LIBOR + 10.50% or		
		Floor rate of 13.0%, PIK		
		interest 3.75%	\$ 5,900	6,185
Total Pacific Child & Family Associates, LLC			13,260	13,290
Total Therapeutic (7.72%)*			34,588	32,562

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Table of Contents**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)****September 30, 2011****(unaudited)****(dollars in thousands)**

Portfolio Company	Industry	Type of Investment⁽¹⁾	Principal Amount	Cost⁽²⁾	Value⁽³⁾
Cozi Group, Inc.	Internet Consumer				
	& Business Services	Preferred Stock Warrants		\$ 147	\$
		Preferred Stock		177	48
Total Cozi Group, Inc.				324	48
Invoke Solutions, Inc.	Internet Consumer				
	& Business Services	Preferred Stock Warrants		56	
		Preferred Stock Warrants		26	
Total Invoke Solutions, Inc.				82	
InXpo, Inc.	Internet Consumer	Senior Debt			
	& Business Services	Matures March 2014			
		Interest rate Prime + 7.5% or			
		Floor rate of 10.75%	\$ 3,500	3,403	3,403
		Preferred Stock Warrants		98	82
Total InXpo, Inc.				3,501	3,485
Prism Education Group, Inc.	Internet Consumer				
	& Business Services	Preferred Stock Warrants		43	109
Total Prism Education Group, Inc.				43	109
RazorGator Interactive Group, Inc.	Internet Consumer				
	& Business Services	Preferred Stock Warrants		13	
		Preferred Stock Warrants		28	
		Preferred Stock Warrants		1,183	
		Preferred Stock		1,000	
Total RazorGator Interactive Group, Inc.				2,224	
Reply! Inc. ⁽⁴⁾	Internet Consumer	Senior Debt	\$ 13,000	12,862	12,862
	& Business Services	Matures June 2015			

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		Interest rate Prime + 6.87% or				
		Floor rate of 10.12%				
		Preferred Stock Warrants		320	206	
Total Reply! Inc.				13,182	13,068	
ScriptSave (Medical Security Card Company, LLC)	Internet Consumer	Senior Debt				
		Matures February 2016				
	& Business Services	Interest rate Prime + 8.75% or				
		Floor rate of 11.25%		\$ 20,158	19,786	20,391
Total ScriptSave				19,786	20,391	
Trulia, Inc.	Internet Consumer	Senior Debt				
		Matures March 2015				
	& Business Services	Interest rate Prime + 2.75% or				
		Floor rate of 6.00%		\$ 5,000	4,856	4,856
		Senior Debt				
		Matures March 2015				
		Interest rate Prime + 5.50% or				
		Floor rate of 8.75%		\$ 5,000	4,857	4,857
		Preferred Stock Warrants		188	187	
Total Trulia, Inc.				9,901	9,900	

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Table of Contents**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)****September 30, 2011****(unaudited)****(dollars in thousands)**

Portfolio Company	Industry	Type of Investment⁽¹⁾	Principal Amount	Cost⁽²⁾	Value⁽³⁾
Vaultlogix, Inc.	Internet Consumer	Senior Debt			
	& Business Services	Matures September 2016			
		Interest rate Libor + 8.50% or			
		Floor rate of 10.00%,			
		PIK interest 2.50%	\$ 7,500	\$ 7,382	\$ 7,382
		Senior Debt			
		Matures September 2015			
		Interest rate Libor + 7.00% or			
		Floor rate of 8.50%	\$ 11,500	11,309	11,309
		Revolving Line of Credit			
		Matures September 2015			
		Interest rate Libor + 6.00% or			
		Floor rate of 7.50%	\$ 300	283	283
Total Vaultlogix, Inc.				18,974	18,974
Total Internet Consumer & Business Services (15.63%)				68,017	65,975
Lilliputian Systems, Inc.	Energy	Preferred Stock Warrants		106	
		Common Stock Warrants		48	
Total Lilliputian Systems, Inc.				154	
Total Energy (0.00%)*				154	
Box.net, Inc.	Information Services	Senior Debt	\$ 4,808	4,686	4,686
		Matures March 2015			
		Interest rate Prime + 3.75% or			

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		Floor rate of 7.50%			
		Senior Debt			
		Matures July 2014			
		Interest rate Prime + 5.25% or			
		Floor rate of 8.50%	\$ 1,590	1,602	1,634
		Preferred Stock Warrants		73	1,998
		Preferred Stock Warrants		117	1,352
		Preferred Stock Warrants		194	191
		Preferred Stock		500	3,137
		Preferred Stock		1,500	2,272
Total Box.net, Inc.				8,672	15,270
Buzznet, Inc.	Information Services	Preferred Stock Warrants		9	
		Preferred Stock		250	34
Total Buzznet, Inc.				259	34
Cha Cha Search, Inc.	Information Services	Senior Debt			
		Matures February 2015			
		Interest rate Prime + 6.25% or			
		Floor rate of 9.50%	\$ 3,000	2,916	2,916
		Preferred Stock Warrants		58	10
Total Cha Cha Search, Inc.				2,974	2,926
XL Education Corp.	Information Services	Common Stock		880	880
Total XL Education Corp.				880	880
hi5 Networks, Inc.	Information Services	Preferred Stock Warrants		213	
		Preferred Stock		250	741
Total hi5 Networks, Inc.				463	741
Jab Wireless, Inc.	Information Services	Senior Debt			
		Matures August 2016			
		Interest rate Prime + 6.25% or			
		Floor rate of 6.75%	\$ 18,121	17,858	17,858
Jab Wireless, Inc.	Information Services	Preferred Stock Warrants		265	281
Total Jab Wireless, Inc.				18,123	18,139

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Portfolio Company	Industry	Type of Investment⁽¹⁾	Principal Amount	Cost⁽²⁾	Value⁽³⁾
Solutionary, Inc.	Information Services	Preferred Stock Warrants		\$ 94	\$
		Preferred Stock Warrants		2	
		Preferred Stock		250	42
Total Solutionary, Inc.				346	42
Intelligent Beauty, Inc.	Information Services	Preferred Stock Warrants		230	90
Total Intelligent Beauty, Inc.				230	90
Good Technologies, Inc.	Information Services	Common Stock		603	95
Total Good Technologies, Inc.				603	95
Zeta Interactive Corporation	Information Services	Preferred Stock Warrants		172	110
		Preferred Stock		501	485
Total Zeta Interactive Corporation				673	595
Total Information Services (9.20%)				33,223	38,812
Novadaq Technologies, Inc. ⁽⁵⁾	Diagnostic	Common Stock		1,415	808
Total Novadaq Technologies, Inc. ⁽⁵⁾				1,415	808
Optiscan Biomedical, Corp.	Diagnostic	Senior Debt			
		Matures December 2013			
		Interest rate Prime + 8.20% or			
		Floor rate of 11.45%	\$ 10,750	10,792	11,162
		Preferred Stock Warrants		1,069	668
		Preferred Stock		3,656	2,251
Total Optiscan Biomedical, Corp.				15,517	14,081
Total Diagnostic (3.53%)*				16,932	14,889
deCODE genetics ehf.	Biotechnology Tools	Senior Debt	\$ 5,000	4,740	4,740
		Matures September 2014			
		Interest rate Prime + 10.25% or			

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Floor rate of 13.50%,

PIK interest 2.00%

Preferred Stock Warrants	305	358

Total deCODE genetics ehf.	5,045	5,098

Kamada, LTD.	Biotechnology Tools	Common Stock	427	398

Total Kamada, LTD.	427	398

Labcyte, Inc.	Biotechnology Tools	Senior Debt		

Matures May 2013

Interest rate Prime + 8.6% or

Floor rate of 11.85%	\$ 2,800	2,774	2,849

Common Stock Warrants	192	190

Common Stock Warrants	5	5

Total Labcyte, Inc.	2,971	3,044

NeurogesX, Inc.	Drug Discovery	Senior Debt		

Matures February 2015

Interest rate Prime + 6.25% or

Floor rate of 9.50%	\$ 15,000	14,433	14,433

Common Stock Warrants	503	132

Total NeurogesX, Inc.	14,936	14,565

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Table of Contents**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)****September 30, 2011****(unaudited)****(dollars in thousands)**

Portfolio Company	Industry	Type of Investment⁽¹⁾	Principal Amount	Cost⁽²⁾	Value⁽³⁾
NuGEN Technologies, Inc.	Biotechnology Tools	Preferred Stock Warrants		\$ 45	\$ 203
		Preferred Stock Warrants		33	15
		Preferred Stock		500	473
Total NuGEN Technologies, Inc.				578	691
Total Biotechnology Tools (5.64%)*				23,957	23,796
Entrigue Surgical, Inc.	Surgical Devices	Senior Debt			
		Matures December 2014			
		Interest rate Prime + 5.90% or			
		Floor rate of 9.65%	\$ 3,000	2,863	2,863
		Preferred Stock Warrants		87	87
Total Entrigue Surgical, Inc.				2,950	2,950
Transmedics, Inc. ⁽⁴⁾	Surgical Devices	Senior Debt			
		Matures February 2014			
		Interest rate Prime + 9.70% or			
		Floor rate of 12.95%	\$ 8,375	9,115	4,733
		Preferred Stock Warrants		225	
		Preferred Stock		1,169	
Total Transmedics, Inc.				10,509	4,733
Total Surgical Devices (1.82%)*				13,459	7,683
Glam Media, Inc.	Media/Content/Info	Preferred Stock Warrants		482	138
Total Glam Media, Inc.				482	138
Everyday Health, Inc. (Waterfront Media, Inc.)	Media/Content/Info	Preferred Stock Warrants		60	364
		Preferred Stock		1,000	945
Total Everyday Health				1,060	1,309

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Women's Marketing, Inc.	Media/Content/Info	Senior Debt			
		Matures May 2016			
		Interest rate Libor + 9.50% or			
		Floor rate of 12.00%,			
		PIK interest 3.00%	\$ 10,000	9,866	9,866
		Senior Debt			
		Matures November 2015			
		Interest rate Libor + 7.50% or			
		Floor rate of 10.0%	\$ 9,875	9,648	9,648
		Senior Debt			
		Matures November 2015			
		Interest rate Libor + 7.50% or			
		Floor rate of 10.0%	\$ 10,125	9,891	9,891
Total Women's Marketing, Inc.				29,405	29,405
Total Media/Content/Info (7.31%)*				30,947	30,852

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Portfolio Company	Industry	Type of Investment⁽¹⁾	Principal Amount	Cost⁽²⁾	Value⁽³⁾
BrightSource Energy, Inc. ⁽⁴⁾	Clean Tech	Senior Debt			
		Matures December 2011			
		Interest rate Prime + 7.75% or			
		Floor rate of 11.0%	\$ 11,250	\$ 11,096	\$ 11,096
		Senior Debt			
		Matures December 2012			
		Interest rate Prime + 9.55% or			
		Floor rate of 12.8%	\$ 13,750	13,542	13,542
		Preferred Stock Warrants		675	623
Total BrightSource Energy, Inc.				25,313	25,261
Calera, Inc.	Clean Tech	Preferred Stock Warrants		513	660
Total Calera, Inc.				513	660
EcoMotors, Inc.	Clean Tech	Senior Debt			
		Matures February 2014			
		Interest rate Prime + 6.1% or			
		Floor rate of 9.35%	\$ 5,383	5,260	5,421
		Preferred Stock Warrants		154	451
		Common Stock Warrants		154	451
Total EcoMotors, Inc.				5,568	6,323
Enphase Energy, Inc.	Clean Tech	Senior Debt			
		Matures June 2014			
		Interest rate Prime + 5.75% or			
		Floor rate of 9.0%	\$ 4,248	4,135	4,135
		Preferred Stock Warrants		102	17
Total Enphase Energy, Inc.				4,237	4,152

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GreatPoint Energy, Inc.	Clean Tech	Preferred Stock Warrants	548	203
Total GreatPoint Energy, Inc.			548	203
NanoSolar, Inc.	Clean Tech	Senior Debt		
		Matures September 2014		
		Interest rate Prime + 7.75% or		
		Floor rate of 11.0%	\$ 10,000	9,515
		Preferred Stock Warrants		9,515
			355	355
Total NanoSolar, Inc.			9,870	9,870
Propel Biofuels, Inc.	Clean Tech	Senior Debt		
		Matures September 2013		
		Interest rate 11.0%	\$ 1,540	1,562
				1,570
		Preferred Stock Warrants		211
				195
Total Propel Biofuels, Inc.			1,773	1,765
Scientific Conservation, Inc.	Clean Tech	Senior Debt		
		Matures October 2014		
		Interest rate 6.25%	\$ 202	196
		Preferred Stock Warrants		8
				2
Total Scientific Conservation, Inc.			204	198

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Portfolio Company	Industry	Type of Investment⁽¹⁾	Principal Amount	Cost⁽²⁾	Value⁽³⁾
Solexel, Inc.	Clean Tech	Senior Debt			
		Matures June 2013			
		Interest rate Prime + 8.25% or			
		Floor rate of 11.50%	\$ 1,031	\$ 966	\$ 966
		Senior Debt			
		Matures June 2013			
		Interest rate Prime + 7.25% or			
		Floor rate of 10.50%	\$ 8,927	9,660	9,660
		Preferred Stock Warrants		335	11
		Preferred Stock Warrants		259	71
		Preferred Stock Warrants		142	142
		Preferred Stock Warrants		426	427
Total Solexel, Inc.				11,788	11,277
Trilliant, Inc.	Clean Tech	Preferred Stock Warrants		89	46
		Preferred Stock Warrants		73	38
Total Trilliant, Inc.				162	84
Total Clean Tech (14.17%)*				59,976	59,793
Total Investments				\$ 587,405	\$ 576,477

* 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 \$28,443, \$40,649 and \$12,205 respectively. The tax cost of investments is \$588,807.

(3) Except for warrants in twelve publicly traded companies and common stock in five publicly traded companies, all investments are restricted at September 30, 2011. 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.

(7)

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

- (8) Debt is on non-accrual status at September 30, 2011, and is therefore considered non-income producing.

See Notes to Consolidated Financial Statements (unaudited)

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Table of Contents**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS****December 31, 2010****(dollars in thousands)**

Portfolio Company	Industry	Type of Investment⁽¹⁾	Principal Amount	Cost⁽²⁾	Value⁽³⁾
Accelaron Pharmaceuticals, Inc.	Drug Discovery	Preferred Stock Warrants		\$ 69	\$ 922
		Preferred Stock Warrants		35	189
		Preferred Stock Warrants		39	99
		Preferred Stock		1,341	2,316
Total Accelaron Pharmaceuticals, Inc.				1,484	3,526
Aveo Pharmaceuticals, Inc.	Drug Discovery	Senior Debt			
		Matures September 2013			
		Interest rate Prime + 7.15% or			
		Floor rate of 11.9%	\$ 25,000	26,108	26,108
		Preferred Stock Warrants		190	686
		Preferred Stock Warrants		104	165
		Preferred Stock Warrants		24	58
		Preferred Stock Warrants		288	770
		Preferred Stock Warrants		236	630
Total Aveo Pharmaceuticals, Inc.				26,950	28,417
Dicerna Pharmaceuticals, Inc.	Drug Discovery	Senior Debt			
		Matures July 2012			
		Interest rate Prime + 9.20% or			
		Floor rate of 12.95%	\$ 4,699	4,678	4,706
		Preferred Stock Warrants		205	182
		Preferred Stock Warrants		30	33
		Preferred Stock Warrants		28	25
		Preferred Stock		503	503
Total Dicerna Pharmaceuticals, Inc.				5,444	5,449
EpiCept Corporation	Drug Discovery	Common Stock Warrants		4	112
		Common Stock Warrants		40	10
Total EpiCept Corporation				44	122
Horizon Therapeutics, Inc.	Drug Discovery	Preferred Stock Warrants		231	
Total Horizon Therapeutics, Inc.				231	
Inotek Pharmaceuticals Corp.	Drug Discovery	Preferred Stock		1,500	
Total Inotek Pharmaceuticals Corp.				1,500	

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Merrimack Pharmaceuticals, Inc.	Drug Discovery	Preferred Stock Warrants	155	170
		Preferred Stock	2,000	1,547
Total Merrimack Pharmaceuticals, Inc.			2,155	1,717
Paratek Pharmaceuticals, Inc.	Drug Discovery	Preferred Stock Warrants	137	155
		Preferred Stock	1,000	999
Total Paratek Pharmaceuticals, Inc.			1,137	1,154
PolyMedix, Inc.	Drug Discovery	Senior Debt		
		Matures September 2013		
		Interest rate Prime + 7.1% or		
		Floor rate of 12.35%	\$ 10,000	9,605
		Preferred Stock Warrants	480	248
Total PolyMedix, Inc.			10,085	9,853
	See notes to consolidated financial statements.			

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Table of Contents**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)****December 31, 2010****(dollars in thousands)**

Portfolio Company	Industry	Type of Investment⁽¹⁾	Principal Amount	Cost⁽²⁾	Value⁽³⁾
Portola Pharmaceuticals, Inc.	Drug Discovery	Senior Debt Matures April 2011 Interest rate Prime + 2.16%	\$ 1,666	\$ 2,033	\$ 2,033
		Preferred Stock Warrants		152	506
Total Portola Pharmaceuticals, Inc.				2,185	2,539
Total Drug Discovery (12.79%)*				51,215	52,777
Affinity Videonet, Inc.	Communications				
	& Networking	Preferred Stock Warrants		102	180
Total Affinity Videonet, Inc.				102	180
E-band Communications, Corp. ⁽⁶⁾	Communications & Networking	Preferred Stock		2,880	3,069
Total E-Band Communications, Corp.				2,880	3,069
IKANO Communications, Inc.	Communications & Networking	Senior Debt Matures August 2011 Interest rate 12.00%	\$ 1,654	1,953	1,953
		Preferred Stock Warrants		45	
		Preferred Stock Warrants		72	
Total IKANO Communications, Inc.				2,070	1,953
Intelepeer, Inc.	Communications & Networking	Senior Debt Matures May 2013 Interest rate Prime + 8.125%	\$ 7,624	7,468	7,459
		Preferred Stock Warrants		102	111
Total Intelepeer, Inc.				7,570	7,570
Neonova Holding Company	Communications & Networking	Preferred Stock Warrants		94	12
		Preferred Stock		250	140
Total Neonova Holding Company				344	152
Opsource, Inc. ⁽⁴⁾	Communications & Networking	Senior Debt Matures June 2013 Interest rate Prime + 7.75% or Floor rate of 11.00%	\$ 5,000	4,888	4,888
		Senior Debt Matures October 2013 Interest rate Prime + 7.25% or Floor rate of 10.50%	\$ 2,000	1,944	1,905

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	Revolving Line of Credit			
	Matures June 2011			
	Interest rate Prime + 5.25% or			
	Floor rate of 8.50%	\$ 1,500	1,458	1,458
	Preferred Stock Warrants		223	105
Total Opsource, Inc.			8,513	8,356

See notes to consolidated financial statements.

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Table of Contents**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)****December 31, 2010****(dollars in thousands)**

Portfolio Company	Industry	Type of Investment⁽¹⁾	Principal Amount	Cost⁽²⁾	Value⁽³⁾
Pac-West Telecomm, Inc.	Communications	Senior Debt			
	& Networking	Matures April 2014			
		Interest rate Prime + 7.5% or			
		Floor rate of 12.0%	\$ 10,000	\$ 9,634	\$ 9,634
		Preferred Stock Warrants		121	147
Total Pac-West Telecomm, Inc.				9,755	9,781
PeerApp, Inc.	Communications	Senior Debt			
	& Networking	Matures April 2013			
		Interest rate Prime + 7.5% or			
		Floor rate of 11.50%	\$ 2,911	2,855	2,792
		Preferred Stock Warrants		61	65
Total PeerApp, Inc.				2,916	2,857
Peerless Network, Inc.	Communications				
	& Networking	Preferred Stock Warrants		95	138
		Preferred Stock		1,000	1,930
Total Peerless Network, Inc.				1,095	2,068
Ping Identity Corporation	Communications				
	& Networking	Preferred Stock Warrants		52	6
Total Ping Identity Corporation				52	6
Purcell Systems, Inc.	Communications				
	& Networking	Preferred Stock Warrants		123	330
Total Purcell Systems, Inc.				123	330
Seven Networks, Inc.	Communications				
	& Networking	Preferred Stock Warrants		174	40
Total Seven Networks, Inc.				174	40

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Stoke, Inc.⁽⁴⁾

Senior Debt

Matures May 2013

Communications Interest rate Prime + 7.0% or

& Networking	Floor rate of 10.25%	\$ 4,000	3,883	3,883
	Preferred Stock Warrants		53	210
	Preferred Stock Warrants		65	133
	Preferred Stock		500	500

Total Stoke, Inc.			4,501	4,726

Tectura Corporation

Senior Debt

Communications Matures December 2012

& Networking	Interest rate 11%	\$ 5,625	5,512	5,512
	Revolving Line of Credit			

Matures July 2011

	Interest rate 11%	\$ 17,477	18,488	18,488
	Preferred Stock Warrants		50	10

Total Tectura Corporation			24,050	24,010

Total Communications & Networking				
(15.78%)*			64,145	65,098

See notes to consolidated financial statements.

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Portfolio Company	Industry	Type of Investment⁽¹⁾	Principal Amount	Cost⁽²⁾	Value⁽³⁾
Atrenta, Inc.	Software	Preferred Stock Warrants		\$ 102	\$ 46
		Preferred Stock Warrants		34	15
		Preferred Stock Warrants		95	22
		Preferred Stock		250	143
Total Atrenta, Inc.				481	226
Blurb, Inc.	Software	Senior Debt			
		Matures June 2011			
		Interest rate Prime + 3.50% or			
		Floor rate of 8.5%	\$ 1,162	1,392	1,392
		Preferred Stock Warrants		25	349
		Preferred Stock Warrants		299	228
Total Blurb, Inc.				1,716	1,969
Braxton Technologies, LLC.	Software	Preferred Stock Warrants		188	
Total Braxton Technologies, LLC.				188	
Bullhorn, Inc.	Software	Preferred Stock Warrants		43	234
Total Bullhorn, Inc.				43	234
Clickfox, Inc.	Software	Senior Debt			
		Matures July 2013			
		Interest rate Prime + 6.00% or			
		Floor rate of 11.25%	\$ 6,000	5,801	5,801
		Revolving Line of Credit			
		Matures July 2011			
		Interest rate Prime + 5.00% or			
		Floor rate of 12.00%	\$ 2,000	1,997	1,996
		Preferred Stock Warrants		177	643
		Preferred Stock Warrants		152	643
Total Clickfox, Inc.				8,127	9,083
Forescout Technologies, Inc.	Software	Preferred Stock Warrants		99	14