CAMBIUM LEARNING GROUP, INC.
Form 4
December 01, 2015

FORM 4

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

OMB APPROVAL

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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

(Print or Type Responses)

1. Name and Address of Reporting Person *
Fonte Paul

(Last) (First) (Middle)

17855 DALLAS PARKWAY, SUITE 400

(Street)

DALLAS, TX 75287

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
CAMBIUM LEARNING GROUP, INC. [ABCD]

3. Date of Earliest Transaction (Month/Day/Year)
12/01/2015

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

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Chief Technology Officer

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ 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 (A) 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 Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock, par value $0.001 per share	12/01/2015		M		5,000	A	$ 1.3	5,000	D	
Common Stock, par value $0.001 per share	12/01/2015		S (1)		5,000	D	$ 5.18 (2)	0	D	

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

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

SEC 1474 (9-02)

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

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. P Der Sec (Ins
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares	
Stock Options (Right to Buy)	$ 1.3	12/01/2015		M			5,000	(3)	02/01/2021	Common Stock, par value $0.001 per share	5,000	

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Fonte Paul 17855 DALLAS PARKWAY, SUITE 400 DALLAS, TX 75287			Chief Technology Officer	

Signatures

/s/ Paul Fonte By: J. Scott McWhorter, Esq., Attorney-in-Fact	12/01/2015
**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).

(1) These shares were sold pursuant to a Rule 10b5-1 trading plan.

(2) The sale price represents the weighted average sale price for multiple transactions reported on this line. The prices of the transactions ranged from $5.13 to $5.21, inclusive. Upon request of the staff of the Securities and Exchange Commission, Cambium Learning Group, Inc. (the "Company") or a security holder of the Company, the reporting person will provide full information regarding the number of shares sold at each separate price.

(3) These stock options have vested and are currently exercisable.

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. at the time be permitted by law, and may at any time terminate the 2006 Plan as to any future grants of awards; provided, that except as otherwise expressly provided in the 2006 Plan the Board of Directors 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 of Directors expressly reserved the right to do so at the time of the grant of the award.

Compensation of Portfolio Management Employees

The compensation of our portfolio management employees, including our investment committee, is set by the compensation committee of our Board of Directors. The portfolio management employees are compensated in the form of annual salaries, annual cash bonuses based on performance measured against specific goals and long-term compensation in the form of stock option grants.

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CONTROL PERSONS AND PRINCIPAL STOCKHOLDERS

The following table sets forth, as of May 30, 2008, 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 May 30, 2008 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 32,837,237 shares of common stock outstanding as of May 30, 2008.

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
Other		
DePrince, Race & Zollo, Inc.[2]	3,512,182	10.7%
250 Park Avenue South, Suite 250		
Winter Park, FL 32789		
Putnam Investment Management, Inc.[2]	1,955,499	6.0%
One Post Office Square		
Boston, MA 02109		
T. Rowe Price Associates, Inc.[2]	1,787,600	5.4%
100 E. Pratt Street		
Baltimore, MD 21202		
JMP Group LLC[2][3]	1,767,413	5.4%
600 Montgomery Street, Suite 1100		
San Francisco, CA 94111		
Jolson 1996 Trust[4]	601,274	1.8%

(1) Beneficial ownership has been determined in accordance with Rule 13d-3 of the Securities Exchange Act of 1934.
(2) Information about the beneficial ownership of our principal stockholders is derived from filings made by them with the SEC.
(3) Includes 152,797 shares of common stock that can be acquired upon the exercise of outstanding 5-year warrants. JMP Asset Management LLC may be deemed to beneficially own shares of our common stock, including shares of common stock issuable upon the exercise of outstanding 5-year warrants, held of record by certain investment funds for which its wholly-owned subsidiary, JMP Asset Management LLC, acts as either general partner or investment adviser. JMP Group LLC and JMP Asset Management LLC each disclaim beneficial ownership of all shares held of record by the funds to the extent attributable to partnership or equity interests therein held by persons other than JMP Group LLC, JMP Asset Management LLC, or their affiliates. Joseph A. Jolson serves as Chief Executive Officer of JMP Group LLC.

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(4) Includes 548,280 shares of our common stock and 52,994 shares of our common stock issuable upon the exercise of outstanding 5-year warrants held by the Jolson 1996 Trust. Joseph A. Jolson serves as the trustee of the Jolson 1996 Trust and, as a result, may be deemed to beneficially own such shares of common stock, including such 5-year warrants to purchase shares of common stock. This does not include 40,000 shares of our common stock and 9,008 shares of our common stock issuable upon the exercise of 5-year warrants held by the Jolson Family Foundation. Mr. Jolson may be deemed to beneficially own the shares of common stock, including the 5-year warrants to purchase common stock held of record by the Jolson Family Foundation, for which he serves as the President. Mr. Jolson disclaims beneficial ownership of all such shares held by the Jolson Family Foundation.

	Shares of Common Stock Beneficially Owned[1]	
Name	**Number of Shares**	**Percentage of Class**
Interested Director		
Manuel A. Henriquez[5]	1,652,510	5.0%
Independent Directors		
Robert P. Badavas[6]	30,891	*
Joseph W. Chow[7]	45,425	*
Allyn C. Woodward, Jr.[8]	48,658	*
Executive Officers		
Samir Bhaumik[9]	163,388	*
H. Scott Harvey[10]	219,185	*
David M. Lund[11]	108,330	*
Parag I Shah[12]	203,490	*
Executive officers and directors as a group[13]	2,471,877	7.5%

* Less than 1%.

(5) Includes 1,022,639 shares of common stock that can be acquired upon the exercise of outstanding options and 56,250 shares of restricted stock. Includes shares of our common stock held by certain trusts controlled by Mr. Henriquez.

(6) Includes 1,667 shares of restricted common stock.

(7) Includes 794 shares of common stock that can be acquired upon the exercise of outstanding 5-year warrants and 1,667 shares of restricted stock.

(8) Includes 3,334 shares of restricted common stock.

(9) Includes 3,797 shares of common stock that can be acquired upon the exercise of outstanding 5-year warrants, 115,208 shares of common stock that can be acquired upon the exercise of outstanding options and 23,000 shares of restricted common stock.

(10) Includes 4,279 shares of common stock that can be acquired upon the exercise of outstanding 5-year warrants, 189,654 shares of common stock that can be acquired upon the exercise of outstanding options and 15,000 shares of restricted common stock.

(11) Includes 88,750 shares of common stock that can be acquired upon the exercise of outstanding options and 16,000 shares of restricted common stock.

(12) Includes 2,994 shares of common stock that can be acquired upon the exercise of outstanding 5-year warrants, 149,056 shares of common stock that can be acquired upon the exercise of outstanding options and 36,000 shares of restricted common stock.

(13) Includes 11,864 shares of common stock that can be acquired upon the exercise of outstanding 5-year warrants, 1,565,307 shares of common stock that can be acquired upon the exercise of outstanding options and 152,918 shares of restricted stock.

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The following table sets forth as of May 30, 2008, the dollar range of our securities owned by our directors and portfolio management employees.

Name	Dollar Range of Equity Securities in the Company
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:	
Samir Bhaumik	over $100,000
H. Scott Harvey	over $100,000
David M. Lund	$10,001-$50,000
Parag I. Shah	over $100,000

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CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

In August 2000, Mr. Henriquez acquired an interest in JMP Group LLC, the ultimate parent entity of the lead underwriter in our initial public offering. Mr. Henriquez s interest represents approximately 0.1% of the fully-diluted equity of JMP Group LLC.

In February 2004, we issued and sold 400 shares of our Series A-1 preferred stock to JMP Group LLC, the ultimate parent entity of JMP Securities LLC, for an aggregate purchase price of $2.5 million and, in connection with such sale, we paid a $175,000 placement fee to JMP Securities LLC. In addition, we issued and sold 100 shares of our Series A-2 preferred stock to an entity related to Mr. Henriquez for an aggregate purchase price of $125,000, and we issued and sold 100 shares of our Series A-2 preferred stock to Mr. Howard for an aggregate purchase price of $125,000. Our Series A-1 preferred stock held a liquidation preference over our Series A-2 preferred stock and also carried separate, preferential voting rights. In June 2004, each share of Series A-1 preferred stock and Series A-2 preferred stock was exchanged for 208.3333 units with the same terms as the units sold in our June 2004 private offering.

In connection with the issuance of our Series A-1 preferred stock and Series A-2 preferred stock, we entered into a registration rights agreement with the holders of our Series A-1 preferred stock and Series A-2 preferred stock. In June 2004, in connection with the conversion of the Series A preferred stock, the registration rights agreement entered into in connection with the issuance of our preferred stock was terminated and the shares of our common stock issued upon conversion were included in the registration rights agreement entered into in connection with our June 2004 private offer.

We have entered into a letter agreement with Farallon Capital Management, L.L.C. that provides that prior to the date that is two years after certain investment funds controlled by Farallon Capital Management, L.L.C. cease to own at least 10% of our outstanding common stock and without the written consent of Farallon Capital Management, L.L.C., we will not (i) take any action to alter or repeal the resolution adopted by our Board of Directors exempting from the Business Combination Act any business combination between us and certain investment funds managed by Farallon Capital Management, L.L.C. in a manner that would make the Business Combination Act applicable to acquisitions of our stock by such investment funds or (ii) amend the applicable provision of our bylaws in a manner that would make the Control Share Acquisition Act applicable to an acquisition of the Company s common stock by investment funds controlled by Farallon Capital Management, L.L.C.

We have also entered into a letter agreement with JMP Asset Management LLC that provides that prior to the date that is two years after certain investment funds controlled by JMP Asset Management LLC cease to own at least 10% of our outstanding common stock and without the written consent of JMP Asset Management LLC that we will not (i) take any action to alter or repeal the resolution adopted by our Board of Directors exempting from the Business Combination Act any business combination between us and certain investment funds managed by JMP Asset Management LLC in a manner that would make the Business Combination Act applicable to acquisitions of our stock by such investment funds or (ii) amend the applicable provision of our bylaws in a manner that would make the Control Share Acquisition Act applicable to an acquisition of the Company s common stock by investment funds controlled by JMP Asset Management LLC.

In connection with our June 2004 private offering, we agreed to obtain the approval of each of JMP Asset Management LLC and Farallon Capital Management, L.L.C. for each investment made by us. Though this arrangement was terminated in connection with our election to be regulated as a BDC, under the terms of the letter agreements described above, we have agreed to indemnify, to the maximum extent permitted by Maryland law and the 1940 Act, representatives of JMP Asset Management LLC and Farallon Capital Management, L.L.C. in connection with their activities in evaluating our investment opportunities prior to our election to be regulated as a business development company on terms similar to those afforded to our directors and officers under our charter and bylaws.

On April 12, 2005, we entered into our Bridge Loan Credit Facility with Alcmene Funding, LLC, a special purpose entity affiliated with Farallon Capital Management, L.L.C., one of our significant stockholders. In

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connection with the closing of the Bridge Loan Credit Facility, we paid a $500,000 upfront fee and will be obligated to pay additional fees under the terms of the facility. On August 1, 2005, we amended our Bridge Loan Credit Facility. The amendment agreement extended the term of the loan to April 12, 2006, eliminated the loan extension fee, revised the interest rate effective August 1, 2005 to LIBOR plus 5.6% through December 31, 2005 and thereafter to 13.5% per annum, and amended certain collateral rights and financial covenants. The loan fees are being amortized over the remaining ten-month period. On March 6, 2006, we entered into an amendment of our Bridge Loan Facility pursuant to which we repaid $10 million to Alcmene Funding LLC, extended the maturity date to June 30, 2006 and decreased the interest rate to 10.86%. On May 10, 2006, we repaid the remaining $15.0 million of the BridgeLoan Credit Facility and paid a $500,000 loan fee due on maturity and all accrued and unpaid interest through the date of repayment. At December 31, 2006, the Bridge Loan Credit Facility was no longer outstanding.

At March 2, 2006, we entered into an agreement with various affiliates of Farallon Capital Management, L.L.C. to sell $5 million of common stock, priced at the net asset value on February 28, 2006. On March 20, 2006, we completed the sale of 432,900 shares of common stock to the Farallon funds at a price per share of $11.55, which was the net asset value per share at February 28, 2006.

In conjunction with the Company s Rights offering completed on April 21, 2006, the Company agreed to pay JMP Securities LLC a fee of approximately $700,000 as co-manager of the offering.

In conjunction with the Company s public offering completed on December 7, 2006, the Company agreed to pay JMP Securities LLC a fee of approximately $1.2 million as co-manager of the offering.

During February 2007, Farallon Capital Management, L.L.C and its related affiliates and Manuel Henriquez, the Company s CEO, exercised warrants to purchase 132,480 and 75,075 shares of the Company s common stock, respectively. The exercise price of the warrants was $10.57 per share resulting in net proceeds to the company of approximately $2.2 million.

In conjunction with the Company s public offering completed on June 4, 2007 and the related over-allotment exercise, the Company agreed to pay JMP Securities LLC a fee of approximately $1.6 million as co-manager of the offering.

In connection with the sale of public equity investments, the Company paid JMP Securities LLC approximately $22,200 and $12,100 in brokerage commissions during the years ended December 31, 2007 and 2006, respectively.

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.

We 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, we have taken appropriate actions to seek Board of Directors review and approval or exemptive relief for such transaction. The Board of Directors reviews these procedures on an annual basis.

In addition, our code of ethics, which is signed by all employees and directors, requires that all employees and directors 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 www.herculestech.com. each employee and director must disclose any conflicts of interest, or actions or relationships that might give rise to a conflict, to the Audit Committee. The Audit Committee is charged with monitoring and making recommendations to the Board of Directors regarding policies and practices relating to corporate governance. Certain actions or relationships that might give rise to a conflict of interest are reviewed and approved by the Board of Directors.

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CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following discussion is a general summary of the material United States federal income tax considerations applicable to us and to an investment in our shares. This summary does not purport to be a complete description of the income tax considerations applicable to such an investment. 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 holders subject to special treatment under United States federal income tax laws, including stockholders subject to the alternative minimum tax, tax-exempt organizations, insurance companies, dealers in securities, pension plans and trusts, and financial institutions. This summary assumes that investors hold our common stock as capital assets (within the meaning of the Code). The discussion is based upon the Code, Treasury regulations, and administrative and judicial interpretations, each as in effect as of the date of this prospectus 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 regarding this offer. This summary does not discuss any aspects of United States estate or gift tax or foreign, state or local tax. It does not discuss the special treatment under United States federal income tax laws that could result if we invested in tax-exempt securities or certain other investment assets in which we do not currently intend to invest.

A U.S. stockholder generally is a beneficial owner of shares of our 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.

A Non-U.S. stockholder is a beneficial owner of shares of our common stock that is not a U.S. stockholder.

If a partnership (including an entity treated as a partnership for United States federal income tax purposes) holds shares of our common stock, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. A prospective stockholder who is a partner of a partnership holding shares of our common stock should consult his, her or its tax advisors with respect to the purchase, ownership and disposition of shares of our common stock.

Tax matters are very complicated and the tax consequences to an investor of an investment in our shares will depend on the facts of his, her or its 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 the tax laws.

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 tax

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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. Prior to the effective date of our RIC election, we were taxed as a regular corporation under Subchapter C of the Code. On December 31, 2005, we held assets with built-in gain, which are assets whose fair market value as of the effective date of the election exceeds their tax basis. 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 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 capital 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) we distribute to stockholders with respect to that year. We will be subject to United States federal income tax at the regular corporate rates on any income or capital gain 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 a 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 limited 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.

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% of our capital gain net income for the 1-year period ending October 31 in that

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calendar year and (3) any income realized, but not distributed, in the preceding year (the Excise Tax Avoidance Requirement). 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 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 back-end fee interest, in certain cases, increasing interest rates or 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 or 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. 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 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.

Any transactions in options, futures contracts, hedging 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). If our expenses in a given year exceed investment company 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. In addition, expenses can be used only to offset investment company taxable income, not net capital gain. Due to these limits on the deductibility of expenses, 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

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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 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

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 common stock. For taxable years beginning on or before December 31, 2010, to the extent such distributions paid by us are attributable to dividends from U.S. corporations and certain qualified foreign corporations, such distributions may be designated 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 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 designated 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% in the case of individuals, trusts or estates), regardless of the U.S. stockholder s holding period for his, her or its common stock and regardless of whether paid in cash or reinvested in additional 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 common stock and, after the adjusted basis is reduced to zero, will constitute capital gains to such U.S. stockholder.

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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, 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. The amount of the deemed distribution net of such tax will be added to the U.S. stockholder s cost basis for his, her or its common stock. 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 stockholder will be increased by an amount equal under current law to the difference between the amount of undistributed capital gains included in the stockholder s gross income and the tax deemed paid by the 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 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 stockholder generally will recognize taxable gain or loss if the stockholder sells or otherwise disposes of his, her or its shares of our common stock. Any gain arising from such sale or disposition generally will be treated as long-term capital gain or loss if the 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 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 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.

For taxable years beginning on or before December 31, 2010, individual U.S. stockholders are subject to a maximum federal income tax rate of 15% 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. Corporate U.S. stockholders currently are subject to federal income tax on net capital gain at the maximum 35% rate also applied to ordinary income. Non-corporate stockholders with net

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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 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 detailing, on a per share and per distribution basis, 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), currently at a rate of 28%, 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 provided to the IRS.

Taxation of Non-U.S. Stockholders

Whether an investment in the 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 common stock.

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 in the United States), we will not be required to withhold federal 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.)

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For taxable years beginning prior to January 1, 2008, 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 designate 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 has 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, 2008. Congress has considered renewing this exception; possibly with retroactive effect. However, no such renewal has been enacted to do so and we cannot be certain that any such renewal will be enacted, and if enacted, whether such renewal will be given retroactive effect.

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 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 U.S.), or in the case of an individual stockholder, the stockholder is present in the U.S. 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 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.

A Non-U.S. stockholder who is a non-resident alien individual, and who is otherwise subject to withholding of federal 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.

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.

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Failure to Qualify as a Regulated Investment Company

If we were unable to qualify for treatment as a RIC, 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 (if made in a taxable year beginning on or before December 31, 2010) would be taxable to our stockholders 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 distributees 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 is a unique kind of investment company that 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 privately-owned 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.

(2) Securities of any eligible portfolio company which we control.

(3) 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.

(4) 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.

(5) 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.

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(6) Cash, cash equivalents, U.S. Government securities or high-quality debt securities maturing in one year or less from the time of investment.

On May 15, 2008, the SEC amended the definition of eligible portfolio company to include certain public companies that list their securities on a national exchange. Under the amendment, effective July 21, 2008 a domestic operating company with securities listed on a national exchange may qualify as an eligible portfolio company so long as the company has a market capitalization of less than $250 million, calculated using the price at which the company s common equity is last sold or the average of the bid and asked prices of the company s common stock, on any day in the 60-day period immediately before the BDC s acquisition of the securities.

Significant Managerial Assistance

In order to count portfolio securities as qualifying assets for the purpose of the 70% test discussed above, the 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 will 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 Options, and Restricted Stock

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 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

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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 6 to our consolidated financial statements.

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, and our stockholders approve our policy and practice of making such sales. We received such approval from our stockholders at our annual meeting on May 29, 2008. See Determination of 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).

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, while any senior securities remain outstanding, we must make provisions to prohibit any dividend 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 dividend distribution or repurchase. 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 Because we borrow money, there would be increased risk in investing in our company.

Code of Ethics

We have adopted and will maintain a code of ethics pursuant to Rule 17j-1 under the 1940 Act 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 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 1-202-942-8090. In addition, the code of ethics is available on the EDGAR Database on the SEC s Internet site at http://www.sec.gov. You may obtain copies of the code of ethics, after paying a duplicating fee, by electronic request at the following email address: publicinfo@sec.gov, or by writing the SEC s Public Reference Section, Washington, D.C. 20549.

In addition, we maintain a separate code of ethics that establishes procedures for conduct and restricts certain transactions by our personnel. This code of ethics is posted on our website at www.herculestech.com.

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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 to anyone, 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 an 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 SBA from the 200% asset coverage requirement applicable to us.

On May 2, 2007, we received approval from the SEC on our exemptive request. On June 21, 2007, our shareholders approved amendments permitting us to grant restricted stock to our officers, employees and directors.

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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, to be our Chief Compliance Officer to be responsible for administering these policies and procedures.

Small Business Administration Regulations

HT II, our wholly-owned subsidiary, is licensed by the SBA as a SBIC under Section 301(c) of the Small Business Investment Act of 1958. The SBIC regulations currently limit the amount that is available to borrow by any SBIC to $127.2 million, subject to periodic adjustments by the SBA. There is no assurance that we will draw up to the maximum limit available under the SBIC program.

SBICs are designed to stimulate the flow of private 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 million for the two most recent fiscal years. In addition, SBICs must devote 20% 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 million and has average annual fully taxed net income not exceeding $2 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, small business investment companies 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 our wholly-owned subsidiary HT II, we plan to provide long-term loans to qualifying small businesses, and in connection therewith, make equity investments.

As of March 31, 2008, the assets held by HT II represented approximately 26.5% of the total assets of the Company.

In January 2005, we formed HT II and HTM. On September 27, 2006, HT II received final approval to be licensed as a SBIC. HT II is able to borrow funds against eligible pre-approved investments and additional deposits to regulatory capital. Currently, HT II has a commitment from the SBA to issue a total of $127.2 million of SBA guaranteed debentures, of which $70.1 million was outstanding as of March 31, 2008. There is no assurance that HT II will draw up to the maximum limit available under the SBIC program.

HT II will be periodically examined and audited by the SBA s staff to determine its compliance with SBIC regulations.

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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 3 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 3 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.

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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 60,000,000 shares of common stock, par value $0.001 per share, of which 32,837,237 shares are outstanding as of May 30, 2008. 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.

Title of Class	Amount Authorized	Amount Held by Company for its Account	Amount Outstanding
Common Stock, $0.001 par value per share	60,000,000		32,837,237

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.

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

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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, 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.

5-Year Warrants

As of March 31, 2008, we had outstanding 5-year warrants to purchase an aggregate of 382,629 shares of our common stock. These warrants were issued as part of the units that we sold in our prior private financings and were issued either under our warrant agreement with American Stock Transfer & Trust Company, as warrant agent, or pursuant to the terms of our 2004 Equity Incentive Plan. Each 5-year warrant is exercisable until June 17, 2009 and entitles the holder thereof to purchase one share of our common stock. In connection with our election to be regulated as a business development company, the exercise price per share for all of our 5-year warrants was reduced from $15.00 per share to $10.57 per share, the net asset value per share of our common stock on the date of determination, in accordance with the terms of the warrant agreement or the applicable warrant certificate. In addition, the warrant agreement, restricts the transfer of warrants outstanding thereunder to transactions involving the transfer of at least 4,000 shares (or securities convertible into or exchangeable for shares) of our common stock.

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

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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, 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.

In addition, we have agreed to indemnify, to the maximum extent permitted by Maryland law and the 1940 Act, representatives of JMP Asset Management LLC and Farallon Capital Management, L.L.C. on terms similar to those afforded to our directors and officers under our charter and bylaws in connection with their activities in evaluating our investment opportunities prior to our election to be regulated as a business development company.

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 2009, 2010 and 2008, respectively. Beginning in 2005,

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upon expiration of their current terms, directors of each class will be elected to serve for three-year terms and until their successors are duly elected and qualify and each year one class of directors will be elected by the stockholders. A classified board may render a change in control of us 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 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.

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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.

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

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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.

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. There can be no assurance that such provision will not be otherwise amended or eliminated at any time in the future. However, we will amend our bylaws to be subject to the Control Share Act only if the Board of Directors determines that it would be in our best interests and if the staff of the SEC does not object to our determination that our being subject to the Control Share Act does not conflict with the 1940 Act.

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

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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 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. This resolution, however, may be altered or repealed in whole or in part at any time. In addition, our Board of Directors has adopted a resolution exempting any business combination with certain investment funds managed by JMP Asset Management LLC and certain investment funds managed by Farallon Capital Management, L.L.C. from the provisions of the Business Combination Act. We have agreed with such investment funds that we will not repeal or amend such resolution prior to the date that is two years after such investment funds cease to own at least 10% of our outstanding common stock in a manner that would make the Business Combination Act applicable to acquisitions of our stock by such investment funds without the written consent of such investment funds. If these resolutions are repealed, or the Board of Directors does not otherwise approve a business combination, the statute may discourage others from trying to acquire control of us and increase the difficulty of consummating any offer.

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 subsidiary, Hercules Technology II, L.P., has obtained a small business investment company license. 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 small business investment company. 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 small business investment company, whether through ownership, contractual arrangements or otherwise.

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PLAN OF DISTRIBUTION

We may offer, from time to time, up to 13,000,000 shares of our common stock. We may sell the shares of our common stock through underwriters, broker-dealers or agents or through a combination of any such methods of sale. Shares of our common stock may also be sold at-the-market to or through a market maker or into an existing trading market for shares, on an exchange or otherwise. Any underwriter or agent involved in the offer and sale of the shares of our common stock will be named in the applicable prospectus supplement.

The distribution of the shares of our common stock 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. We also may, from time to time, authorize dealers or agents to offer and sell these securities upon such terms and conditions as may be set forth in the applicable prospectus supplement.

We may sell shares of our common stock at a price below net asset value per share if (1) our board of directors determines that such sale is in the Company s best interests and our stockholders, (2) our stockholders approve the sale of our common stock at a price that is less than the current net asset value, and (3) the price at which our common stock is 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 sales load). We received such stockholder approval at our annual meeting on May 29, 2008. See Determination of Net Asset Value.

In connection with the sale of the shares of our common stock, underwriters or agents may receive compensation from us or from purchasers of the shares of our common stock, for whom they may act as agents, in the form of discounts, concessions or commissions. Underwriters may sell shares of our common stock 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 shares of our common stock 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 shares of our common stock 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 common stock sold pursuant to a prospectus supplement will be quoted on the Nasdaq Global Select Market, or another exchange on which the common stock is traded.

Under agreements into which we may enter, underwriters, dealers and agents who participate in the distribution of shares of our common stock may be entitled to indemnification by us or the selling shareholders against certain liabilities, including liabilities under the Securities Act. Underwriters, dealers and agents may engage in transactions with, or perform services for, us or the selling shareholders 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 shares of our common stock 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 shares of our common stock 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.

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The maximum commission or discount to be received by any member of the Financial Industry Regulatory Authority or independent broker-dealer will not be greater than 10% for the sale of any securities being registered and 0.5% for bona fide due diligence.

In order to comply with the securities laws of certain states, if applicable, shares of our common stock offered hereby will be sold in such jurisdictions only through registered or licensed brokers or dealers.

BROKERAGE ALLOCATION AND OTHER PRACTICES

Since 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 in which 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 us, 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, 2007, 2006 and 2005, we paid $22,200, $12,100 and $4,000 in brokerage commissions, respectively. We did not pay any brokerage commissions during the three months ended March 31, 2008.

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 59 Maiden Lane, New York, New York 10038.

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

Ernst & Young LLP, independent registered public accounting firm, has audited our consolidated financial statements at December 31, 2007, December 31, 2006 and December 31, 2005 and for the years ended December 31, 2007, 2006 and 2005 as set forth in their report. Ernst & Young LLP has also audited our senior securities table as of December 31, 2007. We have included our consolidated financial statements and senior securities table in this prospectus and elsewhere in the registration statement in reliance on Ernst & Young LLP s report, given on their authority as experts in accounting and auditing.

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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 shares of common stock offered by this prospectus. The registration statement contains additional information about us and our shares of common stock 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 1-800-SEC-0330. 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

Board of Directors and Shareholders

Hercules Technology Growth Capital, Inc.

We have audited Hercules Technology Growth Capital, Inc. s internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Hercules Technology Growth Capital, Inc. s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management s Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company s internal control over financial reporting based on our 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 effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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 (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) 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 (3) 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.

In our opinion, Hercules Technology Growth Capital, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statements of assets and liabilities, including the consolidated schedules of investments of Hercules Technology Growth Capital, Inc. as of December 31, 2007 and 2006, 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, 2007 of Hercules Technology Growth Capital, Inc. and our report dated March 11, 2008 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

San Francisco, California

March 11, 2008

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES

(in thousands, except per share data)

	December 31, 2007	December 31, 2006
Assets		
Cash and cash equivalents	$ 7,856	$ 16,404
Investments, at fair value:		
Non-affiliate investments (cost of $513,106 and $279,946, respectively)	525,725	283,234
Affiliate investments (cost of $6,344 and $0, respectively)	4,247	
Total investments (cost of $519,450 and $279,946 respectively)	529,972	283,234
Deferred loan origination revenue	(6,593)	(3,451)
Interest receivable	6,387	2,907
Other assets	4,321	2,048
Total assets	541,943	301,142
Liabilities		
Accounts payable	180	540
Accrued liabilities	6,776	4,189
Short-term credit facility	79,200	41,000
Long-term SBA Debentures	55,050	
Total liabilities	141,206	45,729
Net assets	$ 400,737	$ 255,413
Net assets consist of:		
Common Stock, par value	$ 33	$ 22
Capital in excess of par value	393,530	257,235
Deferred stock compensation	(78)	
Unrealized appreciation on investments	10,129	2,861
Accumulated realized gains on investments	819	(1,972)
Distributions in excess of investment income	(3,696)	(2,733)
Total net assets	$ 400,737	$ 255,413
Shares of common stock issued and outstanding ($0.001 par value, 60,000 authorized)	32,541	21,927
Net asset value per share	$ 12.31	$ 11.65

See notes to consolidated financial statements.

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2007

(dollars in thousands)

Portfolio Company	Industry	Type of Investment[1][6]	Principal Amount	Cost[2]	Value[3]
Acceleron Pharmaceuticals, Inc. (0.94%)*[4]	Drug Discovery	Senior Debt			
		Matures June 2009			
		Interest rate 10.25%	$ 3,237	$ 3,184	$ 3,184
		Preferred Stock Warrants		69	472
		Preferred Stock Warrants		35	109
Acceleron Pharmaceuticals, Inc. (0.45%)		Preferred Stock		1,243	1,805
Total Acceleron Pharmaceuticals, Inc.				4,531	5,569
Aveo Pharmaceuticals, Inc. (3.06%)[4]	Drug Discovery	Senior Debt			
		Matures September 2009			
		Interest rate 10.75%	$ 12,078	11,984	11,984
		Preferred Stock Warrants		144	204
		Preferred Stock Warrants		46	74
Total Aveo Pharmaceuticals, Inc.				12,174	12,262
Elixir Pharmaceuticals, Inc. (3.58%)[4]	Drug Discovery	Senior Debt			
		Matures June 2010			
		Interest rate Prime + 2.45%	$ 13,997	13,836	13,836
		Preferred Stock Warrants		217	510
Total Elixir Pharmaceuticals, Inc.				14,053	14,347
EpiCept Corporation (1.77%)[4]	Drug Discovery	Senior Debt			
		Matures August 2009			
		Interest rate 11.70%	$ 7,307	6,878	6,878
		Common Stock Warrants		423	215
Total EpiCept Corporation				7,301	7,092
Horizon Therapeutics, Inc. (0.30%)[4]	Drug Discovery	Senior Debt			
		Matures April 2011			
		Interest rate 8.75%	$ 12,000	1,022	1,022
		Preferred Stock Warrants		179	179
Total Horizon Therapeutics, Inc.				1,201	1,201
Inotek Pharmaceuticals Corp. (0.37%)	Drug Discovery	Preferred Stock		1,500	1,500
Total Inotek Pharmaceuticals Corp.				1,500	1,500
Memory Pharmaceticals Corp. (3.48%)[4]	Drug Discovery	Senior Debt			
		Matures February 2011			
		Interest rate 11.45%	$ 15,000	13,608	13,608
		Common Stock Warrants		1,751	341

Total Memory Pharmaceticals Corp.					15,359	13,949
Merrimack Pharmaceuticals, Inc. (0.37%)[(4)]	Drug Discovery	Convertible Senior Debt Matures October 2008 Interest rate 11.15%	$	1,024	994	994
		Preferred Stock Warrants			155	502
Merrimack Pharmaceuticals, Inc. (0.70%)		Preferred Stock			2,000	2,787
Total Merrimack Pharmaceuticals, Inc.					3,149	4,283
Neosil, Inc. (1.53%)	Drug Discovery	Senior Debt Matures May 2010 Interest rate 10.75%	$	6,000	5,936	5,936
		Preferred Stock Warrants			83	178
Total Neosil, Inc.					6,018	6,113

See notes to consolidated financial statements.

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2007

(dollars in thousands)

Portfolio Company	Industry	Type of Investment(1)(6)	Principal Amount	Cost(2)	Value(3)
Paratek Pharmaceuticals, Inc. (0.64%)(4)	Drug Discovery	Senior Debt			
		Matures June 2008			
		Interest rate 11.10%	$ 2,587	2,568	2,568
		Preferred Stock Warrants		137	
Paratek Pharmaceuticals, Inc. (0.14%)		Preferred Stock		550	550
Total Paratek Pharmaceuticals, Inc.				3,255	3,118
Portola Pharmaceuticals, Inc. (3.80%)(4)	Drug Discovery	Senior Debt			
		Matures September 2010			
		Interest rate Prime + 1.75%	$ 15,000	14,894	14,894
		Preferred Stock Warrants		152	351
Total Portola Pharmaceuticals, Inc.				15,046	15,245
Sirtris Pharmaceuticals, Inc. (2.46%)(4)	Drug Discovery	Senior Debt			
		Matures April 2011			
		Interest rate 10.60%	$ 9,079	9,022	9,022
		Common Stock Warrants		89	818
Sirtris Pharmaceuticals, Inc. (0.19%)		Common Stock		500	776
Total Sirtris Pharmaceuticals, Inc.				9,610	10,616
Total Drug Discovery (23.78%)				93,198	95,294
E-band Communications, Inc. (0.50%)(6)	Communications & Networking	Preferred Stock		2,000	2,000
Total E-Band Communications, Inc.				2,000	2,000
IKANO Communications, Inc. (5.09%)(4)	Communications & Networking	Senior Debt			
		Matures March 2011			
		Interest rate 11.00%	$ 19,983	19,983	19,983
		Preferred Stock Warrants		45	163
		Preferred Stock Warrants		72	256
Total IKANO Communications, Inc.				20,101	20,402
Ping Identity Corporation (0.40%)(4)	Communications & Networking	Senior Debt			
		Matures June 2009			
		Interest rate 11.50%	$ 1,630	1,608	1,608
		Preferred Stock Warrants		52	10
Total Ping Identity Corporation				1,660	1,619
Purcell Systems, Inc. (2.33%)			$ 2,224	3,126	3,126

	Communications & Networking	Senior Debt Matures June 2009 Interest rate Prime + 3.50%			
		Revolving Line of Credit Matures June 2008 Interest rate Prime + 2.00%	$ 7,000	6,000	6,000
		Preferred Stock Warrants		123	198
Total Purcell Systems, Inc.				9,248	9,324

See notes to consolidated financial statements.

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2007

(dollars in thousands)

Portfolio Company	Industry	Type of Investment[(1)(6)]	Principal Amount	Cost[(2)]	Value[(3)]
Rivulet Communications, Inc. (0.83%)[(4)]	Communications & Networking	Senior Debt Matures September 2009 Interest rate 10.60%	$ 3,500	3,272	3,272
		Preferred Stock Warrants		51	64
Rivulet Communications, Inc. (0.06%)		Preferred Stock		250	250
Total Rivulet Communications, Inc.				3,572	3,585
Seven Networks, Inc. (2.89%)[(4)]	Communications & Networking	Senior Debt Matures April 2010 Interest rate Prime + 3.75%	$ 9,419	9,291	9,291
		Revolving Line of Credit Matures April 2008 Interest rate Prime + 3.00%	$ 2,000	2,000	2,000
		Preferred Stock Warrants		174	296
Total Seven Networks, Inc.				11,465	11,587
Simpler Networks Corp. (1.01%)[(4)]	Communications & Networking	Senior Debt Matures July 2009 Interest rate 11.75%	$ 4,112	4,046	4,046
		Preferred Stock Warrants		160	
Simpler Networks Corp. (0.00%)		Preferred Stock		500	
Total Simpler Networks Corp.				4,706	4,046
Stoke, Inc. (0.57%)	Communications & Networking	Senior Debt Matures August 2010 Interest rate 10.55%	$ 2,250	2,204	2,204
		Preferred Stock Warrants		53	79
Total Stoke, Inc.				2,257	2,283
Tectura Corporation (5.26%)[(4)]	Communications & Networking	Senior Debt Matures March 2012 Interest rate LIBOR + 6.15%	$ 9,051	9,007	9,007
		Revolving Line of Credit Matures March 2008 Interest rate LIBOR + 5.15%	$ 12,000	12,000	12,000
		Preferred Stock Warrants		51	82
Total Tectura Corporation				21,059	21,090
Teleflip, Inc. (0.25%)	Communications & Networking	Senior Debt Matures May 2010 Interest rate Prime + 2.75%	$ 1,000	992	992
		Preferred Stock Warrants		11	9

Total Teleflip, Inc.				1,002	1,001
Wireless Channels, Inc. (3.02%)	Communications & Networking	Senior Debt -Second Lien Matures April 2010 Interest rate 9.25%	$ 11,949	1,719	1,719
		Senior Debt -Second Lien Matures April 2010 Interest rate Prime + 4.25%	$ 10,118	10,118	10,118
		Preferred Stock Warrants		155	241
Total Wireless Channels, Inc.				11,992	12,078

See notes to consolidated financial statements.

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2007

(dollars in thousands)

Portfolio Company	Industry	Type of Investment[1][6]	Principal Amount	Cost[2]	Value[3]
Zayo Bandwith, Inc. (6.24%)[4]	Communications & Networking	Senior Debt -Second Lien Matures April 2013 Interest rate Prime + 3.50%	$ 25,000	25,000	25,000
Total Zayo Bandwith, Inc.				25,000	25,000
Total Communications & Networking (28.45%)				114,062	114,014
Atrenta, Inc. (0.98%)[4]	Software	Senior Debt Matures June 2009 Interest rate 11.50%	$ 3,680	3,638	3,638
		Preferred Stock Warrants		102	220
		Preferred Stock Warrants		34	72
Atrenta, Inc. (0.06%)		Preferred Stock		250	250
Total Atrenta, Inc.				4,024	4,181
Blurb, Inc. (0.63%)	Software	Senior Debt Matures December 2009 Interest rate 9.55%	$ 2,500	2,482	2,482
		Preferred Stock Warrants		25	43
Total Blurb, Inc.				2,507	2,526
Bullhorn, Inc. (0.25%)[4]	Software	Senior Debt Matures March 2010 Interest rate Prime + 3.75%	$ 1,000	959	959
		Preferred Stock Warrants		43	41
Total Bullhorn, Inc.				1,002	1,000
Cittio, Inc. (0.25%)	Software	Senior Debt Matures April 2010 Interest rate 11.00%	$ 1,000	1,000	1,000
Total Cittio, Inc.				1,000	1,000
Compete, Inc. (0.63%)[4]	Software	Senior Debt Matures March 2009 Interest rate Prime + 3.50%	$ 2,409	2,384	2,384
		Preferred Stock Warrants		62	136
Total Compete, Inc.				2,446	2,520
Forescout Technologies, Inc. (0.64%)[4]	Software		$ 1,998	1,970	1,970

		Senior Debt Matures August 2009 Interest rate 11.15%				
		Revolving Line of Credit Matures August 2007 Interest rate Prime + 1.49%	$	500	500	500
		Preferred Stock Warrants			58	76
Total Forescout Technologies, Inc.					2,528	2,546
GameLogic, Inc. (0.74%)[(4)]	Software	Senior Debt Matures December 2009 Interest rate Prime + 4.125%	$	3,000	2,887	2,887
		Preferred Stock Warrants			92	91
Total GameLogic, Inc.					2,980	2,978

See notes to consolidated financial statements.

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2007

(dollars in thousands)

Portfolio Company	Industry	Type of Investment(1)(6)	Principal Amount	Cost(2)	Value(3)
Gomez, Inc. (0.15%)(4)	Software	Senior Debt Matures December 2007 Interest rate 12.25%	$ 98	98	98
		Preferred Stock Warrants		35	512
Total Gomez, Inc.				133	611
HighRoads, Inc. (0.01%)(4)	Software	Preferred Stock Warrants		44	58
Total HighRoads, Inc.				44	58
Intelliden, Inc. (0.60%)	Software	Senior Debt Matures February 2010 Interest rate 13.20%	$ 2,360	2,349	2,349
		Preferred Stock Warrants		18	60
Total Intelliden, Inc.				2,367	2,409
Oatsystems, Inc. (1.08%)(4)	Software	Senior Debt Matures September 2009 Interest rate 11.00%	$ 4,374	4,336	4,336
		Preferred Stock Warrants		67	4
Total Oatsystems, Inc.				4,403	4,340
Proficiency, Inc. (0.38%)(4)(6)	Software	Senior Debt Matures July 2008 Interest rate 12.00%	$ 1,500	1,497	1,497
		Preferred Stock Warrants		96	
Proficiency, Inc. (0.19%)		Preferred Stock		2,750	750
Total Proficiency, Inc.				4,343	2,247
PSS Systems, Inc. (0.89%)(4)	Software	Senior Debt Matures March 2010 Interest rate 10.74%	$ 3,500	3,463	3,463
		Preferred Stock Warrants		51	86
Total PSS Systems, Inc.				3,514	3,549
Savvion, Inc. (1.62%)(4)	Software	Senior Debt Matures March 2009 Interest rate Prime + 3.45%	$ 1,268	1,268	1,268
		Revolving Line of Credit Matures March 2008 Interest rate Prime + 2.00%	$ 3,000	3,000	3,000
		Revolving Line of Credit Matures March 2008	$ 1,985	1,985	1,985

		Interest rate Prime + 3.45%		
		Preferred Stock Warrants	52	244
Total Savvion, Inc.			6,305	6,496
Sportvision, Inc. (0.01%)	Software	Preferred Stock Warrants	39	50
Total Sportvision, Inc.			39	50

See notes to consolidated financial statements.

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2007

(dollars in thousands)

Portfolio Company	Industry	Type of Investment[1][6]	Principal Amount	Cost[2]	Value[3]
Talisma Corp. (0.11%)[4]	Software	Preferred Stock Warrants		49	449
Total Talisma Corp.				49	449
WildTangent, Inc. (0.50%)[4]	Software	Senior Debt Matures March 2011 Interest rate 9.65%	$ 2,000	1,766	1,766
		Preferred Stock Warrants		238	238
Total WildTangent, Inc.				2,004	2,004
Total Software (9.72%)				39,688	38,963
Agami Systems, Inc. (1.30%)[4]	Electronics & Computer Hardware	Senior Debt Matures August 2009 Interest rate 11.00%	$ 5,103	5,056	5,056
		Preferred Stock Warrants		86	137
Total Agami Systems, Inc.				5,141	5,193
Luminus Devices, Inc. (2.95%)[4]	Electronics & Computer Hardware	Senior Debt Matures August 2009 Interest rate 12.50%	$ 15,115	11,318	11,318
		Preferred Stock Warrants		183	113
		Preferred Stock Warrants		84	61
		Preferred Stock Warrants		334	334
Total Luminus Devices, Inc.				11,919	11,826
Maxvision Holding, LLC. (2.87%)[4]	Electronics & Computer Hardware	Senior Debt Matures May 2012 Interest rate Prime + 5.50%	$ 5,012	5,012	5,012
		Senior Debt Matures May 2012 Interest rate Prime + 2.25%	$ 5,500	5,000	5,000
		Revolving Line of Credit Matures September 2012 Interest rate Prime +2.25%	$ 972	1,472	1,472

Total Maxvision Holding, LLC					11,484	11,484
NetEffect, Inc. (0.61%)	Electronics & Computer Hardware	Senior Debt Matures May 2010 Interest rate 11.95%	$	2,431	2,396	2,396
		Preferred Stock Warrants			44	50
Total NetEffect, Inc.					2,440	2,446
Shocking Technologies, Inc. (0.02%)	Electronics & Computer Hardware	Preferred Stock Warrants			63	63
Total Shocking Technologies, Inc.					63	63

See notes to consolidated financial statements.

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2007

(dollars in thousands)

Portfolio Company	Industry	Type of Investment(1)(6)	Principal Amount	Cost(2)	Value(3)
SiCortex, Inc. (2.52%)	Electronics & Computer Hardware	Senior Debt Matures December 2010 Interest rate 10.95%	$ 10,000	9,861	9,861
		Preferred Stock Warrants		164	230
Total SiCortex, Inc.				10,025	10,091
Spatial Photonics, Inc. (0.93%)(4)	Electronics & Computer Hardware	Senior Debt Matures May 2011 Interest rate 10.75%	$ 3,751	3,623	3,623
		Preferred Stock Warrants		130	126
Spatial Photonics, Inc. (0.12%)		Preferred Stock		500	500
Total Spatial Photonics Inc.				4,253	4,249
VeriWave, Inc. (1.35%)	Electronics & Computer Hardware	Senior Debt Matures May 2010 Interest rate 10.75%	$ 4,250	5,340	5,340
		Preferred Stock Warrants		54	85
Total VeriWave, Inc.				5,394	5,425
ViDeOnline Communications, Inc. (0.04%)(4)	Electronics & Computer Hardware	Preferred Stock Warrants		298	176
Total ViDeOnline Communications, Inc.				298	176
Total Electronics & Computer Hardware (12.71%)				51,017	50,953
Aegerion Pharmaceuticals, Inc. (2.48%)(4)	Specialty Pharmaceuticals	Senior Debt Matures August 2010 Interest rate Prime + 2.50%	$ 9,735	9,682	9,682
		Preferred Stock Warrants		69	243

Aegerion Pharmaceuticals, Inc. (0.25%)		Preferred Stock		1,000	1,000
Total Aegerion Pharmaceuticals, Inc.				10,752	10,925
Panacos Pharmaceuticals, Inc. (4.84%)[4]	Specialty Pharmaceuticals	Senior Debt Matures January 2011 Interest rate 11.20%	$ 20,000	19,270	19,270
		Common Stock Warrants		876	137
Panacos Pharmaceuticals, Inc. (0.04%)		Common Stock		410	158
Total Panacos Pharmaceuticals, Inc.				20,556	19,564
Quatrx Pharmaceuticals Company (3.60%)[4]	Specialty Pharmaceuticals	Senior Debt Matures January 2010 Interest rate Prime + 3.00%	$ 14,324	14,214	14,214
		Preferred Stock Warrants		220	193
Quatrx Pharmaceuticals Company (0.19%)		Preferred Stock		750	750
Total Quatrx Pharmaceuticals Company				15,184	15,157
Total Specialty Pharmaceuticals (11.40%)				46,492	45,646

See notes to consolidated financial statements.

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2007

(dollars in thousands)

Portfolio Company	Industry	Type of Investment[1][6]	Principal Amount	Cost[2]	Value[3]
BabyUniverse, Inc. (0.05%)[4]	Consumer & Business Products	Common Stock		267	219
Total BabyUniverse, Inc.				267	219
Market Force Information, Inc. (0.34%)[4]	Consumer & Business Products	Senior Debt Matures May 2009 Interest rate 10.45%	$ 1,294	1,284	1,284
		Preferred Stock Warrants		24	92
Market Force Information, Inc. (0.12%)		Preferred Stock		500	500
Total Market Force Information, Inc.				1,807	1,875
Wageworks, Inc. (0.12%)[4]	Consumer & Business Products	Preferred Stock Warrants		252	513
Wageworks, Inc. (0.05%)		Preferred Stock		250	209
Total Wageworks, Inc.				502	722
Total Consumer & Business Products (0.70%)				2,576	2,817
Ageia Technologies, Inc. (1.25%)[4]	Semiconductors	Senior Debt Matures August 2008 Interest rate 10.25%	$ 5,047	4,904	4,904
		Convertible Debt		124	124
		Preferred Stock Warrants		99	
Ageia Technologies, Inc. (0.00%)		Preferred Stock		500	
Total Ageia Technologies				5,627	5,028
Custom One Design, Inc. (0.26%)	Semiconductors	Senior Debt Matures September 2010 Interest rate 11.50%	$ 1,000	984	984
		Common Stock Warrants		18	43

Total Custom One Design, Inc.					1,002	1,027
iWatt Inc. (1.19%)[(4)]	Semiconductors	Senior Debt Matures September 2009 Interest rate Prime + 2.75%	$	1,457	1,382	1,382
		Revolving Line of Credit Matures September 2007 Interest rate Prime + 1.75%	$	3,235	3,235	3,235
		Preferred Stock Warrants			46	100
		Preferred Stock Warrants			51	51
Total iWatt Inc.					4,714	4,769

See notes to consolidated financial statements.

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2007

(dollars in thousands)

Portfolio Company	Industry	Type of Investment(1)(6)	Principal Amount	Cost(2)	Value(3)
NEXX Systems, Inc. (3.26%)(4)	Semiconductors	Senior Debt Matures February 2010 Interest rate Prime + 2.75%	$ 4,557	4,438	4,438
		Revolving Line of Credit Matures December 2009 Interest rate Prime + 1.75%	$ 5,000	5,000	5,000
		Revolving Line of Credit Matures December 2009 Interest rate Prime + 3.75%	$ 3,000	3,000	3,000
		Preferred Stock Warrants		165	623
Total NEXX Systems, Inc.				12,602	13,061
Quartics, Inc. (0.09%)(4)	Semiconductors	Senior Debt Matures August 2010 Interest rate 11.05%	$ 300	254	254
		Preferred Stock Warrants		53	114
Total Quartics, Inc.				307	369
Solarflare Communications, Inc. (0.19%)	Semiconductors	Senior Debt Matures August 2010 Interest rate 11.75%	$ 625	553	553
		Preferred Stock Warrants		83	194
Solarflare Communications, Inc. (0.12%)		Preferred Stock		500	500
Total Solarflare Communications, Inc.				1,137	1,247
Total Semiconductors (6.36%)				25,390	25,501
Labopharm USA, Inc. (3.74%)(4)(5)	Drug Delivery	Senior Debt Matures July 2008 Interest rate 11.95%	$ 15,000	14,547	14,547
		Preferred Stock Warrants		458	454
Total Labopharm USA, Inc.				15,006	15,001
Transcept Pharmaceuticals, Inc. (1.80%)(4)	Drug Delivery	Senior Debt Matures October 2009 Interest rate 10.69%	$ 6,993	6,944	6,944
		Preferred Stock Warrants		36	107
		Preferred Stock Warrants		51	173
Transcept Pharmaceuticals, Inc. (0.13%)		Preferred Stock		500	500
Total Transcept Pharmaceuticals, Inc.				7,530	7,724

Total Drug Delivery (5.67%)			22,536	22,725
BARRX Medical, Inc. (0.19%)	Therapeutic	Preferred Stock	1,500	758
Total BARRX Medical, Inc.			1,500	758

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CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2007

(dollars in thousands)

Portfolio Company	Industry	Type of Investment[1][6]	Principal Amount	Cost[2]	Value[3]
EKOS Corporation (1.28%)	Therapeutic	Senior Debt Matures November 2010 Interest rate Prime + 2.00%	$ 5,000	4,707	4,707
		Preferred Stock Warrants		175	282
		Preferred Stock Warrants		153	150
Total EKOS Corporation				5,035	5,139
Gynesonics, Inc. (0.01%)[4]	Therapeutic	Preferred Stock Warrants		18	40
Gynesonics, Inc. (0.06%)		Preferred Stock		250	250
Total Gynesonics, Inc.				268	290
Novasys Medical, Inc. (1.65%)[4]	Therapeutic	Senior Debt Matures January 2010 Interest rate 9.70%	$ 6,609	6,609	6,609
Total Novasys Medical, Inc.				6,609	6,609
Power Medical Interventions, Inc. (0.02%)	Therapeutic	Common Stock Warrants		21	58
Total Power Medical Interventions, Inc.				21	58
Total Therapeutic (3.21%)				13,432	12,853
Invoke Solutions, Inc. (0.56%)[4]	Internet Consumer & Business	Senior Debt Matures December 2008 Interest rate 11.25%	$ 2,187	2,155	2,155
	Services	Preferred Stock Warrants		56	73
		Preferred Stock Warrants		11	10
Total Invoke Solutions, Inc.				2,222	2,239
Prism Education Group Inc. (0.51%)	Internet Consumer & Business	Senior Debt Matures December 2010 Interest rate 11.25%	$ 2,000	1,964	1,964
	Services	Preferred Stock Warrants		43	66
Total Prism Education Group Inc.				2,007	2,030

RazorGator Interactive Group, Inc. (1.17%)[4]	Internet Consumer & Business Services	Senior Debt Matures January 2008 Interest rate 9.95%	$	1,134	1,119	1,119
		Preferred Stock Warrants			13	3,203
		Preferred Stock Warrants			28	362
RazorGator Interactive Group, Inc. (1.23%)		Preferred Stock			1,000	4,935
Total RazorGator Interactive Group, Inc.					2,160	9,619
Serious USA, Inc. (0.75%)	Internet Consumer & Business Services	Senior Debt Matures February 2011 Interest rate Prime + 3.00%	$	2,450	2,370	2,370
		Revolving Line of Credit Matures July 2008 Interest rate Prime + 2.00%	$	654	654	654
		Preferred Stock Warrants			93	5
Total Serious USA, Inc.					3,118	3,029
Total Internet Consumer & Business Services (4.22%)					9,507	16,918

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2007

(dollars in thousands)

Portfolio Company	Industry	Type of Investment[(1)(6)]	Principal Amount	Cost[(2)]	Value[(3)]
Lilliputian Systems, Inc. (1.75%)[(4)]	Energy	Senior Debt Matures March 2010 Interest rate 9.75%	$ 6,956	6,931	6,931
		Preferred Stock Warrants		48	85
Total Lilliputian Systems, Inc.				6,979	7,016
Total Energy (1.75%)				6,979	7,016
Active Response Group, Inc. (2.50%)	Information Services	Senior Debt Matures March 2012 Interest rate LIBOR + 6.55%	$ 10,000	9,885	9,885
		Preferred Stock Warrants		92	83
		Common Stock Warrants		46	60
Total Active Response Group, Inc.				10,023	10,028
Buzznet, Inc. (0.25%)	Information Services	Senior Debt Matures March 2010 Interest rate 10.25%	$ 914	908	908
		Preferred Stock Warrants		9	86
Buzznet, Inc. (0.06%)		Preferred Stock		250	250
Total Buzznet, Inc.				1,167	1,244
hi5 Networks, Inc. (1.00%)	Information Services	Senior Debt Matures March 2011 Interest rate Prime + 2.5%	$ 3,000	2,789	2,789
		Revolving Line of Credit Matures June 2011 Interest rate 7.75%		1,000	1,000
		Preferred Stock Warrants		213	214
Total hi5 Networks, Inc.				4,002	4,003
Jab Wireless, Inc. (0.78%)	Information Services	Senior Debt Matures March 2012 Interest rate 10.75%	$ 3,097	2,834	2,834
		Preferred Stock Warrants		265	266
Total Jab Wireless, Inc.				3,098	3,099
Solutionary, Inc. (1.78%)	Information Services	Senior Debt Matures June 2010 Interest rate LIBOR + 5.50%	$ 5,528	5,454	5,454
			$ 1,505	1,505	1,505

	Revolving Line of Credit Matures June 2010 Interest rate LIBOR + 5.00%		
	Preferred Stock Warrants	94	150
	Preferred Stock Warrants	2	4
Solutionary, Inc. (0.06%)	Preferred Stock	250	250
Total Solutionary, Inc.		7,305	7,364

See notes to consolidated financial statements.

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CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2007

(dollars in thousands)

Portfolio Company	Industry	Type of Investment(1)(6)	Principal Amount	Cost(2)	Value(3)
The Generation Networks, Inc. (4.12%)	Information Services	Senior Debt Matures March 2012 Interest rate Prime + 4.50%	$ 16,500	16,500	16,500
The Generation Networks, Inc. (0.12%)		Preferred Stock		500	500
Total The Generation Networks, Inc.				17,000	17,000
Wallop Technologies, Inc. (0.06%)	Information Services	Senior Debt Matures March 2010 Interest rate 10.00%	$ 223	218	218
		Preferred Stock Warrants		7	9
Total Wallop Technologies, Inc.				225	226
Zeta Interactive Corporation (3.74%)(4)	Information Services	Senior Debt Matures November 2011 Interest rate Prime +2.00%	$ 15,000	6,828	6,828
		Senior Debt Matures November 2011 Interest rate Prime +3.00%		8,000	8,000
		Preferred Stock Warrants		172	171
Zeta Interactive Corporation (0.12%)		Preferred Stock		500	500
Total Zeta Interactive Corporation				15,500	15,499
Total Information Services (14.59%)				58,320	58,464
Novadaq Technologies, Inc. (0.32%)	Diagnostic	Common Stock		1,626	1,284
Total Novadaq Technologies, Inc.				1,626	1,284
Optiscan Biomedical, Corp. (0.08%)(4)	Diagnostic	Senior Debt Matures March 2008 Interest rate 15.00%	$ 271	263	263
		Preferred Stock Warrants		80	47
Optiscan Biomedical, Corp. (0.18%)		Preferred Stock		1,000	722
Total Optiscan Biomedical, Corp.				1,344	1,032
Total Diagnostic (0.58%)				2,969	2,316
Guava Technologies, Inc. (1.77%)(4)	Biotechnology Tools	Senior Debt Matures July 2009 Interest rate Prime + 3.25%	$ 4,076	4,790	4,790

	Convertible Debt			250	250
	Revolving Line of Credit Matures December 2007 Interest rate Prime + 2.00%	$	2,598	1,778	1,778
	Preferred Stock Warrants			105	200
	Preferred Stock Warrants			68	93
Total Guava Technologies, Inc.				6,992	7,111

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2007

(dollars in thousands)

Portfolio Company	Industry	Type of Investment(1)(6)	Principal Amount	Cost(2)	Value(3)
NuGEN Technologies, Inc. (0.53%)	Biotechnology Tools	Senior Debt Matures March 2010 Interest rate 11.70%	$ 1,884	1,819	1,819
		Preferred Stock Warrants		45	253
		Preferred Stock Warrants		33	32
NuGEN Technologies, Inc. (0.12%)		Preferred Stock		500	500
Total NuGEN Technologies, Inc.				2,396	2,603
Total Biotechnology Tools (2.42%)				9,388	9,714
Rubicon Technology Inc. (0.69%)(4)	Advanced Specialty Materials & Chemicals	Preferred Stock Warrants		82	2,764
Total Rubicon Technology Inc.				82	2,764
Total Advanced Specialty Materials & Chemicals (0.69%)				82	2,764
Crux Biomedical, Inc. (0.15%)	Surgical Devices	Senior Debt Matures December 2010 Interest rate Prime + 3.375%	$ 600	565	565
		Preferred Stock Warrants		37	36
Crux Biomedical, Inc. (0.06%)		Preferred Stock		250	250
Total Crux Biomedical, Inc.				851	851
Diomed Holdings, Inc. (1.49%)(4)	Surgical Devices	Senior Debt Matures July 2010 Interest rate Prime + 3.00%	$ 6,000	5,962	5,962
		Common Stock Warrants		43	8
Total Diomed Holdings, Inc.				6,005	5,970
Light Science Oncology, Inc. (2.50%)	Surgical Devices	Senior Debt Matures July 2011 Interest rate 11.20%	$ 10,000	9,605	9,605
		Preferred Stock Warrants		395	394
Total Light Science Oncology, Inc.				10,000	10,000
Total Surgical Devices (4.20%)				16,857	16,820

Waterfront Media Inc. (1.54%)(4)	Media/Content/ Info	Senior Debt Matures December 2010 Interest rate Prime + 3.00%	$ 3,941	3,898	3,898
		Revolving Line of Credit Matures March 2008 Interest rate Prime + 1.25%	$ 2,000	2,000	2,000
		Preferred Stock Warrants		60	294
Waterfront Media Inc. (0.25%)		Preferred Stock		1,000	1,000
Total Waterfront Media Inc.				6,958	7,193
Total Media/Content/Info (1.79%)				6,958	7,193
Total Investments (132.24%)				$ 519,450	$ 529,972

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2007

(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 appreciation for federal income tax purposes totaled $18,555, $8,033 and $10,522, respectively.

(3) Except for warrants in ten publicly traded companies and common stock in four publicly traded companies, all investments are restricted at December 31, 2007 and were valued at fair value as determined in good faith by the Board of Directors. No unrestricted securities of the same issuer are outstanding. The Company uses the Standard Industrial Code for classifying the industry grouping of its portfolio companies.

(4) Debt and warrant investments of this portfolio company have been pledged as collateral under the Credit Facility. Citigroup has an equity participation right on loans collateralized under the Credit Facility. The value of their participation right on unrealized gains in the related equity investments was approximately $690,000 at December 31, 2007 and is included in accrued liabilities and reduces the unrealized gain recognized by the Company at December 31, 2007.

(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. All other investments are less than 5% owned.

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2006

(dollars in thousands)

Portfolio Company	Industry	Type of Investment(1)	Principal Amount	Cost(2)	Value(3)
Acceleron Pharmaceuticals, Inc. (1.74%)*(4)	Biopharmaceuticals	Senior Debt			
		Matures June 2009 Interest rate 10.25%	$ 4,070	$ 3,988	$ 3,988
		Preferred Stock Warrants		69	417
		Preferred Stock Warrants		35	34
Acceleron Pharmaceuticals, Inc. (0.44%)		Preferred Stock		1,000	1,111
Total Acceleron Pharmaceuticals, Inc.				5,092	5,550
Aveo Pharmaceuticals, Inc. (5.88%)(4)	Biopharmaceuticals	Senior Debt			
		Matures September 2009			
		Interest rate 10.75%	$ 15,000	14,849	14,849
		Preferred Stock Warrants		144	115
		Preferred Stock Warrants		46	44
Total Aveo Pharmaceuticals, Inc.				15,039	15,008
Elixir Pharmaceuticals, Inc. (3.92%)	Biopharmaceuticals	Senior Debt			
		Matures June 2010			
		Interest rate Prime + 2.45%	$ 10,000	9,858	9,858
		Preferred Stock Warrants		75	73
		Preferred Stock Warrants		75	73
Total Elixir Pharmaceuticals, Inc.				10,007	10,004
EpiCept Corporation (3.84%)	Biopharmaceuticals	Senior Debt			
		Matures August 2009			
		Interest rate 11.70%	$ 10,000	9,313	9,313
		Common Stock Warrants		795	508
Total EpiCept Corporation				10,107	9,820
Guava Technologies, Inc. (2.26%)(4)	Biopharmaceuticals	Senior Debt			
		Matures July 2009 Interest rate Prime + 3.25%	$ 5,266	5,194	5,194
		Revolving Line of Credit			
		Matures December 2007			
		Interest rate Prime + 2.00%	$ 500	500	500
		Preferred Stock Warrants		105	84
Total Guava Technologies, Inc.				5,799	5,778
Labopharm USA, Inc. (2.58%)(4)(5)	Biopharmaceuticals	Senior Debt			
		Matures July 2008			
		Interest rate 11.95%	$ 6,675	6,599	6,599
Total Labopharm USA, Inc.				6,599	6,599
Merrimack Pharmaceuticals, Inc. (2.61%)(4)	Biopharmaceuticals	Convertible Senior Debt	$ 6,043	5,968	6,255
		Matures October 2008			

	Interest rate 11.15%		
	Preferred Stock Warrants	155	409
Total Merrimack Pharmaceuticals, Inc.		6,123	6,664

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2006

(dollars in thousands)

Portfolio Company	Industry	Type of Investment(1)	Principal Amount	Cost(2)	Value(3)
Paratek Pharmaceuticals, Inc. (2.62%)(4)	Biopharmaceuticals	Senior Debt			
		Matures June 2008			
		Interest rate 11.10%	$ 6,652	6,587	6,587
		Preferred Stock Warrants		137	111
Total Paratek Pharmaceuticals, Inc.				6,724	6,697
Portola Pharmaceuticals, Inc. (4.41%)	Biopharmaceuticals	Senior Debt			
		Matures September 2010			
		Interest rate Prime + 1.75%	$ 11,250	11,146	11,146
		Preferred Stock Warrants		114	107
Total Portola Pharmaceuticals, Inc.				11,259	11,253
Quatrx Pharmaceuticals Company (7.05%)(4)	Biopharmaceuticals	Senior Debt			
		Matures January 2010			
		Interest rate Prime + 3.00%	$ 18,000	17,835	17,835
		Preferred Stock Warrants		220	180
Total Quatrx Pharmaceuticals Company				18,055	18,014
Sirtris Pharmaceuticals, Inc. (3.91%)(4)	Biopharmaceuticals	Senior Debt			
		Matures April 2011			
		Interest rate 10.60%	$ 10,000	9,924	9,924
		Preferred Stock Warrants		89	71
Total Sirtris Pharmaceuticals, Inc.				10,013	9,995
TransOral Pharmaceuticals, Inc. (3.92%)(4)	Biopharmaceuticals	Senior Debt			
		Matures October 2009			
		Interest rate 10.69%	$ 10,000	9,922	9,922
		Preferred Stock Warrants		36	28
		Preferred Stock Warrants		51	51
Total TransOral Pharmaceuticals, Inc.				10,009	10,001
Total Biopharmaceuticals (45.18%)				114,827	115,384
Atrenta, Inc. (2.03%)(4)	Software	Senior Debt			
		Matures June 2009			
		Interest rate 11.50%	$ 5,000	4,929	4,929
		Preferred Stock Warrants		102	200
		Preferred Stock Warrants		34	66
Atrenta, Inc. (0.10%)		Preferred Stock		250	250

Total Atrenta, Inc.					5,315	5,445
Blurb, Inc. (0.10%)	Software	Senior Debt Matures December 2009 Interest rate 9.55%	$	250	237	237
		Preferred Stock Warrants			13	13
Total Blurb, Inc.					250	250
Compete, Inc. (1.52%)[(4)]	Software	Senior Debt Matures March 2009 Interest rate Prime + 3.50%	$	3,884	3,839	3,839
		Preferred Stock Warrants			62	49
Total Compete, Inc.					3,901	3,888

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CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2006

(dollars in thousands)

Portfolio Company	Industry	Type of Investment[1]	Principal Amount	Cost[2]	Value[3]
Forescout Technologies, Inc. (0.78%)	Software	Senior Debt			
		Matures August 2009			
		Interest rate 11.15%	$ 2,000	1,951	1,951
		Preferred Stock Warrants		56	51
Total Forescout Technologies, Inc.				2,006	2,001
GameLogic, Inc. (1.17%)[4]	Software	Senior Debt			
		Matures December 2009			
		Interest rate Prime + 4.125%	$ 3,000	2,957	2,957
		Preferred Stock Warrants		53	42
Total GameLogic, Inc.				3,010	2,999
Gomez, Inc. (0.48%)[4]	Software	Senior Debt			
		Matures December 2007			
		Interest rate 12.25%	$ 1,213	1,202	1,202
		Preferred Stock Warrants		35	19
Total Gomez, Inc.				1,237	1,221
HighRoads, Inc. (0.77%)[4]	Software	Senior Debt			
		Matures February 2009			
		Interest rate 11.65%	$ 1,955	1,924	1,924
		Preferred Stock Warrants		44	35
Total HighRoads, Inc.				1,968	1,959
Intelliden, Inc. (1.17%)	Software	Senior Debt			
		Matures February 2010			
		Interest rate 13.20%	$ 3,000	2,984	2,984
		Preferred Stock Warrants		18	17
Total Intelliden, Inc.				3,002	3,001
Inxight Software, Inc. (1.60%)[4]	Software	Senior Debt			
		Matures February 2008			
		Interest rate 10.00%	$ 4,074	4,051	4,051
		Preferred Stock Warrants		56	30
Total Inxight Software, Inc.				4,107	4,081
Oatsystems, Inc. (2.36%)[4]	Software	Senior Debt			
		Matures September 2009			
		Interest rate 11.00%	$ 6,000	5,973	5,973
		Preferred Stock Warrants		34	27

Total Oatsystems, Inc.					6,007	6,000
Proficiency, Inc. (1.43%)[(5)]	Software	Senior Debt Matures July 2008 Interest rate 12.00%	$	4,000	3,952	3,548
		Preferred Stock Warrants			96	116
Total Proficiency, Inc.					4,048	3,664

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CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2006

(dollars in thousands)

Portfolio Company	Industry	Type of Investment[1]	Principal Amount	Cost[2]	Value[3]
Savvion, Inc. (1.58%)[4]	Software	Senior Debt Matures March 2009 Interest rate Prime + 3.45%	$ 1,000	1,000	1,000
		Revolving Line of Credit Matures March 2007 Interest rate Prime + 2.00%	$ 3,000	2,991	2,991
		Preferred Stock Warrants		52	42
Total Savvion, Inc.				4,043	4,033
Sportvision, Inc. (0.01%)	Software	Preferred Stock Warrants		39	30
Total Sportvision, Inc.				39	30
Talisma Corp. (0.74%)[4]	Software	Subordinated Debt Matures December 2007 Interest rate 11.25%	$ 1,874	1,859	1,859
		Preferred Stock Warrants		49	25
Total Talisma Corp.				1,908	1,884
Total Software (15.84%)				40,842	40,457
BabyUniverse, Inc. (1.90%)[4]	Consumer & Business Products	Senior Debt Matures July 2009 Interest rate Prime + 2.35%	$ 5,000	4,729	4,729
		Common Stock Warrants		325	146
Total BabyUniverse, Inc.				5,054	4,875
Market Force Information, Inc. (0.70%)[4]	Consumer & Business Products	Senior Debt Matures May 2009 Interest rate 10.45%	$ 1,777	1,760	1,760
		Preferred Stock Warrants		24	19
Total Market Force Information, Inc.				1,783	1,779
Wageworks, Inc. (5.89%)[4]	Consumer & Business Products	Senior Debt Matures November 2008 Interest rate Prime + 4.00%	$ 14,036	13,904	13,904
		Preferred Stock Warrants		252	1,141
Wageworks, Inc. (0.10%)		Preferred Stock		250	250
Total Wageworks, Inc.				14,406	15,295

Total Consumer & Business Products (8.59%)				21,244	21,949
IKANO Communications, Inc. (0.03%)	Communications	Preferred Stock Warrants		45	33
	& Networking	Preferred Stock Warrants		72	56
Total IKANO Communications, Inc.				118	89
Interwise, Inc. (0.83%)(4)	Communications	Senior Debt			
	& Networking	Matures August 2008			
		Interest rate 17.50%	$ 2,095	1,870	1,870
		Preferred Stock Warrants		268	245
Total Interwise, Inc.				2,138	2,114

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CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2006

(dollars in thousands)

Portfolio Company	Industry	Type of Investment[1]	Principal Amount	Cost[2]	Value[3]
Pathfire, Inc. (1.84%)[4]	Communications & Networking	Senior Debt Matures December 2008 Interest rate Prime + 3.65%	$ 4,713	4,673	4,673
		Preferred Stock Warrants		63	17
Total Pathfire, Inc.				4,736	4,690
Ping Identity Corporation (1.05%)[4]	Communications & Networking	Senior Debt Matures June 2009 Interest rate 11.50%	$ 2,569	2,531	2,531
		Preferred Stock Warrants		52	161
Total Ping Identity Corporation				2,583	2,691
Rivulet Communications, Inc. (1.37%)[4]	Communications & Networking	Senior Debt Matures September 2009 Interest rate 10.60%	$ 3,500	3,460	3,460
		Preferred Stock Warrants		51	40
Rivulet Communications, Inc. (0.10%)		Preferred Stock		250	250
Total Rivulet Communications, Inc.				3,761	3,750
Simpler Networks Corp. (2.20%)[4]	Communications & Networking	Senior Debt Matures July 2009 Interest rate 11.75%	$ 5,000	4,887	4,887
		Preferred Stock Warrants		160	743
Simpler Networks Corp. (0.20%)		Preferred Stock		500	500
Total Simpler Networks Corp.				5,547	6,129
Total Communications & Networking (7.62%)				18,882	19,464
Adiana, Inc. (0.53%)[4]	Medical Devices & Equipment	Senior Debt Matures June 2008 Interest rate Prime + 6.00%	$ 1,347	1,313	1,313
		Preferred Stock Warrants		67	52
Adiana, Inc. (0.20%)		Preferred Stock		500	500
Total Adiana, Inc.				1,880	1,865
BARRX Medical, Inc. (0.59%)	Medical Devices & Equipment	Preferred Stock		1,500	1,500
Total BARRX Medical, Inc.				1,500	1,500

Gynesonics, Inc. (0.80%)	Medical Devices & Equipment	Senior Debt Matures October 2009 Interest rate 9.50%	$	2,000	1,986	1,986
		Preferred Stock Warrants			18	55
Total Gynesonics, Inc.					2,004	2,041
Novasys Medical, Inc. (3.13%)(4)	Medical Devices & Equipment	Senior Debt Matures January 2010 Interest rate 9.70%	$	8,000	8,000	8,000
Total Novasys Medical, Inc.					8,000	8,000

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2006

(dollars in thousands)

Portfolio Company	Industry	Type of Investment[1]	Principal Amount	Cost[2]	Value[3]
Optiscan Biomedical, Corp. (0.40%)[4]	Medical Devices & Equipment	Senior Debt Matures March 2008 Interest rate 15.00%	$ 1,006	967	967
		Preferred Stock Warrants		80	64
Optiscan Biomedical, Corp. (0.39%)		Preferred Stock		1,000	1,000
Total Optiscan Biomedical, Corp.				2,048	2,032
Power Medical Interventions, Inc. (0.01%)	Medical Devices & Equipment	Common Stock Warrants		21	30
Total Power Medical Interventions, Inc.				21	30
Xillix Technologies Corp. (1.53%)[4][5][6]	Medical Devices & Equipment	Senior Debt Matures December 2008 Interest rate 12.40%	$ 3,976	3,775	3,775
		Common Stock Warrants		313	122
Total Xillix Technologies Corp.				4,089	3,898
Total Medical Devices & Equipment (7.58%)				19,541	19,366
Hedgestreet, Inc. (1.67%)[4]	Internet Consumer & Business Services	Senior Debt Matures March 2009 Interest rate 11.30%	$ 4,264	4,227	4,227
		Preferred Stock Warrants		55	45
Total Hedgestreet, Inc.				4,282	4,272
Invoke Solutions, Inc. (0.97%)[4]	Internet Consumer & Business Services	Senior Debt Matures December 2008 Interest rate 11.25%	$ 2,467	2,439	2,439
		Preferred Stock Warrants		44	36
Total Invoke Solutions, Inc.				2,482	2,474
RazorGator Interactive Group, Inc. (1.25%)[4]	Internet Consumer & Business Services	Senior Debt Matures January 2008 Interest rate 9.95%	$ 2,638	2,633	2,633
		Preferred Stock Warrants		13	570
RazorGator Interactive Group, Inc. (0.67%)		Preferred Stock		1,000	1,708
Total RazorGator Interactive Group, Inc.				3,646	4,911

Total Internet Consumer & Business Services (4.56%)				10,410	11,657
Agami Systems, Inc. (2.75%)[4]	Electronics & Computer Hardware	Senior Debt Matures August 2009 Interest rate 11.00%	$ 7,000	6,924	6,924
		Preferred Stock Warrants		86	79
Total Agami Systems, Inc.				7,010	7,003

See notes to consolidated financial statements.

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2006

(dollars in thousands)

Portfolio Company	Industry	Type of Investment[1]	Principal Amount	Cost[2]	Value[3]
Cornice, Inc. (1.44%)[4]	Electronics & Computer Hardware	Senior Debt Matures November 2008 Interest rate Prime + 4.50%	$ 3,525	3,460	3,460
		Preferred Stock Warrants		102	80
		Preferred Stock Warrants		35	28
		Preferred Stock Warrants		135	107
Total Cornice, Inc.				3,732	3,674
Luminus Devices, Inc. (5.88%)[4]	Electronics & Computer Hardware	Senior Debt Matures August 2009 Interest rate 12.50%	$ 15,000	14,766	14,766
		Preferred Stock Warrants		183	161
		Preferred Stock Warrants		84	83
Total Luminus Devices, Inc.				15,032	15,010
NeoScale Systems, Inc. (1.17%)[4]	Electronics & Computer Hardware	Senior Debt Matures October 2009 Interest rate 10.75%	$ 3,000	2,978	2,978
		Preferred Stock Warrants		24	23
Total NeoScale Systems, Inc.				3,002	3,001
Sling Media, Inc. (0.56%)	Electronics & Computer Hardware	Preferred Stock Warrants		39	937
		Preferred Stock		500	500
Total Sling Media, Inc.				539	1,437
ViDeOnline Communications, Inc. (0.18%)[4]	Electronics & Computer Hardware	Senior Debt Matures May 2009 Interest rate 15.00%	$ 461	461	461
		Preferred Stock Warrants			
Total ViDeOnline Communications, Inc.				461	461
Total Electronics & Computer Hardware (11.98%)				29,776	30,586
Ageia Technologies, Inc. (2.76%)[4]	Semiconductors	Senior Debt Matures August 2008 Interest rate 10.25%	$ 7,028	6,975	6,975
		Preferred Stock Warrants		99	74
Ageia Technologies, Inc. (0.20%)		Preferred Stock		500	500

Total Ageia Technologies			7,575	7,549
Cradle Technologies (0.02%)	Semiconductors	Preferred Stock Warrants	79	64
Total Cradle Technologies			79	64

See notes to consolidated financial statements.

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2006

(dollars in thousands)

Portfolio Company	Industry	Type of Investment[1]	Principal Amount	Cost[2]	Value[3]
iWatt Inc. (1.27%)[4]	Semiconductors	Senior Debt Matures September 2009 Interest rate Prime + 2.75%	$ 2,000	1,960	1,960
		Revolving Line of Credit Matures September 2007 Interest rate Prime + 1.75%	$ 1,250	1,250	1,250
		Preferred Stock Warrants		46	41
Total iWatt Inc.				3,255	3,251
NEXX Systems, Inc. (1.96%)[4]	Semiconductors	Senior Debt Matures February 2010 Interest rate Prime + 2.75%	$ 4,000	3,919	3,919
		Revolving Line of Credit Matures December 2009 Interest rate Prime + 1.75%	$ 1,000	1,000	1,000
		Preferred Stock Warrants		83	84
Total NEXX Systems, Inc.				5,002	5,003
Total Semiconductors (6.21%)				15,911	15,867
Lilliputian Systems, Inc. (3.33%)[4]	Energy	Senior Debt Matures March 2010 Interest rate 9.75%	$ 8,500	8,463	8,463
		Preferred Stock Warrants		48	40
Total Lilliputian Systems, Inc.				8,512	8,503
Total Energy (3.33%)				8,512	8,503
Total Investments (110.89%)				$ 279,946	$ 283,234

* 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 appreciation totaled $4,919,518, $1,632,232 and $3,287,286, respectively.

(3) Except for warrants in three publicly traded companies, all investments are restricted at December 31, 2006 and were valued at fair value as determined in good faith by the Board of Directors. No unrestricted securities of the same issuer are outstanding. The Company uses the Standard Industrial Code for classifying the industry grouping of its portfolio companies.

(4) Debt and warrant investments of this portfolio company have been pledged as collateral under the Citigroup Facility. Citigroup has an equity participation right on loans collateralized under the Citigroup Facility. The value of their participation right on unrealized gains in the related equity investments was

approximately $377,000 at December 31, 2006 and is included in accrued liabilities and reduces the unrealized gain recognized by the Company at December 31, 2006.

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

(6) Debt is on non-accrual status at December 31, 2006, and is therefore considered non-income producing.

(7) All investments are less than 5% owned.

See notes to consolidated financial statements.

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)

	For the Years Ended December 31, 2007	2006	2005
Investment income:			
Interest	$ 48,757	$ 26,278	$ 9,791
Fees	5,127	3,230	876
Total investment income	53,884	29,508	10,667
Operating expenses:			
Interest	4,404	5,770	1,801
Loan fees	1,290	810	1,098
General and administrative	5,437	5,409	2,285
Employee Compensation:			
Compensation and benefits	9,135	5,779	3,706
Stock-based compensation	1,127	617	252
Total employee compensation	10,262	6,396	3,958
Total operating expenses	21,393	18,385	9,142
Net investment income before provision for income taxes and investment gains and losses	32,491	11,123	1,525
Provision for income taxes	2	643	255
Net investment income	32,489	10,480	1,270
Net realized gains (losses) on investments	2,791	(1,604)	482
Provision for excise tax	(139)		
Net increase in unrealized appreciation on investments	7,268	2,508	353
Net realized and unrealized gain	9,920	904	835
Net increase in net assets resulting from operations	$ 42,409	$ 11,384	$ 2,105
Net investment income before provision for income taxes and investment gains and losses per common share:			
Basic	$ 1.15	$ 0.83	$ 0.22
Diluted	$ 1.14	$ 0.82	$ 0.22
Change in net assets per common share:			
Basic	$ 1.50	$ 0.85	$ 0.30
Diluted	$ 1.49	$ 0.84	$ 0.30
Weighted average shares outstanding			
Basic	28,295	13,352	6,939

Diluted	28,387	13,527	7,016

See notes to consolidated financial statements.

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

(in thousands)

	Common Stock Shares	Common Stock Par Value	Capital in Excess of par value	Deferred Stock Compensation	Net Unrealized Appreciation on Investments	Net Accumulated Realized Gains (Losses) on Investments	Net Distributions in Excess of Investment Income	Provision for Income Taxes Investment Gains	Net Assets
Balance at January 1, 2005	2,059	2	$ 27,118	$	$	$	$ (2,042)	$	$ 25,078
Net increase in net assets resulting from operations					353	482	1,270		2,105
Issuance of common stock, net of offering costs	268		3,870						3,870
Issuance of stock in lieu of 5 year warrants	299								0
Issuance of stock on exercise of 1 year warrants	1,176	2	12,429						12,431
Issuance of common stock in IPO, net of offering costs	6,000	6	70,856						70,862
Dividends declared							(245)		(245)
Stock-based compensation			252						252
Balance at December 31, 2005	9,802	10	114,525		353	482	(1,017)		114,353
Net increase in net assets resulting from operations					2,508	(1,604)	10,480		11,384
Issuance of common stock	456	1	5,288						5,289
Issuance of common stock in Rights Offering, net of offering costs	3,412	3	33,826						33,829
Issuance of common shares in Public Offerings, net of offering costs	8,200	8	104,171						104,179
Issuance of common stock under dividend reinvestment plan	57		723						723
Dividends declared			(1,719)				(13,243)		(14,962)
Conversion to a regulated investment company and other tax items			(197)			(850)	1,047		
Stock-based compensation			618						618
Balance at December 31, 2006	21,927	22	257,235		2,861	(1,972)	(2,732)		255,413
Net increase in net assets resulting from operations					7,268	2,791	32,489	(139)	42,409
Issuance of common stock	26		371						371
Issuance of common stock in public offerings, net of offering costs	10,040	11	128,331						128,342
Issuance of common stock from warrant exercises	291		3,071						3,071
Issuance of common stock under dividend reinvestment plan	250		3,304						3,304

Issuance of common stock under restricted stock plan	7		91	(91)					
Dividends declared							(33,313)		(33,313)
Stock-based compensation			1,127	12					1,140
Balance at December 31, 2007	32,541	$ 33	$ 393,530	$ (79)	$ 10,129	$ 819	$ (3,556)	$ (139)	$ 400,737

See notes to consolidated financial statements.

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	For the Years Ended December 31, 2007	2006	2005
Cash flows from operating activities:			
Net increase in net assets resulting from operations	$ 42,409	$ 11,384	$ 2,105
Adjustments to reconcile net increase in net assets resulting from operations to net cash used in operating activities:			
Purchase of investments	(368,118)	(195,988)	(177,834)
Principal payments received on investments	128,683	87,539	18,823
Proceeds from sale of investments	5,966	4,588	531
Net unrealized appreciation on investments	(7,268)	(2,508)	(353)
Net unrealized appreciation (depreciation) on investments due to lender	(82)	34	(342)
Net realized (gains) losses on investments	(2,791)	1,604	(482)
Accretion of paid-in-kind principal	(321)		
Accretion of loan discounts	(2,115)	(1,795)	(359)
Accretion of loan exit fees	(974)	(597)	(351)
Depreciation	204	65	24
Stock-based compensation	1,127	618	252
Amortization of restricted stock	13		
Common stock issued in lieu of Director compensation	371	289	
Amortization of deferred loan origination revenue	(3,016)	(2,356)	(790)
Change in operating assets and liabilities:			
Interest receivable	(2,506)	(830)	(1,048)
Prepaid expenses and other assets	(421)	806	(1,290)
Income tax receivable	34	(34)	
Deferred tax asset		1,454	(1,454)
Accounts payable	(360)	390	148
Income tax payable	139	(1,709)	1,709
Accrued liabilities	1,758	2,718	1,284
Deferred loan origination revenue	6,158	3,077	3,277
Net cash used in operating activities	(201,110)	(91,251)	(156,150)
Cash flows from investing activities:			
Purchases of capital equipment	(181)	(817)	(66)
Other long-term assets	215	(660)	(18)
Net cash provided by (used in) investing activities	34	(1,477)	(84)
Cash flows from financing activities:			
Proceeds from issuance of common stock, net	131,413	143,009	87,163
Dividends paid	(30,009)	(14,239)	(245)
Borrowings of credit facilities	246,550	50,000	76,000
Repayments of credit facilities	(153,300)	(85,000)	
Fees paid for credit facilities and debentures	(2,126)		
Net cash provided by financing activities	192,528	93,770	162,918
Net increase (decrease) in cash	(8,548)	1,042	6,684
Cash and cash equivalents at beginning of period	16,404	15,362	8,678

Cash and cash equivalents at end of period	$ 7,856	$ 16,404	$ 15,362
Supplemental Disclosure:			
Interest paid	$ 2,812	$ 5,661	$ 1,704
Income taxes paid	2	933	
Stock issued under dividend reinvestment plan	3,304	723	
Restricted stock issued to Board of Directors	91		

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 and life-science companies at all stages of development from seed and emerging growth to expansion and established stages of development, including expanding into select publicly listed companies and lower middle market companies. The Company sources its investments through its principal office located in Silicon Valley, as well as through its additional offices in the Boston, Massachusetts, Boulder, Colorado, Chicago, Illinois, San Diego, California and Columbus, Ohio areas. 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 4).

The Company formed Hercules Technology II, L.P. (HT II), which was licensed on September 27, 2006, to operate as a Small Business Investment Company (SBIC) under the authority of the Small Business Administration (SBA). As an SBIC, the Fund is subject to a variety of regulations concerning, among other things, the size and nature of the companies in which it may invest and the structure of those investments. The Company also formed Hercules Technology SBIC Management, LLC (HTM), a limited liability company. HTM is a wholly-owned subsidiary of the Company. The Company is the sole limited partner of HT II and HTM is the general partner (see Note 3).

In December 2006, the Company established Hydra Management LLC and Hydra Management Co. Inc., a general partner and investment management group, respectively, should it determine in the future to pursue a relationship with an externally managed fund. These entities are currently inactive.

The consolidated financial statements include the accounts of the Company and its subsidiaries. All inter-company accounts and transactions have been eliminated in consolidation. In accordance with Article 6 of Regulation S-X under 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

All investments are recorded at fair value with any changes in fair value recognized in the statement of consolidated operations as net increase (decrease) in unrealized appreciation. Value is defined in Section 2(a)(41) of the 1940 Act, as (i) the market price for those securities for which a market quotation is readily available and

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(ii) for all other securities and assets, fair value is as determined in good faith by the Board of Directors. Because the Company invests primarily in structured mezzanine debt investments (debt) and equity growth capital (equity) of privately-held technology-related and life-science companies backed by leading venture capital and private equity firms, the Company values substantially all of its investments at fair value, as determined in good faith by the Board of Directors in accordance with established valuation policies and consistently applied procedures and the recommendations of the Valuation Committee of the Board of Directors. At December 31, 2007, approximately 98% of the Company s total assets represented investments in portfolio companies of which greater than 99% are valued at fair value by the Board of Directors.

Estimating fair value requires that judgment be applied to the specific facts and circumstances of each portfolio investment. Fair value is the amount for which an investment could be exchanged in an orderly disposition over a reasonable period of time between willing parties other than in a forced or liquidation sale. Due to the inherent uncertainty in the valuation of debt and equity investments that do not have a readily available market value, the fair value established in good faith by the Board of Directors may differ significantly from the values that would have been used had a ready market for the securities existed, and the differences could be material. In addition, changes in the market environment and other events that may occur over the life of the investments may cause the gains or losses ultimately realized on these investments to be different than the valuations currently assigned.

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

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

An unrealized loss is recorded when an investment has decreased in value, including: where collection of a loan is doubtful, there is an adverse change in the underlying collateral or operational performance, there is a change in the borrower s ability to pay, or there are other factors that lead to a determination of a lower valuation for the debt or equity security. Conversely, unrealized appreciation is recorded when the investment has appreciated in value. Securities that are traded in the over the counter markets or on a stock exchange will be valued at the prevailing bid price at period end. The Board of Directors estimates the fair value of warrants and other equity-related securities in good faith using a Black-Scholes pricing model and consideration of the issuer s earnings, sales to third parties of similar securities, the comparison to publicly traded securities, and other factors.

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

HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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, 2006, all of the Company s investments were in Non-Control/Non-Affiliate companies.

At December 31, 2007, the Company had investments in two portfolio companies deemed to be Affiliates. One investment is a non income producing equity investment and one portfolio company became an Affiliate on December 17, 2007 upon a restructure of the company. Income derived from these investments was less than $8,000 since these investments became Affiliates. At December 31, 2006, none of the Company s investments were deemed to be Affiliates. No realized gains or losses related to Affiliates were recognized during the years end December 31, 2007, 2006 or 2005.

Security transactions are recorded on the trade-date basis.

Income Recognition

Interest income is recorded on the accrual basis to the extent it is expected to be collected, and is recognized as earned in accordance with the contractual terms of the loan agreement to the extent that such amounts are expected to be collected. Original Issue Discount (OID), initially represents the 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 has been paid. However, Hercules may make exceptions to this policy if the investment has sufficient collateral value and is in the process of collection. There were no loans on non-accrual status as of December 31, 2007, and as of December 31, 2006, the Company had one loan on non-accrual status with a fair value of approximately $3.8 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 year ended December 31, 2007, the Company recognized approximately $381,000 in PIK income. There was no PIK income recorded in prior periods.

Loan origination and commitment fees received in full at the inception of a loan are deferred and amortized into fee income as an enhancement to the related loan s yield over the contractual life of the loan. Loan exit fees to be paid at the termination of the loan are accreted into fee income over the contractual life of the loan. These fees are reflected as adjustments to the loan yield in accordance with Statement of Financial Standards No. 91, *Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring loans and Initial Direct Costs of Leases* (FAS 91). The Company had approximately $6.6 million and $3.5 million of unamortized fees at December 31, 2007 and 2006, respectively, and approximately $2.0 million and $1.0 million in exit fees receivable at December 31, 2007 and 2006, respectively.

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 2007, 2006 or 2005.

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 or accrued liabilities in the case of back end fees, and are amortized into the consolidated statement of operations as loan fees over the term of the related debt instrument. As part of the Credit Facility, at December 31, 2007 and 2006, the Company had prepaid debt financing costs of approximately $280,000 and $187,000, net of accumulated amortization. In addition, as part of the SBA debenture, the Company had approximately $2.5 million, net of accumulated amortization, of prepaid commitment and leverage fees as of December 31, 2007. There were no fees related to the SBA debenture as of December 31, 2006.

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 follows Statement of Financial Accounting Standards No. 123 (revised 2004), *Share-Based Payment* (FAS 123R), to account for stock options granted. Under FAS 123R, 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 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

Basic earnings per share is computed by dividing net income applicable to common stockholders by the weighted average number of shares of common stock outstanding for the period. Diluted earnings per share is computed by dividing such net income by the sum of weighted average number of shares outstanding for the period and the dilutive effect of potential shares that could occur upon exercise of warrants and common stock options.

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 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.

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

We have distributed and currently intend to distribute sufficient dividends to eliminate taxable income. We are subject to a nondeductible federal excise tax if we do not distribute at least 98% of our investment company taxable income in any calendar year and 98% of our capital gain net income for each one year period ending on October 31. At December 31, 2007, we recorded a provision for excise tax of approximately $139,000 on income and capital gains of approximately $4.3 million to be distributed in 2008. 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 whom 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 2007 and 2006, the Company issued approximately 250,000 and 57,000 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 sectors of technology-related and life-science sectors. The Company separately evaluates the performance of each of its lending and investment relationships. However, because each of these 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 June 2006, the FASB issued FASB Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109*, which clarifies the accounting for uncertainty in income taxes recognized in an enterprise s financial statements in accordance with FASB Statement No. 109, Accounting for Income Taxes. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. We adopted the provisions of FIN 48 on January 1, 2007. The implementation of FIN 48 did not result in any unrecognized tax benefits in the accompanying financial statements.

In September 2006, the FASB issued Statement on Financial Accounting Standards No. 157, *Fair Value Measurements* (FAS 157). This standard clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value and requires additional disclosures about the use of fair value measurements. FAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. As of December 31, 2007, the Company is evaluating the impact of FAS 157 on its financial position and results of operations but does not believe the adoption of FAS

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

157 will impact the amounts reported in the financial statements. However, additional disclosures will be required about the inputs used to develop the measurements of fair value and the effect of certain of the measurements reported in the statement of operations for a fiscal period.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (FAS 159). Among other requirements, FAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value. FAS 159 is effective for the first fiscal year that begins after November 15, 2007. The Company is currently evaluating the impact of FAS 159 on its financial position and results of operations.

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.

A summary of the composition of the Company s investment portfolio as of December 31, 2007 and 2006 at fair value is shown as follows:

	December 31, 2007		**December 31, 2006**	
(in thousands)	**Investments at Fair Value**	**Percentage of Total Portfolio**	**Investments at Fair Value**	**Percentage of Total Portfolio**
Senior secured debt with warrants	$ 429,760	81.1%	$ 273,280	96.5%
Senior secured debt	61,483	11.6%		
Preferred stock	23,265	4.4%	8,069	2.8%
Senior debt-second lien with warrants	12,078	2.3%		0.0%
Common Stock	2,938	0.5%		0.0%
Subordinated debt with warrants	448	0.1%	1,885	0.7%
	$ 529,972	100.0%	$ 283,234	100.0%

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

	December 31, 2007		**December 31, 2006**	
(in thousands)	**Investments at Fair Value**	**Percentage of Total Portfolio**	**Investments at Fair Value**	**Percentage of Total Portfolio**

United States	$ 512,724	96.8%	$ 269,073	95.0%
Canada	15,001	2.8%	10,497	3.7%
Israel	2,247	0.4%	3,664	1.3%
	$ 529,972	100.0%	$ 283,234	100.0%

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table shows the fair value of our portfolio by industry sector as of December 31, 2007 and 2006 (excluding unearned income):

(in thousands)	December 31, 2007 Investments at Fair Value	December 31, 2007 Percentage of Total Portfolio	December 31, 2006 Investments at Fair Value	December 31, 2006 Percentage of Total Portfolio
Drug discovery	$ 95,924	18.0%	$ 74,993	26.5%
Communications & networking	114,014	21.5%	19,464	6.9%
Software	38,963	7.4%	40,457	14.3%
Specialty pharmaceuticals	45,646	8.6%	18,014	6.4%
Electronics & computer hardware	50,953	9.6%	30,586	10.8%
Semiconductors	25,501	4.8%	15,867	5.6%
Information services	58,464	11.0%		0.0%
Therapeutic	12,853	2.4%	13,437	4.7%
Internet consumer & business services	16,918	3.2%	11,657	4.1%
Drug delivery	22,725	4.3%	16,600	5.9%
Consumer & business products	2,817	0.5%	21,949	7.7%
Biotechnology tools	9,714	1.8%	5,778	2.0%
Energy	7,016	1.3%	8,503	3.0%
Media/Content/Info	7,193	1.4%		0.0%
Surgical Devices	16,821	3.2%		0.0%
Advanced Specialty Materials & Chemicals	2,764	0.5%		0.0%
Diagnostic	2,316	0.5%	5,929	2.1%
	$ 529,972	100.0%	$ 283,234	100.0%

During the periods ended December 31, 2007 and 2006, the Company made investments in debt securities totaling $355.5 million and $193.0 million, respectively, and made investments in equity securities of approximately $12.6 million and $3.0 million, respectively. In addition, during the period ended December 31, 2007, the Company converted approximately $4.8 million of debt to equity in two portfolio companies. The Company exercised an equity participation right with one portfolio company and converted $1.0 million of debt to equity during the period ended December 31, 2006. No single portfolio investment represents more than 10% of the fair value of the investments as of December 31, 2007 and 2006.

3. Borrowings

The Company, through Hercules Funding Trust I, an affiliated statutory trust, executed a securitized credit facility (the Credit Facility) with Citigroup Global Markets Realty Corp. (Citigroup). On December 6, 2006, the Company amended the Credit Facility with an agreement that increased the borrowing capacity under the facility to $150.0 million. On March 30, 2007, this increase was extended to July 31, 2007, and the interest on all borrowings was reduced to LIBOR plus a spread of 1.20%. On May 2, 2007, the Company amended the Credit Facility to extend the expiration date to May 1, 2008, increased the borrowing capacity under the facility to $250.0 million and included Deutsche Bank Securities Inc. as a participant in the Credit Facility along with Citigroup Markets Realty Corp. The credit facility is a one year facility and is renewable on May 1, 2008 with an interest rate of LIBOR plus a spread of 1.20%. The Company paid a structuring fee of $375,000 which will be expensed ratably through maturity. At December 31, 2007, the Company had $79.2 million outstanding under the Credit Facility.

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Credit Facility is collateralized by loans from the Company s portfolio companies, and includes an advance rate of approximately 55% of eligible loans. The Credit Facility contains covenants that, among other things, require the Company to maintain a minimum net worth and to restrict the loans securing the Credit Facility to certain dollar amounts, to concentrations in certain geographic regions and industries, to certain loan grade classifications, to certain security interests, and to certain interest payment terms. Citigroup has an equity participation right through a warrant participation agreement on the pool of loans and warrants collateralized under the Credit Facility. Pursuant to the warrant participation agreement, the Company granted to Citigroup a 10% participation in all warrants held as collateral. However, no additional warrants are 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 equals $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. During the year ended December 31, 2007, the Company recorded an additional liability and reduced its unrealized gains by approximately $609,000 to account for Citigroup s participation in unrealized gains in the warrant portfolio. The value of their participation right on unrealized gains in the related equity investments since inception of the agreement was approximately $690,000 at December 31, 2007 and is included in accrued liabilities and reduces the unrealized gain recognized by the Company at December 31, 2007. Since inception of the agreement, the Company has paid Citigroup approximately $680,000 under the warrant participation agreement, thereby reducing its realized gains by that amount.

At December 31, 2007, the Company, through its special purpose entity (SPE), had transferred pools of loans and warrants with a fair value of approximately $242.8 million to Hercules Funding Trust I and had drawn $79.2 million under the Credit Facility. Transfers of loans have not met the requirements of Statement of Financial Accounting Standards (SFAS) No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, for sales treatment and are, therefore, treated as secured borrowings, with the transferred loans remaining in investments and the related liability recorded in borrowings. The average debt outstanding under the Credit Facility for the year ended December 31, 2007 was approximately $52.1 million and the average interest rate was approximately 6.56%.

In January 2005, the Company formed HT II and HTM. HT II is licensed as a SBIC. HT II borrows funds from the SBA against eligible investments and additional deposits to regulatory capital. Under the Small Business Investment 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, 2007, the maximum statutory limit on the dollar amount of outstanding SBA guaranteed debentures issued by a single SBIC is $127.2 million, subject to periodic adjustments by the SBA. With $63.6 million of Regulatory Capital as of December 31, 2007, HT II has the current capacity to issue up to a total of $127.2 million of SBA guaranteed debentures, subject to the payment of a 1% commitment fee to the SBA on the amount of the commitment. Currently, HT II has paid commitment fees of approximately $1.3 million and has a commitment from the SBA to issue a total of $127.2 million of SBA guaranteed debentures, of which approximately $55.1 million was outstanding as of December 31, 2007. There is no assurance that HT II will 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 20.0% 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

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 our wholly-owned subsidiary HT II, the Company plans to provide long-term loans to qualifying small businesses, and in connection therewith, make equity investments. HT II is periodically examined and audited by the SBA s staff to determine its compliance with SBIC regulations. As of December 31, 2007, HT II could draw up to $127.2 million of leverage from the SBA. Borrowings under the program are charged interest based on ten year treasury rates plus a spread and the rates are generally set for a pool of debentures issued by the SBA in six month periods. The rate for the $12 million of borrowings originated from March 13, 2007 to September 10, 2007 was set by the SBA as announced on September 26, 2007 at 5.528%. The rate for the $43.1 million borrowings made after September 10, 2007 through March 13, 2008 are based on LIBOR plus a spread of 0.30% until the next interest rate set by the SBA occurs at its semi-annual meeting. In addition, the SBA charges an annual 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 2007 annual fee is set at 0.906%. Interest payments are payable semi-annually and there are no principal payments required on these issues prior to maturity. Debentures under the SBA generally mature ten years after being borrowed.

The Company plans to aggregate pools of funded loans using the Citigroup Facility or other conduits that it may seek until a sufficiently large pool of unfunded loans is created which can then be securitized at a later date. The Company expects that any loans included in a securitization facility will be securitized on a non-recourse basis with respect to the credit losses on the loans. There can be no assurance that the Company will be able to complete this securitization strategy, or that it will be successful.

At December 31, 2007 and December 31, 2006, the Company had the following borrowing capacity and outstandings:

	December 31, 2007		**December 31, 2006**	
($ in thousands)	**Facility Amount**	**Amount Outstanding**	**Facility Amount**	**Amount Outstanding**
Credit Facility	$ 250,000	$ 79,200	$ 150,000	$ 41,000
SBA Debenture	127,200	55,050		
Total	$ 377,200	$ 134,250	$ 150,000	$ 41,000

4. Income Taxes

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, 2007 and 2006, the Company reclassified for book purposes

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

amounts arising from permanent book/tax differences primarily related to accelerated revenue recognition for income tax purposes and return of capital distributions, respectively, as follows:

(in thousands)	2007	2006
Distributions in excess of investment income	$ (642)	$ 2,767
Accumulated realized gains (losses)	1,463	(850)
Additional paid-in capital	(821)	(1,917)

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, 2007 and 2006 was as follows:

(in thousands)	2007	2006
Ordinary Income[(a)]	$ 33,313	$ 13,243
Capital gains		
Return of capital		1,719
Total reported on tax Form 1099-DIV	$ 33,313	$ 14,962

(a) Ordinary income is reported on form 1099-DIV as non-qualified.

For federal income tax purposes, the cost of investments owned at December 31, 2007 and 2006 were approximately $532.1 million and $283.0 million, respectively.

At December 31, 2007 and 2006, the components of distributable earnings on a tax basis detailed below differ from the amounts reflected in the Company s Statement of Assets and Liabilities by temporary book/tax differences primarily arising from the treatment of loan related yield enhancements.

(in thousands)	2007	2006
Accumulated Capital Gains (Losses)	$ 3,258	$ (89)
Other Temporary Difference	(2,988)	(1,593)
Undistributed Ordinary Income	915	
Unrealized Appreciation (Depreciation)	4,857	(161)
Components of Distributable Earnings	$ 6,042	$ (1,843)

At December 31, 2005, the Company had a deferred tax asset of approximately $1.5 million which was adjusted through operations during the first quarter of 2006. Upon the determination that Hercules would qualify as a regulated investment company, any remaining deferred tax asset was reversed. The Company elected to recognize all of its net built-in gains at the time of the conversion to a RIC and paid tax on the built-in gain with the filing of its 2005 tax return. In making this election, the portfolio was marked to market at the time of the RIC election and the Company paid approximately $294,000 in Federal and State tax on the resulting taxable gain. In addition, upon completion of the 2005 tax returns, the Company recorded an additional tax benefit of approximately $345,000.

HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years prior to January 1, 2006, the benefit from (provision for) taxes on earnings was as follows:

(in thousands)	**2005**
Federal:	
Current	$ 1,365
Deferred	(1,266)
	99
State:	
Current	344
Deferred	(188)
	156
Foreign withholding tax	
Total benefit from (provision for) income taxes	$ 255

For the year ended December 31, 2005, a reconciliation of the statutory U.S. federal income tax rate to the Company s effective rate is as follows:

	2005
Tax at federal statutory rate	35.0%
State, net of federal benefit	5.7
Other Items	3.4
Change in valuation allowance	(33.3)
Total	10.8%

As of December 31, 2005, the Company had no net operating loss carryforwards.

5. 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 January 2005, the Company notified its shareholders of its intent to elect to be regulated as a BDC. In conjunction with the Company s decision to elect to be regulated as a BDC, approximately 55% of the 5 Year Warrants were subject to mandatory cancellation under the terms of the Warrant Agreement with the warrant holder receiving one share of common stock for every two warrants cancelled and the exercise price of all warrants was adjusted to the then current net asset value of the common stock, subject to certain adjustments described in the Warrant Agreement. In addition, the 1 Year Warrants became subject to expiration immediately prior to the Company s election to become a BDC, unless exercised. Concurrent with the announcement of the BDC election, the Company reduced the exercise price of all remaining 1 and 5 Year Warrants from $15.00 to $10.57. On February 22, 2005, the Company cancelled 47% of all outstanding 5 Year Warrants and issued 298,598 shares of common stock to holders of warrants upon exercise. In addition, the majority of shareholders owning 1 Year Warrants exercised them, and purchased 1,175,963 of common shares at $10.57 per share, for total consideration to the Company of $12,429,920. All unexercised 1 Year Warrants were then cancelled. The outstanding 5 Year Warrants will expire in June 2009.

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

A summary of activity in the 1 Year and 5 Year Warrants initially attached to units issued for each of the three periods ended December 31, 2007 is as follows:

	One-Year Warrants	Five-Year Warrants
Outstanding at January 1, 2005	1,029,635	1,029,635
Warrants issued	134,067	134,067
Warrants cancelled	(83,334)	(547,030)
Warrants exercised	(1,080,368)	
Outstanding at December 31, 2005		616,672
Warrants issued		
Warrants cancelled		
Warrants exercised		
Outstanding at December 31, 2006		616,672
Warrants issued		
Warrants cancelled		
Warrants exercised		(244,735)
Outstanding at December 31, 2007		371,937

The Company received net proceeds of approximately $3.1 million from the exercise of the 5-Year Warrants in the period ended December 31, 2007.

On March 7, 2006, the Company issued 432,900 shares of common stock for approximately $5.0 million in a private placement. The shares of common stock are subject to a registration rights agreement between the Company and the purchasers. The shares were registered pursuant to a registration statement that was declared effective on June 7, 2006.

During 2007 and 2006, the Board of Directors elected to receive approximately $371,000 and $288,000, respectively, of their compensation in the form of common stock and the Company issued 28,335 and 23,334 shares, respectively to the directors based on the closing prices of the common stock on the specified election dates.

On April 21, 2006, the Company raised approximately $33.8 million, net of issuance costs, from a rights offering of 3,411,992 shares of its common stock. The shares were sold at $10.55 per share which was equivalent to 95% of the volume weighted average price of shares traded during the ten days immediately prior to the expiration date of the offering.

On October 20, 2006, the Company raised approximately $30.0 million, net of issuance costs, in a public offering of 2.5 million shares of its common stock.

On December 12, 2006, the Company raised approximately $74.1 million, net of issuance costs, in a public offering of 5.7 million shares of its common stock.

On January 3, 2007, in connection with the December 12, 2006 common stock issuance, the underwriters exercised their overallotment option and purchased an additional 840,000 shares of common stock for additional net proceeds of approximately $10.9 million.

On June 4, 2007, the Company raised approximately $102.2 million, net of issuance costs, in a public offering of 8.0 million shares of its common stock. On June 19, 2007, in connection with the same common stock

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

issuance, the underwriters exercised their over-allotment option and purchased an additional 1.2 million shares of common stock for additional net proceeds of approximately $15.4 million.

Common stock subject to future issuance is as follows:

	2007	2006
Stock options and warrants	2,911,205	1,937,564
Warrants issued in June 2004	371,937	616,672
Common stock reserved	3,283,142	2,554,236

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

In conjunction with the amendment and in accordance with the exemptive order, on June 21, 2007 the Company made an automatic grant of shares of restricted common stock to Messrs. Badavas, Chow and Woodward, its independent Board of Directors, in the amounts of 1,667, 1,667 and 3,334 shares, respectively. The shares were issued pursuant to the 2006 Plan on July 31, 2007 and vest 33% on an annual basis from the date of grant. Deferred compensation cost of approximately $91,000 will be recognized ratably over the three year vesting period. As of December 31, 2007, no restricted stock has been granted pursuant to the 2004 Plan.

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In 2004, each employee stock option to purchase two shares of common stock was accompanied by a warrant to purchase one share of common stock within one year and a warrant to purchase one share of common stock within five years. Both options and warrants had an exercise price of $15.00 per share on date of grant. On January 14, 2005, the Company notified all shareholders of its intent to elect to be regulated as a BDC and reduced the exercise price of all remaining 1 and 5 Year Warrants from $15.00 to $10.57 but did not reduce the strike price of the options (see Note 5). The unexercised one-year warrants expired and 55% of the five-year warrants were cancelled immediately prior to the Company s election to become a BDC.

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, 2007 is as follows:

	Common Stock Options	One-Year Warrants	Five-Year Warrants
Outstanding at January 1, 2005	273,436	106,718	106,718
Granted	1,270,000		
Exercised		(95,595)	
Cancelled	(206,000)	(11,123)	(50,167)
Outstanding at December 31, 2005	1,337,436		56,551
Granted	663,500		
Exercised			
Cancelled	(119,923)		
Outstanding at December 31, 2006	1,881,013		56,551
Granted	1,151,000		
Exercised			(45,859)
Cancelled	(111,500)		
Outstanding at December 31, 2007	2,920,513		10,692
Weighted-average exercise price at December 31, 2007	$ 13.02	$	$ 10.57

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, 2007, options for approximately 1.4 million shares were exercisable at a weighted average exercise price of approximately $13.02 per share with a weighted average exercise term of 4.5 years. The outstanding five year warrants have an expected life of five years.

The Company determined that the fair value of options and warrants granted under the 2006 and 2004 Plan during the years ended December 31, 2007 and 2006 was approximately $1.6 million and $843,000, respectively. During the years ended December 31, 2007 and 2006, approximately $1.1 million and $618,000 of share-based cost was expensed, respectively. As of December 31, 2007, there was $1.5 million of total unrecognized compensation costs related to stock options. These costs are expected to be recognized over a weighted average period of 2.0

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, 2007:

	2007	2006	2005
Expected Volatility	24%	24%	25%
Expected Dividends	8%	8%	8%
Expected term (in years)	4.5	4.5	4.5
Risk-free rate	4.29 - 4.92%	4.53 - 5.05%	3.88 - 4.06%

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Earnings per Share

Shares used in the computation of the Company s basic and diluted earnings per share are as follows:

	Year ended December 31,		
(in thousands, except per share data)	**2007**	**2006**	**2005**
Net increase in net assets resulting from operations	$ 42,409	$ 11,384	$ 2,105
Weighted average common shares outstanding	28,295	13,352	6,939
Change in net assets per common share basic	$ 1.50	$ 0.85	$ 0.30
Net increase in net assets resulting from operations	$ 42,409	$ 11,384	$ 2,105
Weighted average common shares outstanding	28,295	13,352	6,939
Dilutive effect of warrants and stock options	58	175	77
Weighted average common shares outstanding, assuming dilution	28,353	13,527	7,016
Change in net assets per common share assuming dilution	$ 1.50	$ 0.84	$ 0.30

The calculation of change in net assets per common share assuming dilution, excludes all anti-dilutive shares. For the years ended December 31, 2007, 2006 and 2005, the number of anti-dilutive shares, as calculated based on the weighted average closing price of the Company s common stock for the periods, was approximately 2,217,000, 2,142,000, and 1,858,000 shares, respectively.

8. Related-Party Transactions

In conjunction with the Company s rights offering completed on April 21, 2006, the Company agreed to pay JMP Securities LLC a fee of approximately $700,000 as co-manager of the offering.

In conjunction with the Company s public offering completed on December 7, 2006, the Company agreed to pay JMP Securities LLC a fee of approximately $1.2 million as co-manager of the offering.

During February 2007, Farallon Capital Management, L.L.C and its related affiliates and Manuel Henriquez, the Company s CEO, exercised warrants to purchase 132,480 and 75,075 shares of the Company s common stock, respectively. The exercise price of the warrants was $10.57 per share resulting in net proceeds to the company of approximately $2.2 million.

In conjunction with the Company s public offering completed on June 4, 2007 and the related over-allotment exercise, the Company agreed to pay JMP Securities LLC a fee of approximately $1.6 million as co-manager of the offering.

In connection with the sale of public equity investments, the Company paid JMP Securities LLC approximately $22,200 and $12,100 in brokerage commissions during the years ended December 31, 2007 and 2006, 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 unused commitments to extend credit at December 31, 2007 totaled approximately $130.6 million. Since this commitment may expire without being drawn upon, the total commitment amount does not necessarily represent future cash requirements.

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Certain premises are leased under agreements which expire at various dates through December 2013. Total rent expense amounted to approximately $749,000, $380,000 and $221,000 during the years ended December 31, 2007, 2006 and 2005, respectively.

Future commitments under the credit facility and operating leases were as follows at December 31, 2007:

(in thousands)		Payments due by period			
Contractual Obligations[1]	**Total**	**Less than 1 year** (2)(3)	**1-3 years**	**4-5 years**	**After 5 years**
Borrowings[4]	$ 134,250	$ 79,200	$	$	$ 55,050
Operating Lease Obligations	3,425	843	1,430	1,152	
Total	$ 137,675	$ 80,043	$ 1,430	$ 1,152	$ 55,050

(1) Excludes commitments to extend credit to our portfolio companies.
(2) Borrowings under the Credit Facility are listed based on the contractual maturity of the credit facility. Actual repayments could differ significantly due to prepayments by our existing portfolio companies, modifications of current agreements with existing portfolio companies and modification of the credit facility.
(3) The Company also has a warrant participation agreement with Citigroup. See Note 3.
(4) Includes borrowings under the Credit Facility and the SBA debentures.

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, 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 the years ended December 31, 2007 and 2006, the Company s ten largest portfolio companies represented approximately 33.7% and approximately 43.4% of the total fair value of its investments. At December 31, 2007, we had five equity investments representing approximately 50.0% of the total fair value of our equity investments and each represents 5% or more of the total fair value of such investments. At December 31, 2006, we had eleven equity investments which represented 100% of the total fair value of its equity investments and each represents 5% or more of the total fair value of such investments.

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Financial Highlights

Following is a schedule of financial highlights for years ended December 31, 2007, 2006 and 2005:

	Year Ended December 31, 2007	2006	2005	Period from February 2, 2004 (commencement of operations) to December 31, 2004
Per share data:				
Net asset value at beginning of period	$ 11.65	$ 11.67	$ 12.18	$ 13.19[1]
Net investment income (loss)	1.15	0.78	0.18	(0.99)
Net realized gain (loss) on investments	0.09	(0.12)	0.07	
Net unrealized appreciation on investments	0.26	0.19	0.05	
Total from investment operations	1.50	0.85	0.30	(0.99)
Net increase/(decrease) in net assets from capital share transactions	0.32	0.28	(0.82)	(0.35)[2]
Distributions from net investment income	(1.20)	(1.08)	(0.03)	
Distributions from return of capital		(0.12)		
Stock-based compensation expense included in investment income[3]	0.04	0.05	0.04	0.33
Net asset value at end of period	$ 12.31	$ 11.65	$ 11.67	$ 12.18
Ratios and supplemental data:				
Per share market value at end of period[4]	$ 12.42	$ 14.25	11.99	$ [6]
Total return	-4.42%[5]	28.86%[5]	-7.58%[6]	N/A
Shares outstanding at end of period	32,541	21,927	9,802	2,059
Weighted average number of common shares outstanding	28,295	13,352	6,939	1,187
Net assets at end of period	$ 400,737	$ 255,413	$ 114,352	$ 25,078
Ratio of operating expense to average net assets	6.46%	13.11%	11.57%	8.81%[7]
Ratio of net investment income before provision for income tax expense and investment gains and losses to average net assets	9.81%	7.93%	1.93%	7.95%[7]
Average debt outstanding	$ 66,334	$ 77,795	$ 20,285	$
Weighted average debt per common share	$ 2.34	$ 5.83	$ 2.92	$
Portfolio turnover	0.42%	1.50%	0.60%	0.00%

(1)

On June 29, 2004, the Company completed its sale of common stock in a private placement at $15.00 per share ($13.19 per share net of offering costs).

(2) Immediately after the sale of common stock in June 2004, 600 convertible preferred shares were converted into 125,000 units.

(3) Stock option expense is a non-cash expense that has no effect on net asset value. Pursuant to FAS 123R, net investment loss includes the expense associated with the granting of stock options which is offset by a corresponding increase in paid-in capital.

(4) The Company completed the initial public offering of its common stock in June 2005, therefore, no market value data is presented as of December 31, 2004.

(5) The total return for the years ended December 31, 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.

(6) The total return for the year ended December 31, 2005 is for a shareholder who owned common shares throughout the period, and received one additional common share for every two 5 Year Warrants cancelled. Shareholders who purchased common shares on January 26, 2005, exercised 1 Year Warrants, or purchased common shares in the initial public offering will have a different total return. The Company completed its initial public offering on June 11, 2005; prior to that date shares were issued in private placements.

(7) Not annualized.

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Selected Quarterly Data (Unaudited)

The following tables set forth certain quarterly financial information for each of the eight quarters ended December 31, 2007. 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.

	Quarter Ended			
(in thousands, except per share data)	**3/31/07**	**6/30/07**	**9/30/07**	**12/31/07**
Total investment income	$ 9,679	$ 13,275	$ 15,141	$ 15,790
Net investment income before provision for income taxes and investment gains and losses	5,225	7,240	10,044	9,981
Net income	6,331	8,270	7,178	20,632
Net income per common share (basic)	$ 0.28	$ 0.33	$ 0.22	$ 0.63

	Quarter Ended			
	3/31/06	**6/30/06**	**9/30/06**	**12/31/06**
Total investment income	$ 6,487	$ 6,788	$ 7,544	$ 8,689
Net investment income before provision for income taxes and investment gains and losses	2,046	2,468	3,117	3,492
Net income	2,505	3,366	1,573	3,940
Net income per common share (basic)	$ 0.25	$ 0.26	$ 0.12	$ 0.23

14. Subsequent Events

On February 7, 2008, the Board of Directors announced a dividend of $0.30 per share to shareholders of record as of February 15, 2008 and payable on March 17, 2008.

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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 consolidated financial statements of Hercules Technology Growth Capital, Inc., including the consolidated schedule of investments, as of December 31, 2007 and 2006, and for each of the three years in the period ended December 31, 2007, and have issued our report thereon dated March 11, 2008 (included elsewhere in the Form 10-K). Our audits also included the financial statement schedule listed in Item 15 of this Form 10-K. This schedule is the responsibility of the Company s management. Our responsibility is to express an opinion based on our audits.

In our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

/s/ Ernst & Young LLP

San Francisco, California

March 11, 2008

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Schedule 12-14

HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

SCHEDULE OF INVESTMENTS IN AND ADVANCES TO AFFILIATES

Portfolio Company (in thousands)	Investment[(1)]	Year Ended December 31, 2007 Amount of Interest or Dividends Credited to Income[(2)]	As of December 31, 2006 Fair Value	Gross Additions[(3)]	Gross Reductions[(4)]	As of December 31, 2007 Fair Value
Affiliate Investments						
E-band Communications, Inc.	Preferred Stock	$	$	$ 2,000	$	$ 2,000
Proficiency, Inc.	Senior Debt	8	3,548	449	(2,500)	1,497
	Preferred Stock Warrants		116		(116)	
	Preferred Stock			2,750	(2,000)	750
Total Affiliate Investments		$ 8	$ 3,664	$ 5,199	$ (4,616)	$ 4,247

(1) Preferred stock and warrants are generally non-income producing and restricted. The principal amount for debt is shown in the Consolidated Schedule of Investments as of December 31, 2007.
(2) Represents the total amount of interest or dividends credited to income for the portion of the year an investment was an affiliate investment (5% to 25% owned).
(3) Gross additions include increases in investments resulting from new portfolio company investments, the amortization of discounts and fees, and the exchange of one or more existing securities for one or more new securities.
(4) Gross reductions include decreases in investments resulting from the exchange of one or more existing securities for one or more new securities and net increases in unrealized depreciation or net decreases in unrealized appreciation.

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES

(in thousands, except per share data)

	March 31, 2008 (unaudited)	December 31, 2007
Assets		
Investments:		
Non-affiliate investments (cost of $514,464 and $513,106)	$ 526,516	$ 525,725
Affiliate investments (cost of $6,344 and $6,344)	4,247	4,247
Total investments, at value (cost of $520,808 and $519,450 respectively)	530,763	529,972
Deferred loan origination revenue	(6,969)	(6,593)
Cash and cash equivalents	13,804	7,856
Interest receivable	6,833	6,387
Other assets	4,513	4,321
Total assets	548,944	541,943
Liabilities		
Accounts payable and accrued liabilities	3,560	6,956
Short-term credit facility	72,900	79,200
Long-term SBA Debentures	70,050	55,050
Total liabilities	146,510	141,206
Net assets	$ 402,434	$ 400,737
Net assets consist of:		
Common stock, par value	$ 33	$ 33
Capital in excess of par value	396,623	393,530
Deferred stock compensation	(2,748)	(78)
Unrealized appreciation on investments	9,208	10,129
Accumulated realized gains on investments	3,777	819
Distributions in excess of investment income	(4,459)	(3,696)
Total net assets	$ 402,434	$ 400,737
Shares of common stock outstanding ($0.001 par value, 60,000 authorized)	32,768	32,541
Net asset value per share	$ 12.28	$ 12.31

See notes to consolidated financial statements (unaudited).

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

March 31, 2008

(unaudited)

(dollars in thousands)

Portfolio Company	Industry	Type of Investment(1)	Principal Amount	Cost(2)	Value(3)
Acceleron Pharmaceuticals, Inc. (0.68%)*(4)	Drug Discovery	Senior Debt			
		Matures June 2009			
		Interest rate 10.25%	$ 2,935	$ 2,889	$ 2,889
		Preferred Stock Warrants		69	707
		Preferred Stock Warrants		35	130
Acceleron Pharmaceuticals, Inc. (0.33%)		Preferred Stock		1,243	1,805
Total Acceleron Pharmaceuticals, Inc.				4,236	5,531
Aveo Pharmaceuticals, Inc. (2.02%)(4)	Drug Discovery	Senior Debt			
		Matures September 2009			
		Interest rate 10.75%	$ 10,925	10,845	10,845
		Preferred Stock Warrants		144	193
		Preferred Stock Warrants		46	72
Total Aveo Pharmaceuticals, Inc.				11,035	11,110
Elixir Pharmaceuticals, Inc. (2.42%)(4)	Drug Discovery	Senior Debt			
		Matures June 2010			
		Interest rate Prime + 2.45%	$ 12,973	12,829	12,829
		Preferred Stock Warrants		217	453
Total Elixir Pharmaceuticals, Inc.				13,046	13,282
EpiCept Corporation (1.11%)(4)	Drug Discovery	Senior Debt			
		Matures August 2009			
		Interest rate 11.70%	$ 6,354	5,989	5,989
		Common Stock Warrants		423	128
Total EpiCept Corporation				6,412	6,117
Horizon Therapeutics, Inc. (0.22%)	Drug Discovery	Senior Debt			
		Matures April 2011			
		Interest rate 8.75%	$ 12,000	1,038	1,038
		Preferred Stock Warrants		179	183
Total Horizon Therapeutics, Inc.				1,217	1,221
Inotek Pharmaceuticals Corp. (0.27%)	Drug Discovery	Preferred Stock		1,500	1,500
Total Inotek Pharmaceuticals Corp.				1,500	1,500
Memory Pharmaceticals Corp. (2.52%)(4)	Drug Discovery	Senior Debt			
		Matures December 2010			
		Interest rate 11.45%	$ 15,000	13,731	13,731

		Common Stock Warrants		1,751	131
Total Memory Pharmaceticals Corp.				15,482	13,862
Merrimack Pharmaceuticals, Inc. (0.21%)(4)	Drug Discovery	Convertible Senior Debt Matures October 2008 Interest rate 11.15%	$ 591	572	572
		Preferred Stock Warrants		155	575
Merrimack Pharmaceuticals, Inc. (0.51%)		Preferred Stock		2,000	2,787
Total Merrimack Pharmaceuticals, Inc.				2,727	3,934

See notes to consolidated financial statements.

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

March 31, 2008

(dollars in thousands)

Portfolio Company	Industry	Type of Investment[1]	Principal Amount	Cost[2]	Value[3]
Neosil, Inc. (1.08%)	Drug Discovery	Senior Debt Matures May 2010 Interest rate 10.75%	$ 5,800	5,742	5,742
		Preferred Stock Warrants		83	208
Total Neosil, Inc.				5,825	5,950
Paratek Pharmaceuticals, Inc. (0.27%)[4]	Drug Discovery	Senior Debt Matures June 2008 Interest rate 11.10%	$ 1,498	1,490	1,490
		Preferred Stock Warrants		137	
Paratek Pharmaceuticals, Inc. (0.18%)		Preferred Stock		1,000	1,000
Total Paratek Pharmaceuticals, Inc.				2,627	2,490
Portola Pharmaceuticals, Inc. (2.78%)[4]	Drug Discovery	Senior Debt Matures September 2010 Interest rate Prime + 1.75%	$ 15,000	14,904	14,904
		Preferred Stock Warrants		152	339
Total Portola Pharmaceuticals, Inc.				15,056	15,243
Sirtris Pharmaceuticals, Inc. (1.66%)[4]	Drug Discovery	Senior Debt Matures April 2011 Interest rate 10.60%	$ 8,505	8,451	8,451
		Common Stock Warrants		89	668
Sirtris Pharmaceuticals, Inc. (0.13%)		Common Stock		500	736
Total Sirtris Pharmaceuticals, Inc.				9,040	9,855
Total Drug Discovery (16.39%)				88,203	90,095
E-band Communications, Inc. (0.36%)[6]	Communications & Networking	Preferred Stock		2,000	2,000
Total E-Band Communications, Inc.				2,000	2,000
IKANO Communications, Inc. (3.43%)[4]	Communications & Networking	Senior Debt Matures March 2011 Interest rate 11.00%	$ 18,384	18,384	18,384
		Preferred Stock Warrants		45	188
		Preferred Stock Warrants		72	286
Total IKANO Communications, Inc.				18,501	18,858
Neonova Holding Company (1.64%)			$ 9,000	8,906	8,906

	Communications & Networking	Senior Debt Matures September 2012 Interest rate Prime + 3.25%			
		Preferred Stock Warrants		94	93
Neonova Holding Company (0.05%)		Preferred Stock		250	250
Total Neonova Holding Company				9,250	9,249
Ping Identity Corporation (0.25%)[4]	Communications & Networking	Senior Debt Matures June 2009 Interest rate 11.50%	$ 1,378	1,360	1,360
		Preferred Stock Warrants		52	5
Total Ping Identity Corporation				1,412	1,365

See notes to consolidated financial statements.

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

March 31, 2008

(dollars in thousands)

Portfolio Company	Industry	Type of Investment[1]	Principal Amount	Cost[2]	Value[3]
Purcell Systems, Inc. (1.51%)	Communications & Networking	Senior Debt Matures June 2009 Interest rate Prime + 3.50%	$ 2,091	2,002	2,002
		Revolving Line of Credit Matures June 2008 Interest rate Prime + 2.00%	$ 6,000	6,000	6,000
		Preferred Stock Warrants		123	260
Total Purcell Systems, Inc.				8,125	8,262
Rivulet Communications, Inc. (0.54%)[4]	Communications & Networking	Senior Debt Matures September 2009 Interest rate 10.60%	$ 2,976	2,954	2,954
		Preferred Stock Warrants		51	
Rivulet Communications, Inc. (0.05%)		Preferred Stock		250	250
Total Rivulet Communications, Inc.				3,255	3,204
Seven Networks, Inc. (1.97%)[4]	Communications & Networking	Senior Debt Matures April 2010 Interest rate Prime + 3.75%	$ 8,517	8,405	8,405
		Revolving Line of Credit Matures April 2008 Interest rate Prime + 3.00%	$ 2,000	2,000	2,000
		Preferred Stock Warrants		174	437
Total Seven Networks, Inc.				10,579	10,842
Simpler Networks Corp. (0.47%)[4]	Communications & Networking	Senior Debt Matures July 2009 Interest rate 11.75%	$ 4,112	4,058	2,558
		Preferred Stock Warrants		160	
Simpler Networks Corp. (0.00%)		Preferred Stock		500	
Total Simpler Networks Corp.				4,718	2,558
Stoke, Inc. (0.43%)	Communications & Networking	Senior Debt Matures August 2010 Interest rate 10.55%	$ 2,250	2,208	2,208
		Preferred Stock Warrants		53	127
Total Stoke, Inc.				2,261	2,335
Tectura Corporation (3.78%)[4]	Communications & Networking	Senior Debt Matures March 2012 Interest rate LIBOR + 6.15%	$ 8,684	8,643	8,643
		Revolving Line of Credit Matures March 2008	$ 12,000	12,000	12,000

		Interest rate LIBOR + 5.15%			
		Preferred Stock Warrants		51	104
Total Tectura Corporation				20,694	20,747
Teleflip, Inc. (0.00%)	Communications & Networking	Senior Debt Matures May 2010 Interest rate Prime + 2.75%	$ 938	930	
		Preferred Stock Warrants		11	
Total Teleflip, Inc.				941	

See notes to consolidated financial statements.

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

March 31, 2008

(dollars in thousands)

Portfolio Company	Industry	Type of Investment[1]	Principal Amount	Cost[2]	Value[3]
Wireless Channels, Inc. (2.20%)	Communications & Networking	Senior Debt - Second Lien Matures April 2010 Interest rate Prime + 4.25%	$ 1,570	1,570	1,570
		Senior Debt - Second Lien Matures April 2010 Interest rate Prime + 4.25%	$ 10,246	10,147	10,147
		Preferred Stock Warrants		155	340
Total Wireless Channels, Inc.				11,872	12,057
Zayo Bandwith, Inc. (4.55%)[4]	Communications & Networking	Senior Debt Matures April 2013 Interest rate Prime + 3.50%	$ 25,000	25,000	25,000
Total Zayo Bandwith, Inc.				25,000	25,000
Total Communications & Networking (21.23%)				118,608	116,477
Atrenta, Inc. (0.63%)[4]	Software	Senior Debt Matures June 2009 Interest rate 11.50%	$ 3,143	3,108	3,108
		Preferred Stock Warrants		102	250
		Preferred Stock Warrants		34	82
Atrenta, Inc. (0.05%)		Preferred Stock		250	250
Total Atrenta, Inc.				3,494	3,690
Blurb, Inc. (0.42%)	Software	Senior Debt Matures December 2009 Interest rate 9.55%	$ 2,310	2,293	2,293
		Preferred Stock Warrants		25	34
Total Blurb, Inc.				2,318	2,327
Bullhorn, Inc. (0.18%)	Software	Senior Debt Matures March 2010 Interest rate Prime + 3.75%	$ 1,000	963	963
		Preferred Stock Warrants		43	53
Total Bullhorn, Inc.				1,006	1,016
Cittio, Inc. (0.18%)	Software	Senior Debt Matures April 2010 Interest rate 11.00%	$ 1,000	1,000	1,000

Total Cittio, Inc.					1,000	1,000
Forescout Technologies, Inc. (0.43%)[4]	Software	Senior Debt Matures August 2009 Interest rate 11.15%	$	1,736	1,671	1,671
		Revolving Line of Credit Matures August 2007 Interest rate Prime + 1.49%	$	500	500	500
		Preferred Stock Warrants			99	176
Total Forescout Technologies, Inc.					2,270	2,347

See notes to consolidated financial statements.

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

March 31, 2008

(dollars in thousands)

Portfolio Company	Industry	Type of Investment(1)	Principal Amount	Cost(2)	Value(3)
GameLogic, Inc. (0.56%)(4)	Software	Senior Debt Matures December 2009 Interest rate Prime + 4.125%	$ 3,000	2,947	2,947
		Preferred Stock Warrants		92	139
Total GameLogic, Inc.				3,039	3,086
Gomez, Inc. (0.09%)(4)	Software	Preferred Stock Warrants		35	491
Total Gomez, Inc.				35	491
HighRoads, Inc. (0.01%)(4)	Software	Preferred Stock Warrants		44	71
Total HighRoads, Inc.				44	71
Intelliden, Inc. (0.40%)	Software	Senior Debt Matures February 2010 Interest rate 13.20%	$ 2,131	2,122	2,122
		Preferred Stock Warrants		18	77
Total Intelliden, Inc.				2,140	2,199
Oatsystems, Inc. (0.69%)(4)	Software	Senior Debt Matures September 2009 Interest rate 11.00%	$ 3,800	3,768	3,768
		Preferred Stock Warrants		67	1
Total Oatsystems, Inc.				3,835	3,769
Proficiency, Inc. (0.27%)(5)(6)	Software	Senior Debt Matures July 2008 Interest rate 12.00%	$ 1,500	1,497	1,497
		Preferred Stock Warrants		96	
Proficiency, Inc. (0.14%)		Preferred Stock		2,750	750
Total Proficiency, Inc.				4,343	2,247
PSS Systems, Inc. (0.65%)(4)	Software	Senior Debt Matures March 2010 Interest rate 10.74%	$ 3,500	3,467	3,467
		Preferred Stock Warrants		51	108
Total PSS Systems, Inc.				3,518	3,575
Savvion, Inc. (1.14%)(4)	Software	Senior Debt Matures March 2009 Interest rate Prime + 3.45%	$ 1,043	1,043	1,043
			$ 3,189	3,188	3,188

		Revolving Line of Credit Matures March 2008 Interest rate Prime + 3.45%			
		Revolving Line of Credit Matures March 2008 Interest rate Prime + 2.00%	$ 1,797	1,797	1,797
		Preferred Stock Warrants		52	251
Total Savvion, Inc.				6,080	6,279
Sportvision, Inc. (0.01%)	Software	Preferred Stock Warrants		39	59
Total Sportvision, Inc.				39	59

See notes to consolidated financial statements.

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

March 31, 2008

(dollars in thousands)

Portfolio Company	Industry	Type of Investment[1]	Principal Amount	Cost[2]	Value[3]
Talisma Corp. (0.08%)[4]	Software	Preferred Stock Warrants		49	422
Total Talisma Corp.				49	422
WildTangent, Inc. (0.39%)	Software	Senior Debt Matures March 2011 Interest rate 9.65%	$ 2,000	1,788	1,788
		Preferred Stock Warrants		238	339
Total WildTangent, Inc.				2,026	2,127
Total Software (6.32%)				35,236	34,705
Agami Systems, Inc. (0.84%)[4]	Electronics & Computer Hardware	Senior Debt Matures August 2009 Interest rate 11.00%	$ 4,433	4,394	4,394
		Preferred Stock Warrants		86	218
Total Agami Systems, Inc.				4,480	4,612
Luminus Devices, Inc. (2.18%)[4]	Electronics & Computer Hardware	Senior Debt Matures August 2009 Interest rate 12.8750%	$ 11,792	11,354	11,354
		Preferred Stock Warrants		183	135
		Preferred Stock Warrants		84	74
		Preferred Stock Warrants		334	420
Total Luminus Devices, Inc.				11,955	11,983
Maxvision Holding, LLC. (2.05%)[4]	Electronics & Computer Hardware	Senior Debt Matures April 2012 Interest rate Prime + 5.50%	$ 5,038	4,956	4,956
		Senior Debt Matures April 2012 Interest rate Prime + 2.25%	$ 5,500	5,500	5,500
		Revolving Line of Credit Matures September 2012 Interest rate Prime +2.25%	$ 821	821	821
Maxvision Holding, LLC. (0.01%) [4]		Preferred Stock		81	81
Total Maxvision Holding, LLC				11,358	11,358
NetEffect, Inc. (0.43%)	Electronics & Computer Hardware	Senior Debt Matures May 2010 Interest rate 11.95%	$ 2,282	2,244	2,244
		Preferred Stock Warrants		47	120

Total NetEffect, Inc.					2,291	2,364
Shocking Technologies, Inc. (0.05%)	Electronics & Computer Hardware	Senior Debt Matures December 2010 Interest rate 9.75%	$	250	192	192
		Preferred Stock Warrants			63	95
Total Shocking Technologies, Inc.					255	287

See notes to consolidated financial statements.

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

March 31, 2008

(dollars in thousands)

Portfolio Company	Industry	Type of Investment[1]	Principal Amount	Cost[2]	Value[3]
SiCortex, Inc. (1.83%)	Electronics & Computer Hardware	Senior Debt Matures December 2010 Interest rate 10.95%	$ 9,743	9,615	9,615
		Preferred Stock Warrants		164	446
Total SiCortex, Inc.				9,779	10,061
Spatial Photonics, Inc. (0.71%)[4]	Electronics & Computer Hardware	Senior Debt Matures May 2011 Interest rate 10.75%	$ 3,751	3,634	3,634
		Preferred Stock Warrants		130	274
Spatial Photonics, Inc. (0.09%)		Preferred Stock		500	500
Total Spatial Photonics Inc.				4,264	4,408
VeriWave, Inc. (0.88%)	Electronics & Computer Hardware	Senior Debt Matures May 2010 Interest rate 10.75%	$ 3,747	3,710	3,710
		Revolving Line of Credit Matures May 2008 Interest rate Prime +1.00%	$ 990	990	990
		Preferred Stock Warrants		54	128
Total VeriWave, Inc.				4,754	4,828
ViDeOnline Communications, Inc. (0.05%)[4]	Electronics & Computer Hardware	Preferred Stock Warrants		298	289
Total ViDeOnline Communications, Inc.				298	289
Total Electronics & Computer Hardware (9.12%)				49,434	50,190
Aegerion Pharmaceuticals, Inc. (1.66%)[4]	Specialty Pharmaceuticals	Senior Debt Matures August 2010 Interest rate Prime + 2.50%	$ 8,924	8,877	8,877
		Preferred Stock Warrants		69	237
Aegerion Pharmaceuticals, Inc. (0.18%)[4]		Preferred Stock		1,000	1,000
Total Aegerion Pharmaceuticals, Inc.				9,946	10,114
Panacos Pharmaceuticals, Inc. (3.55%)[4]	Specialty Pharmaceuticals	Senior Debt Matures January 2011 Interest rate 11.20%	$ 20,000	19,332	19,332
		Common Stock Warrants		876	132
Panacos Pharmaceuticals, Inc. (0.03%)		Common Stock		410	140

Total Panacos Pharmaceuticals, Inc.				20,618	19,604
Quatrx Pharmaceuticals Company (2.40%)[4]	Specialty Pharmaceuticals	Senior Debt Matures January 2010 Interest rate Prime + 3.00%	$ 13,135	13,038	13,038
		Preferred Stock Warrants		220	144
Quatrx Pharmaceuticals Company (0.14%)		Preferred Stock		750	750
Total Quatrx Pharmaceuticals Company				14,008	13,932
Total Specialty Pharmaceuticals (7.96%)				44,572	43,650

See notes to consolidated financial statements.

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

March 31, 2008

(dollars in thousands)

Portfolio Company	Industry	Type of Investment[1]	Principal Amount	Cost[2]	Value[3]
Annie's, Inc. (0.73%)	Consumer & Business Products	Senior Debt Matures April 2011 Interest rate LIBOR + 6.50%	$ 4,000	3,679	3,679
		Preferred Stock Warrants		321	323
Total Annie's, Inc.				4,000	4,002
BabyUniverse, Inc. (0.03%)[4]	Consumer & Business Products	Common Stock		267	145
Total BabyUniverse, Inc.				267	145
Market Force Information, Inc. (0.01%)[4]	Consumer & Business Products	Preferred Stock Warrants		24	53
Market Force Information, Inc. (0.09%)		Preferred Stock		500	500
Total Market Force Information, Inc.				524	553
Wageworks, Inc. (0.10%)[4]	Consumer & Business Products	Preferred Stock Warrants		252	562
Wageworks, Inc. (0.04%)		Preferred Stock		250	209
Total Wageworks, Inc.				502	771
Total Consumer & Business Products (1.00%)				5,293	5,471
Custom One Design, Inc. (0.19%)	Semiconductors	Senior Debt Matures September 2010 Interest rate 11.50%	$ 1,000	985	985
		Common Stock Warrants		18	53
Total Custom One Design, Inc.				1,003	1,038
iWatt Inc. (0.84%)[4]	Semiconductors	Senior Debt Matures September 2009 Interest rate Prime + 2.75%	$ 1,264	1,130	1,130
		Revolving Line of Credit Matures September 2007 Interest rate Prime + 1.75%	$ 3,235	3,235	3,235
		Preferred Stock Warrants		46	114
		Preferred Stock Warrants		51	59
		Preferred Stock Warrants		73	73

Total iWatt Inc.				4,535	4,611
NEXX Systems, Inc. (2.31%)(4)	Semiconductors	Senior Debt Matures February 2010 Interest rate Prime + 2.75%	$ 4,098	3,992	3,992
		Revolving Line of Credit Matures December 2009 Interest rate Prime + 1.75%	$ 5,000	5,000	5,000
		Revolving Line of Credit Matures December 2009 Interest rate Prime + 3.75%	$ 3,000	3,000	3,000
		Preferred Stock Warrants		165	670
Total NEXX Systems, Inc.				12,157	12,662

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

March 31, 2008

(dollars in thousands)

Portfolio Company	Industry	Type of Investment[1]	Principal Amount	Cost[2]	Value[3]
Quartics, Inc. (0.84%)[4]	Semiconductors	Senior Debt Matures August 2010 Interest rate 11.05%	$ 300	259	259
		Senior Debt Matures August 2010 Interest rate 8.80%	$ 4,200	4,200	4,200
		Preferred Stock Warrants		53	142
Total Quartics, Inc.				4,512	4,601
Solarflare Communications, Inc. (0.15%)	Semiconductors	Senior Debt Matures August 2010 Interest rate 11.75%	$ 625	560	560
		Preferred Stock Warrants		83	241
Solarflare Communications, Inc. (0.09%)		Preferred Stock		500	500
Total Solarflare Communications, Inc.				1,143	1,301
Total Semiconductors (4.42%)				23,350	24,213
Labopharm USA, Inc. (2.91%)[5]	Drug Delivery	Senior Debt Matures July 2008 Interest rate 11.95%	$ 15,000	14,587	14,587
		Common Stock Warrants		458	1,363
Total Labopharm USA, Inc.				15,045	15,950
Transcept Pharmaceuticals, Inc. (1.16%)[4]	Drug Delivery	Senior Debt Matures October 2009 Interest rate 10.69%	$ 6,119	6,077	6,077
		Preferred Stock Warrants		36	116
		Preferred Stock Warrants		51	162
Transcept Pharmaceuticals, Inc. (0.09%)[4]		Preferred Stock		500	500
Total Transcept Pharmaceuticals, Inc.				6,664	6,855
Total Drug Delivery (4.16%)				21,709	22,805
BARRX Medical, Inc. (0.14%)	Therapeutic	Preferred Stock		1,500	758
Total BARRX Medical, Inc.				1,500	758
EKOS Corporation (1.00%)	Therapeutic	Senior Debt Matures November 2010	$ 5,000	4,733	4,733

		Interest rate Prime + 2.00%			
		Preferred Stock Warrants		175	495
		Preferred Stock Warrants		153	263
Total EKOS Corporation				5,061	5,491
Gynesonics, Inc. (0.09%)(4)	Therapeutic	Preferred Stock Warrants		18	507
Gynesonics, Inc. (0.05%)		Preferred Stock		250	250
Total Gynesonics, Inc.				268	757
Novasys Medical, Inc. (1.16%)(4)	Therapeutic	Senior Debt Matures January 2010 Interest rate 9.70%	$ 6,614	6,370	6,370
Total Novasys Medical, Inc.				6,370	6,370

See notes to consolidated financial statements.

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

March 31, 2008

(dollars in thousands)

Portfolio Company	Industry	Type of Investment[1]	Principal Amount	Cost[2]	Value[3]
Power Medical Interventions, Inc. (0.00%)	Therapeutic	Common Stock Warrants		21	22
Total Power Medical Interventions, Inc.				21	22
Total Therapeutic (2.44%)				13,220	13,398
Invoke Solutions, Inc. (0.36%)[4]	Internet Consumer & Business Services	Senior Debt Matures December 2008 Interest rate Prime + 3.75%	$ 1,902	1,862	1,862
		Preferred Stock Warrants		56	98
		Preferred Stock Warrants		26	30
Total Invoke Solutions, Inc.				1,944	1,990
Prism Education Group Inc. (0.38%)	Internet Consumer & Business Services	Senior Debt Matures December 2010 Interest rate 11.25%	$ 2,000	1,967	1,967
		Preferred Stock Warrants		43	97
Total Prism Education Group Inc.				2,010	2,064
RazorGator Interactive Group, Inc. (0.94%)	Internet Consumer & Business Services	Revolving Line of Credit Matures January 2009 Interest rate Prime + 1.80%	$ 1,000	1,000	1,000
		Preferred Stock Warrants		13	3,834
		Preferred Stock Warrants		28	319
RazorGator Interactive Group, Inc. (0.90%)		Preferred Stock		1,000	4,935
Total RazorGator Interactive Group, Inc.				2,041	10,088
Serious USA, Inc. (0.55%)	Internet Consumer & Business Services	Senior Debt Matures February 2011 Interest rate Prime + 3.00%	$ 2,450	2,377	2,377
		Revolving Line of Credit Matures July 2008 Interest rate Prime + 2.00%	$ 654	654	654
		Preferred Stock Warrants		93	8
Total Serious USA, Inc.				3,124	3,039
Total Internet Consumer & Business Services (3.13%)				9,119	17,181
Lilliputian Systems, Inc. (1.20%)[4]	Energy	Senior Debt Matures March 2010	$ 6,495	6,472	6,472

	Interest rate 9.75%		
	Preferred Stock Warrants	48	100
Total Lilliputian Systems, Inc.		6,520	6,572
Total Energy (1.20%)		6,520	6,572

See notes to consolidated financial statements (unaudited).

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

March 31, 2008

(dollars in thousands)

Portfolio Company	Industry	Type of Investment[1]	Principal Amount	Cost[2]	Value[3]
Active Response Group, Inc. (1.84%)	Information Services	Senior Debt Matures March 2012 Interest rate LIBOR + 6.55%	$ 10,000	9,892	9,892
		Preferred Stock Warrants		92	119
		Common Stock Warrants		46	89
Total Active Response Group, Inc.				10,030	10,100
Buzznet, Inc. (0.15%)	Information Services	Senior Debt Matures March 2010 Interest rate 10.25%	$ 827	821	821
		Preferred Stock Warrants		9	14
Buzznet, Inc. (0.05%)		Preferred Stock		250	250
Total Buzznet, Inc.				1,080	1,085
hi5 Networks, Inc. (0.93%)	Information Services	Senior Debt Matures January 2011 Interest rate Prime + 2.5%	$ 3,000	3,000	3,000
		Revolving Line of Credit Matures July 2011 Interest rate 6.50%	$ 987	987	987
		Revolving Line of Credit Matures June 2011 Interest rate 7.75%	$ 1,000	810	810
		Preferred Stock Warrants		213	307
Total hi5 Networks, Inc.				5,010	5,104
Jab Wireless, Inc. (1.48%)	Information Services	Senior Debt Matures January 2012 Interest rate 10.75%	$ 3,097	2,856	2,856
		Senior Debt Matures January 2012 Interest rate 10.00%	$ 1,903	1,903	1,903
		Senior Debt Matures January 2012 Interest rate 9.50%	$ 3,000	3,000	3,000
		Preferred Stock Warrants		265	378
Total Jab Wireless, Inc.				8,024	8,137
Solutionary, Inc. (1.41%)	Information Services	Senior Debt Matures June 2010 Interest rate LIBOR + 5.50%	$ 5,547	5,504	5,504
		Revolving Line of Credit Matures June 2010 Interest rate LIBOR + 5.00%	$ 1,516	1,516	1,516

	Revolving Line of Credit Matures June 2010 Interest rate LIBOR + 5.50%	$	501	501	501
	Preferred Stock Warrants			94	225
	Preferred Stock Warrants			2	6
Solutionary, Inc. (0.05%)	Preferred Stock			250	250
Total Solutionary, Inc.				7,867	8,002

See notes to consolidated financial statements (unaudited).

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

March 31, 2008

(dollars in thousands)

Portfolio Company	Industry	Type of Investment[(1)]	Principal Amount	Cost[(2)]	Value[(3)]
The Generation Networks, Inc. (2.97%)	Information Services	Senior Debt Matures March 2012 Interest rate Prime + 4.50%	$ 16,500	16,316	16,316
The Generation Networks, Inc. (0.09%)		Preferred Stock		500	500
Total The Generation Networks, Inc.				16,816	16,816
Wallop Technologies, Inc. (0.04%)	Information Services	Senior Debt Matures March 2010 Interest rate 10.00%	$ 202	197	197
		Preferred Stock Warrants		7	13
Total Wallop Technologies, Inc.				204	210
Zeta Interactive Corporation (2.75%)[(4)]	Information Services	Senior Debt Matures November 2011 Interest rate Prime + 2.00%	$ 7,000	6,843	6,843
		Senior Debt Matures November 2011 Interest rate Prime + 3.00%	$ 8,000	8,000	8,000
		Preferred Stock Warrants		172	236
Zeta Interactive Corporation (0.09%)		Preferred Stock		500	500
Total Zeta Interactive Corporation				15,515	15,579
Total Information Services (11.85%)				64,546	65,033
Novadaq Technologies, Inc. (0.18%)	Diagnostic	Common Stock		1,626	979
Total Novadaq Technologies, Inc.				1,626	979
Optiscan Biomedical, Corp. (0.02%)[(4)]	Diagnostic	Senior Debt Matures March 2008 Interest rate 15.00%	$ 52	52	52
		Preferred Stock Warrants		80	63
Optiscan Biomedical, Corp. (0.13%)		Preferred Stock		1,000	722
Total Optiscan Biomedical, Corp.				1,132	837
Total Diagnostic (0.33%)				2,758	1,816
Guava Technologies, Inc. (1.00%)[(4)]	Biotechnology Tools	Senior Debt Matures July 2009 Interest rate Prime + 3.25%	$ 3,725	3,393	3,393

		Convertible Debt		250	250
		Revolving Line of Credit Matures December 2007 Interest rate Prime + 2.00%	$ 1,575	1,575	1,575
		Preferred Stock Warrants		105	220
		Preferred Stock Warrants		68	36
Total Guava Technologies, Inc.				5,391	5,474
Kamada, Inc. (2.03%)(5)	Biotechnology Tools	Senior Debt Matures November 2011 Interest rate 10.60%	$ 11,000	10,572	10,572
		Common Stock Warrants		428	555
Total Kamada, Inc.				11,000	11,127

See notes to consolidated financial statements (unaudited).

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

March 31, 2008

(dollars in thousands)

Portfolio Company	Industry	Type of Investment[1]	Principal Amount	Cost[2]	Value[3]
NuGEN Technologies, Inc. (0.36%)	Biotechnology Tools	Senior Debt Matures March 2010 Interest rate 11.70%	$ 1,706	1,649	1,649
		Preferred Stock Warrants		45	316
		Preferred Stock Warrants		33	30
NuGEN Technologies, Inc. (0.09%)		Preferred Stock		500	500
Total NuGEN Technologies, Inc.				2,227	2,495
Total Biotechnology Tools (3.48%)				18,618	19,096
Crux Biomedical, Inc. (0.28%)	Surgical Devices	Senior Debt Matures October 2010 Interest rate Prime + 1.75%	$ 1,500	1,470	1,470
		Preferred Stock Warrants		37	63
Crux Biomedical, Inc. (0.05%)		Preferred Stock		250	250
Total Crux Biomedical, Inc.				1,757	1,783
Diomed Holdings, Inc. (1.09%)[4]	Surgical Devices	Senior Debt Matures July 2010 Interest rate 10.95%	$ 6,000	5,966	5,966
		Common Stock Warrants		43	
Total Diomed Holdings, Inc.				6,009	5,966
Light Science Oncology, Inc. (0.03%)	Surgical Devices	Preferred Stock Warrants		99	173
Total Light Science Oncology, Inc.				99	173
Total Surgical Devices (1.45%)				7,865	7,922
Glam Media, Inc. (0.91%)	Media/Content/Info	Revolving Line of Credit Matures April 2009 Interest rate Prime + 1.25%	$ 5,000	4,518	4,518
		Preferred Stock Warrants		482	486
Total Glam Media, Inc.				5,000	5,004
Waterfront Media Inc. (1.12%)[4]	Media/Content/Info	Senior Debt Matures December 2010 Interest rate Prime + 3.00%	$ 3,731	3,697	3,697
		Revolving Line of Credit Matures March 2008	$ 2,000	2,000	2,000

	Interest rate Prime + 1.25%		
	Preferred Stock Warrants	60	438
Waterfront Media Inc. (0.18%)	Preferred Stock	1,000	1,000
Total Waterfront Media Inc.		6,757	7,135
Total Media/Content/Info (2.21%)		11,757	12,139
Total Investments (96.69%)		$ 520,808	$ 530,763

See notes to consolidated financial statements (unaudited).

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

March 31, 2008

(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 appreciation for federal income tax purposes totaled $20,401, $10,446 and $9,955, respectively.

(3) Except for warrants in eight publicly traded companies and common stock in four publicly traded companies, all investments are restricted at March 31, 2008 and were valued at fair value as determined in good faith by the Board of Directors. No unrestricted securities of the same issuer are outstanding. The Company uses the Standard Industrial Code for classifying the industry grouping of its portfolio companies.

(4) Debt and warrant investments of this portfolio company have been pledged as collateral under the Credit Facility. Citigroup has an equity participation right on loans collateralized under the Credit Facility. The value of their participation right on unrealized gains in the related equity investments was approximately $1.1 million at March 31, 2008 and is included in accrued liabilities and reduces the unrealized gain recognized by the Company at March 31, 2008.

(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. All other investments are less than 5% owned.

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2007

(dollars in thousands)

Portfolio Company	Industry	Type of Investment(1)	Principal Amount	Cost(2)	Value(3)
Acceleron Pharmaceuticals, Inc. (0.94%)*(4)	Drug Discovery	Senior Debt			
		Matures June 2009			
		Interest rate 10.25%	$ 3,237	$ 3,184	$ 3,184
		Preferred Stock Warrants		69	472
		Preferred Stock Warrants		35	109
Acceleron Pharmaceuticals, Inc. (0.45%)		Preferred Stock		1,243	1,805
Total Acceleron Pharmaceuticals, Inc.				4,531	5,569
Aveo Pharmaceuticals, Inc. (3.06%)(4)	Drug Discovery	Senior Debt			
		Matures September 2009			
		Interest rate 10.75%	$ 12,078	11,984	11,984
		Preferred Stock Warrants		144	204
		Preferred Stock Warrants		46	74
Total Aveo Pharmaceuticals, Inc.				12,174	12,262
Elixir Pharmaceuticals, Inc. (3.58%)(4)	Drug Discovery	Senior Debt			
		Matures June 2010			
		Interest rate Prime + 2.45%	$ 13,997	13,836	13,836
		Preferred Stock Warrants		217	510
Total Elixir Pharmaceuticals, Inc.				14,053	14,347
EpiCept Corporation (1.77%)(4)	Drug Discovery	Senior Debt			
		Matures August 2009			
		Interest rate 11.70%	$ 7,307	6,878	6,878
		Common Stock Warrants		423	215
Total EpiCept Corporation				7,301	7,092
Horizon Therapeutics, Inc. (0.30%)(4)	Drug Discovery	Senior Debt			
		Matures April 2011			
		Interest rate 8.75%	$ 12,000	1,022	1,022
		Preferred Stock Warrants		179	179
Total Horizon Therapeutics, Inc.				1,201	1,201
Inotek Pharmaceuticals Corp. (0.37%)	Drug Discovery	Preferred Stock		1,500	1,500
Total Inotek Pharmaceuticals Corp.				1,500	1,500
Memory Pharmaceticals Corp. (3.48%)(4)	Drug Discovery	Senior Debt			
		Matures February 2011			
		Interest rate 11.45%	$ 15,000	13,608	13,608
		Common Stock Warrants		1,751	341

Total Memory Pharmaceticals Corp.				15,359	13,949
Merrimack Pharmaceuticals, Inc. (0.37%)[4]	Drug Discovery	Convertible Senior Debt Matures October 2008 Interest rate 11.15%	$ 1,024	994	994
		Preferred Stock Warrants		155	502
Merrimack Pharmaceuticals, Inc. (0.70%)		Preferred Stock		2,000	2,787
Total Merrimack Pharmaceuticals, Inc.				3,149	4,283
Neosil, Inc. (1.53%)	Drug Discovery	Senior Debt Matures May 2010 Interest rate 10.75%	$ 6,000	5,936	5,936
		Preferred Stock Warrants		83	178
Total Neosil, Inc.				6,018	6,113

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2007

(dollars in thousands)

Portfolio Company	Industry	Type of Investment(1)	Principal Amount	Cost(2)	Value(3)
Paratek Pharmaceuticals, Inc. (0.64%)(4)	Drug Discovery	Senior Debt Matures June 2008 Interest rate 11.10%	$ 2,587	2,568	2,568
		Preferred Stock Warrants		137	
Paratek Pharmaceuticals, Inc. (0.14%)		Preferred Stock		550	550
Total Paratek Pharmaceuticals, Inc.				3,255	3,118
Portola Pharmaceuticals, Inc. (3.80%)(4)	Drug Discovery	Senior Debt Matures September 2010 Interest rate Prime + 1.75%	$ 15,000	14,894	14,894
		Preferred Stock Warrants		152	351
Total Portola Pharmaceuticals, Inc.				15,046	15,245
Sirtris Pharmaceuticals, Inc. (2.46%)(4)	Drug Discovery	Senior Debt Matures April 2011 Interest rate 10.60%	$ 9,079	9,022	9,022
		Common Stock Warrants		89	818
Sirtris Pharmaceuticals, Inc. (0.19%)		Common Stock		500	776
Total Sirtris Pharmaceuticals, Inc.				9,610	10,616
Total Drug Discovery (23.78%)				93,198	95,294
E-band Communications, Inc. (0.50%)(6)	Communications & Networking	Preferred Stock		2,000	2,000
Total E-Band Communications, Inc.				2,000	2,000
IKANO Communications, Inc. (5.09%)(4)	Communications & Networking	Senior Debt Matures March 2011 Interest rate 11.00%	$ 19,983	19,983	19,983
		Preferred Stock Warrants		45	163
		Preferred Stock Warrants		72	256
Total IKANO Communications, Inc.				20,101	20,402
Ping Identity Corporation (0.40%)(4)	Communications & Networking	Senior Debt Matures June 2009 Interest rate 11.50%	$ 1,630	1,608	1,608
		Preferred Stock Warrants		52	10
Total Ping Identity Corporation				1,660	1,619
Purcell Systems, Inc. (2.33%)			$ 2,224	3,126	3,126

	Communications & Networking	Senior Debt Matures June 2009 Interest rate Prime + 3.50%			
		Revolving Line of Credit Matures June 2008 Interest rate Prime + 2.00%	$ 7,000	6,000	6,000
		Preferred Stock Warrants		123	198
Total Purcell Systems, Inc.				9,248	9,324

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2007

(dollars in thousands)

Portfolio Company	Industry	Type of Investment[1]	Principal Amount	Cost[2]	Value[3]
Rivulet Communications, Inc. (0.83%)[4]	Communications & Networking	Senior Debt Matures September 2009 Interest rate 10.60%	$ 3,500	3,272	3,272
		Preferred Stock Warrants		51	64
Rivulet Communications, Inc. (0.06%)		Preferred Stock		250	250
Total Rivulet Communications, Inc.				3,572	3,585
Seven Networks, Inc. (2.89%)[4]	Communications & Networking	Senior Debt Matures April 2010 Interest rate Prime + 3.75%	$ 9,419	9,291	9,291
		Revolving Line of Credit Matures April 2008 Interest rate Prime + 3.00%	$ 2,000	2,000	2,000
		Preferred Stock Warrants		174	296
Total Seven Networks, Inc.				11,465	11,587
Simpler Networks Corp. (1.01%)[4]	Communications & Networking	Senior Debt Matures July 2009 Interest rate 11.75%	$ 4,112	4,046	4,046
		Preferred Stock Warrants		160	
Simpler Networks Corp. (0.00%)		Preferred Stock		500	
Total Simpler Networks Corp.				4,706	4,046
Stoke, Inc. (0.57%)	Communications & Networking	Senior Debt Matures August 2010 Interest rate 10.55%	$ 2,250	2,204	2,204
		Preferred Stock Warrants		53	79
Total Stoke, Inc.				2,257	2,283
Tectura Corporation (5.26%)[4]	Communications & Networking	Senior Debt Matures March 2012 Interest rate LIBOR + 6.15%	$ 9,051	9,007	9,007
		Revolving Line of Credit Matures March 2008 Interest rate LIBOR + 5.15%	$ 12,000	12,000	12,000
		Preferred Stock Warrants		51	82
Total Tectura Corporation				21,059	21,090
Teleflip, Inc. (0.25%)	Communications & Networking	Senior Debt Matures May 2010 Interest rate Prime + 2.75%	$ 1,000	992	992
		Preferred Stock Warrants		11	9

Total Teleflip, Inc.				1,002	1,001
Wireless Channels, Inc. (3.02%)	Communications & Networking	Senior Debt Second Lien Matures April 2010 Interest rate 9.25%	$ 11,949	1,719	1,719
		Senior Debt Second Lien Matures April 2010 Interest rate Prime + 4.25%	$ 10,118	10,118	10,118
		Preferred Stock Warrants		155	241
Total Wireless Channels, Inc.				11,992	12,078

See notes to consolidated financial statements.

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2007

(dollars in thousands)

Portfolio Company	Industry	Type of Investment[(1)]	Principal Amount	Cost[(2)]	Value[(3)]
Zayo Bandwith, Inc. (6.24%)[(4)]	Communications & Networking	Senior Debt Second Lien Matures April 2013 Interest rate Prime + 3.50%	$ 25,000	25,000	25,000
Total Zayo Bandwith, Inc.				25,000	25,000
Total Communications & Networking (28.45%)				114,062	114,014
Atrenta, Inc. (0.98%)[(4)]	Software	Senior Debt Matures June 2009 Interest rate 11.50%	$ 3,680	3,638	3,638
		Preferred Stock Warrants		102	220
		Preferred Stock Warrants		34	72
Atrenta, Inc. (0.06%)		Preferred Stock		250	250
Total Atrenta, Inc.				4,024	4,181
Blurb, Inc. (0.63%)	Software	Senior Debt Matures December 2009 Interest rate 9.55%	$ 2,500	2,482	2,482
		Preferred Stock Warrants		25	43
Total Blurb, Inc.				2,507	2,526
Bullhorn, Inc. (0.25%)[(4)]	Software	Senior Debt Matures March 2010 Interest rate Prime + 3.75%	$ 1,000	959	959
		Preferred Stock Warrants		43	41
Total Bullhorn, Inc.				1,002	1,000
Cittio, Inc. (0.25%)	Software	Senior Debt Matures April 2010 Interest rate 11.00%	$ 1,000	1,000	1,000
Total Cittio, Inc.				1,000	1,000
Compete, Inc. (0.63%)[(4)]	Software	Senior Debt Matures March 2009 Interest rate Prime + 3.50%	$ 2,409	2,384	2,384
		Preferred Stock Warrants		62	136
Total Compete, Inc.				2,446	2,520
Forescout Technologies, Inc. (0.64%)[(4)]	Software	Senior Debt Matures August 2009	$ 1,998	1,970	1,970

		Interest rate 11.15%			
		Revolving Line of Credit Matures August 2007 Interest rate Prime + 1.49%	$ 500	500	500
		Preferred Stock Warrants		58	76
Total Forescout Technologies, Inc.				2,528	2,546
GameLogic, Inc. (0.74%)(4)	Software	Senior Debt Matures December 2009 Interest rate Prime + 4.125%	$ 3,000	2,887	2,887
		Preferred Stock Warrants		92	91
Total GameLogic, Inc.				2,980	2,978

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December 31, 2007

(dollars in thousands)

Portfolio Company	Industry	Type of Investment[1]	Principal Amount	Cost[2]	Value[3]
Gomez, Inc. (0.15%)[4]	Software	Senior Debt			
		Matures December 2007			
		Interest rate 12.25%	$ 98	98	98
		Preferred Stock Warrants		35	512
Total Gomez, Inc.				133	611
HighRoads, Inc. (0.01%)[4]	Software	Preferred Stock Warrants		44	58
Total HighRoads, Inc.				44	58
Intelliden, Inc. (0.60%)	Software	Senior Debt			
		Matures February 2010			
		Interest rate 13.20%	$ 2,360	2,349	2,349
		Preferred Stock Warrants		18	60
Total Intelliden, Inc.				2,367	2,409
Oatsystems, Inc. (1.08%)[4]	Software	Senior Debt			
		Matures September 2009			
		Interest rate 11.00%	$ 4,374	4,336	4,336
		Preferred Stock Warrants		67	4
Total Oatsystems, Inc.				4,403	4,340
Proficiency, Inc. (0.38%)[4][6]	Software	Senior Debt			
		Matures July 2008			
		Interest rate 12.00%	$ 1,500	1,497	1,497
		Preferred Stock Warrants		96	
Proficiency, Inc. (0.19%)		Preferred Stock		2,750	750
Total Proficiency, Inc.				4,343	2,247
PSS Systems, Inc. (0.89%)[4]	Software	Senior Debt			
		Matures March 2010			
		Interest rate 10.74%	$ 3,500	3,463	3,463
		Preferred Stock Warrants		51	86
Total PSS Systems, Inc.				3,514	3,549
Savvion, Inc. (1.62%)[4]	Software	Senior Debt			
		Matures March 2009			
		Interest rate Prime + 3.45%	$ 1,268	1,268	1,268
		Revolving Line of Credit			
		Matures March 2008			
		Interest rate Prime + 2.00%	$ 3,000	3,000	3,000
		Revolving Line of Credit	$ 1,985	1,985	1,985
		Matures March 2008			

		Interest rate Prime + 3.45%		
		Preferred Stock Warrants	52	244
Total Savvion, Inc.			6,305	6,496
Sportvision, Inc. (0.01%)	Software	Preferred Stock Warrants	39	50
Total Sportvision, Inc.			39	50
Talisma Corp. (0.11%)[4]	Software	Preferred Stock Warrants	49	449
Total Talisma Corp.			49	449

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CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2007

(dollars in thousands)

Portfolio Company	Industry	Type of Investment[1]	Principal Amount	Cost[2]	Value[3]
WildTangent, Inc. (0.50%)[4]	Software	Senior Debt Matures March 2011 Interest rate 9.65%	$ 2,000	1,766	1,766
		Preferred Stock Warrants		238	238
Total WildTangent, Inc.				2,004	2,004
Total Software (9.72%)				39,688	38,963
Agami Systems, Inc. (1.30%)[4]	Electronics & Computer Hardware	Senior Debt Matures August 2009 Interest rate 11.00%	$ 5,103	5,056	5,056
		Preferred Stock Warrants		86	137
Total Agami Systems, Inc.				5,141	5,193
Luminus Devices, Inc. (2.95%)[4]	Electronics & Computer Hardware	Senior Debt Matures August 2009 Interest rate 12.50%	$ 15,115	11,318	11,318
		Preferred Stock Warrants		183	113
		Preferred Stock Warrants		84	61
		Preferred Stock Warrants		334	334
Total Luminus Devices, Inc.				11,919	11,826
Maxvision Holding, LLC. (2.87%)[4]	Electronics & Computer Hardware	Senior Debt Matures May 2012 Interest rate Prime + 5.50%	$ 5,012	5,012	5,012
		Senior Debt Matures May 2012 Interest rate Prime + 2.25%	$ 5,500	5,000	5,000
		Revolving Line of Credit Matures September 2012 Interest rate Prime +2.25%	$ 972	1,472	1,472
Total Maxvision Holding, LLC				11,484	11,484
NetEffect, Inc. (0.61%)	Electronics &		$ 2,431	2,396	2,396

	Computer Hardware	Senior Debt Matures May 2010 Interest rate 11.95%			
		Preferred Stock Warrants		44	50
Total NetEffect, Inc.				2,440	2,446
Shocking Technologies, Inc. (0.02%)	Electronics & Computer Hardware	Preferred Stock Warrants		63	63
Total Shocking Technologies, Inc.				63	63
SiCortex, Inc. (2.52%)	Electronics & Computer Hardware	Senior Debt Matures December 2010 Interest rate 10.95%	$ 10,000	9,861	9,861
		Preferred Stock Warrants		164	230
Total SiCortex, Inc.				10,025	10,091

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CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2007

(dollars in thousands)

Portfolio Company	Industry	Type of Investment[1]	Principal Amount	Cost[2]	Value[3]
Spatial Photonics, Inc. (0.93%)[4]	Electronics & Computer Hardware	Senior Debt Matures May 2011 Interest rate 10.75%	$ 3,751	3,623	3,623
		Preferred Stock Warrants		130	126
Spatial Photonics, Inc. (0.12%)		Preferred Stock		500	500
Total Spatial Photonics Inc.				4,253	4,249
VeriWave, Inc. (1.35%)	Electronics & Computer Hardware	Senior Debt Matures May 2010 Interest rate 10.75%	$ 4,250	5,340	5,340
		Preferred Stock Warrants		54	85
Total VeriWave, Inc.				5,394	5,425
ViDeOnline Communications, Inc. (0.04%)[4]	Electronics & Computer Hardware	Preferred Stock Warrants		298	176
Total ViDeOnline Communications, Inc.				298	176
Total Electronics & Computer Hardware (12.71%)				51,017	50,953
Aegerion Pharmaceuticals, Inc. (2.48%)[4]	Specialty Pharmaceuticals	Senior Debt Matures August 2010 Interest rate Prime + 2.50%	$ 9,735	9,682	9,682
		Preferred Stock Warrants		69	243
Aegerion Pharmaceuticals, Inc. (0.25%)		Preferred Stock		1,000	1,000
Total Aegerion Pharmaceuticals, Inc.				10,752	10,925
Panacos Pharmaceuticals, Inc. (4.84%)[4]	Specialty Pharmaceuticals	Senior Debt Matures January 2011 Interest rate 11.20%	$ 20,000	19,270	19,270
		Common Stock Warrants		876	137
Panacos Pharmaceuticals, Inc. (0.04%)		Common Stock		410	158

Total Panacos Pharmaceuticals, Inc.				20,556	19,564
Quatrx Pharmaceuticals Company (3.60%)(4)	Specialty Pharmaceuticals	Senior Debt Matures January 2010 Interest rate Prime + 3.00%	$ 14,324	14,214	14,214
		Preferred Stock Warrants		220	193
Quatrx Pharmaceuticals Company (0.19%)		Preferred Stock		750	750
Total Quatrx Pharmaceuticals Company				15,184	15,157
Total Specialty Pharmaceuticals (11.40%)				46,492	45,646
BabyUniverse, Inc. (0.05%)(4)	Consumer & Business Products	Common Stock		267	219
Total BabyUniverse, Inc.				267	219

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CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2007

(dollars in thousands)

Portfolio Company	Industry	Type of Investment[1]	Principal Amount	Cost[2]	Value[3]
Market Force Information, Inc. (0.34%)[4]	Consumer & Business Products	Senior Debt Matures May 2009 Interest rate 10.45%	$ 1,294	1,284	1,284
		Preferred Stock Warrants		24	92
Market Force Information, Inc. (0.12%)		Preferred Stock		500	500
Total Market Force Information, Inc.				1,807	1,875
Wageworks, Inc. (0.12%)[4]	Consumer & Business Products	Preferred Stock Warrants		252	513
Wageworks, Inc. (0.05%)		Preferred Stock		250	209
Total Wageworks, Inc.				502	722
Total Consumer & Business Products (0.70%)				2,576	2,817
Ageia Technologies, Inc. (1.25%)[4]	Semiconductors	Senior Debt Matures August 2008 Interest rate 10.25%	$ 5,047	4,904	4,904
		Convertible Debt		124	124
		Preferred Stock Warrants		99	
Ageia Technologies, Inc. (0.00%)		Preferred Stock		500	
Total Ageia Technologies				5,627	5,028
Custom One Design, Inc. (0.26%)	Semiconductors	Senior Debt Matures September 2010 Interest rate 11.50%	$ 1,000	984	984
		Common Stock Warrants		18	43
Total Custom One Design, Inc.				1,002	1,027
iWatt Inc. (1.19%)[4]	Semiconductors	Senior Debt Matures September 2009 Interest rate Prime + 2.75%	$ 1,457	1,382	1,382
		Revolving Line of Credit Matures September 2007 Interest rate Prime + 1.75%	$ 3,235	3,235	3,235
		Preferred Stock Warrants		46	100

		Preferred Stock Warrants		51	51
Total iWatt Inc.				4,714	4,769
NEXX Systems, Inc. (3.26%)[(4)]	Semiconductors	Senior Debt Matures February 2010 Interest rate Prime + 2.75%	$ 4,557	4,438	4,438
		Revolving Line of Credit Matures December 2009 Interest rate Prime + 1.75%	$ 5,000	5,000	5,000
		Revolving Line of Credit Matures December 2009 Interest rate Prime + 3.75%	$ 3,000	3,000	3,000
		Preferred Stock Warrants		165	623
Total NEXX Systems, Inc.				12,602	13,061

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

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(dollars in thousands)

Portfolio Company	Industry	Type of Investment(1)	Principal Amount	Cost(2)	Value(3)
Quartics, Inc. (0.09%)(4)	Semiconductors	Senior Debt Matures August 2010 Interest rate 11.05%	$ 300	254	254
		Preferred Stock Warrants		53	114
Total Quartics, Inc.				307	369
Solarflare Communications, Inc. (0.19%)	Semiconductors	Senior Debt Matures August 2010 Interest rate 11.75%	$ 625	553	553
		Preferred Stock Warrants		83	194
Solarflare Communications, Inc. (0.12%)		Preferred Stock		500	500
Total Solarflare Communications, Inc.				1,137	1,247
Total Semiconductors (6.36%)				25,390	25,501
Labopharm USA, Inc. (3.74%)(4)(5)	Drug Delivery	Senior Debt Matures July 2008 Interest rate 11.95%	$ 15,000	14,547	14,547
		Preferred Stock Warrants		458	454
Total Labopharm USA, Inc.				15,006	15,001
Transcept Pharmaceuticals, Inc. (1.80%)(4)	Drug Delivery	Senior Debt Matures October 2009 Interest rate 10.69%	$ 6,993	6,944	6,944
		Preferred Stock Warrants		36	107
		Preferred Stock Warrants		51	173
Transcept Pharmaceuticals, Inc. (0.13%)		Preferred Stock		500	500
Total Transcept Pharmaceuticals, Inc.				7,530	7,724
Total Drug Delivery (5.67%)				22,536	22,725
BARRX Medical, Inc. (0.19%)	Therapeutic	Preferred Stock		1,500	758
Total BARRX Medical, Inc.				1,500	758
EKOS Corporation (1.28%)	Therapeutic	Senior Debt Matures November 2010 Interest rate Prime + 2.00%	$ 5,000	4,707	4,707
		Preferred Stock Warrants		175	282
		Preferred Stock Warrants		153	150

Total EKOS Corporation				5,035	5,139
Gynesonics, Inc. (0.01%)(4)	Therapeutic	Preferred Stock Warrants		18	40
Gynesonics, Inc. (0.06%)		Preferred Stock		250	250
Total Gynesonics, Inc.				268	290
Novasys Medical, Inc. (1.65%)(4)	Therapeutic	Senior Debt Matures January 2010 Interest rate 9.70%	$ 6,609	6,609	6,609
Total Novasys Medical, Inc.				6,609	6,609

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2007

(dollars in thousands)

Portfolio Company	Industry	Type of Investment[1]	Principal Amount	Cost[2]	Value[3]
Power Medical Interventions, Inc. (0.02%)	Therapeutic	Common Stock Warrants		21	58
Total Power Medical Interventions, Inc.				21	58
Total Therapeutic (3.21%)				13,432	12,853
Invoke Solutions, Inc. (0.56%)[4]	Internet Consumer & Business	Senior Debt Matures December 2008 Interest rate 11.25%	$ 2,187	2,155	2,155
	Services	Preferred Stock Warrants		56	73
		Preferred Stock Warrants		11	10
Total Invoke Solutions, Inc.				2,222	2,239
Prism Education Group Inc. (0.51%)	Internet Consumer & Business	Senior Debt Matures December 2010 Interest rate 11.25%	$ 2,000	1,964	1,964
	Services	Preferred Stock Warrants		43	66
Total Prism Education Group Inc.				2,007	2,030
RazorGator Interactive Group, Inc. (1.17%)[4]	Internet Consumer & Business	Senior Debt Matures January 2008 Interest rate 9.95%	$ 1,134	1,119	1,119
	Services	Preferred Stock Warrants		13	3,203
		Preferred Stock Warrants		28	362
RazorGator Interactive Group, Inc. (1.23%)		Preferred Stock		1,000	4,935
Total RazorGator Interactive Group, Inc.				2,160	9,619
Serious USA, Inc. (0.75%)	Internet Consumer & Business Services	Senior Debt Matures February 2011 Interest rate Prime + 3.00%	$ 2,450	2,370	2,370
		Revolving Line of Credit Matures July 2008 Interest rate Prime + 2.00%	$ 654	654	654
		Preferred Stock Warrants		93	5

Total Serious USA, Inc.				3,118	3,029
Total Internet Consumer & Business Services (4.22%)				9,507	16,918
Lilliputian Systems, Inc. (1.75%)[4]	Energy	Senior Debt Matures March 2010 Interest rate 9.75%	$ 6,956	6,931	6,931
		Preferred Stock Warrants		48	85
Total Lilliputian Systems, Inc.				6,979	7,016
Total Energy (1.75%)				6,979	7,016
Active Response Group, Inc. (2.50%)	Information Services	Senior Debt Matures March 2012 Interest rate LIBOR + 6.55%	$ 10,000	9,885	9,885
		Preferred Stock Warrants		92	83
		Common Stock Warrants		46	60
Total Active Response Group, Inc.				10,023	10,028

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CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2007

(dollars in thousands)

Portfolio Company	Industry	Type of Investment[1]	Principal Amount	Cost[2]	Value[3]
Buzznet, Inc. (0.25%)	Information Services	Senior Debt Matures March 2010 Interest rate 10.25%	$ 914	908	908
		Preferred Stock Warrants		9	86
Buzznet, Inc. (0.06%)		Preferred Stock		250	250
Total Buzznet, Inc.				1,167	1,244
hi5 Networks, Inc. (1.00%)	Information Services	Senior Debt Matures March 2011 Interest rate Prime + 2.5%	$ 3,000	2,789	2,789
		Revolving Line of Credit Matures June 2011 Interest rate 7.75%		1,000	1,000
		Preferred Stock Warrants		213	214
Total hi5 Networks, Inc.				4,002	4,003
Jab Wireless, Inc. (0.78%)	Information Services	Senior Debt Matures March 2012 Interest rate 10.75%	$ 3,097	2,834	2,834
		Preferred Stock Warrants		265	266
Total Jab Wireless, Inc.				3,098	3,099
Solutionary, Inc. (1.78%)	Information Services	Senior Debt Matures June 2010 Interest rate LIBOR + 5.50%	$ 5,528	5,454	5,454
		Revolving Line of Credit Matures June 2010 Interest rate LIBOR + 5.00%	$ 1,505	1,505	1,505
		Preferred Stock Warrants		94	150
		Preferred Stock Warrants		2	4
Solutionary, Inc. (0.06%)		Preferred Stock		250	250
Total Solutionary, Inc.				7,305	7,364
The Generation Networks, Inc. (4.12%)	Information Services	Senior Debt Matures March 2012 Interest rate Prime + 4.50%	$ 16,500	16,500	16,500
The Generation Networks, Inc. (0.12%)		Preferred Stock		500	500
Total The Generation Networks, Inc.				17,000	17,000
Wallop Technologies, Inc. (0.06%)	Information Services	Senior Debt Matures March 2010 Interest rate 10.00%	$ 223	218	218

	Preferred Stock Warrants	7	9
Total Wallop Technologies, Inc.		225	226

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2007

(dollars in thousands)

Portfolio Company	Industry	Type of Investment[1]	Principal Amount	Cost[2]	Value[3]
Zeta Interactive Corporation (3.74%)[4]	Information Services	Senior Debt Matures November 2011 Interest rate Prime + 2.00%	$ 15,000	6,828	6,828
		Senior Debt Matures November 2011 Interest rate Prime + 3.00%		8,000	8,000
		Preferred Stock Warrants		172	171
Zeta Interactive Corporation (0.12%)		Preferred Stock		500	500
Total Zeta Interactive Corporation				15,500	15,499
Total Information Services (14.59%)				58,320	58,464
Novadaq Technologies, Inc. (0.32%)	Diagnostic	Common Stock		1,626	1,284
Total Novadaq Technologies, Inc.				1,626	1,284
Optiscan Biomedical, Corp. (0.08%)[4]	Diagnostic	Senior Debt Matures March 2008 Interest rate 15.00%	$ 271	263	263
		Preferred Stock Warrants		80	47
Optiscan Biomedical, Corp. (0.18%)		Preferred Stock		1,000	722
Total Optiscan Biomedical, Corp.				1,344	1,032
Total Diagnostic (0.58%)				2,969	2,316
Guava Technologies, Inc. (1.77%)[4]	Biotechnology Tools	Senior Debt Matures July 2009 Interest rate Prime + 3.25%	$ 4,076	4,790	4,790
		Convertible Debt		250	250
		Revolving Line of Credit Matures December 2007 Interest rate Prime + 2.00%	$ 2,598	1,778	1,778
		Preferred Stock Warrants		105	200
		Preferred Stock Warrants		68	93
Total Guava Technologies, Inc.				6,992	7,111
NuGEN Technologies, Inc. (0.53%)	Biotechnology Tools	Senior Debt Matures March 2010 Interest rate 11.70%	$ 1,884	1,819	1,819
		Preferred Stock Warrants		45	253
		Preferred Stock Warrants		33	32

NuGEN Technologies, Inc. (0.12%)		Preferred Stock	500	500
Total NuGEN Technologies, Inc.			2,396	2,603
Total Biotechnology Tools (2.42%)			9,388	9,714
Rubicon Technology Inc. (0.69%)[4]	Advanced Specialty Materials & Chemicals	Preferred Stock Warrants	82	2,764
Total Rubicon Technology Inc.			82	2,764
Total Advanced Specialty Materials & Chemicals (0.69%)			82	2,764

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

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December 31, 2007

(dollars in thousands)

Portfolio Company	Industry	Type of Investment[(1)]	Principal Amount	Cost[(2)]	Value[(3)]
Crux Biomedical, Inc. (0.15%)	Surgical Devices	Senior Debt Matures December 2010 Interest rate Prime + 3.375%	$ 600	565	565
		Preferred Stock Warrants		37	36
Crux Biomedical, Inc. (0.06%)		Preferred Stock		250	250
Total Crux Biomedical, Inc.				851	851
Diomed Holdings, Inc. (1.49%)[(4)]	Surgical Devices	Senior Debt Matures July 2010 Interest rate Prime + 3.00%	$ 6,000	5,962	5,962
		Common Stock Warrants		43	8
Total Diomed Holdings, Inc.				6,005	5,970
Light Science Oncology, Inc. (2.50%)	Surgical Devices	Senior Debt Matures July 2011 Interest rate 11.20%	$ 10,000	9,605	9,605
		Preferred Stock Warrants		395	394
Total Light Science Oncology, Inc.				10,000	10,000
Total Surgical Devices (4.20%)				16,857	16,820
Waterfront Media Inc. (1.54%)[(4)]	Media/Content/ Info	Senior Debt Matures December 2010 Interest rate Prime + 3.00%	$ 3,941	3,898	3,898
		Revolving Line of Credit Matures March 2008 Interest rate Prime + 1.25%	$ 2,000	2,000	2,000
		Preferred Stock Warrants		60	294
Waterfront Media Inc. (0.25%)		Preferred Stock		1,000	1,000
Total Waterfront Media Inc.				6,958	7,193
Total Media/Content/Info (1.79%)				6,958	7,193
Total Investments (132.24%)				$ 519,450	$ 529,972

* 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 appreciation for federal income tax purposes totaled $18,555, $8,033 and $10,522, respectively.

(3) Except for warrants in ten publicly traded companies and common stock in four publicly traded companies, all investments are restricted at December 31, 2007 and were valued at fair value as determined in good faith by the Board of Directors. No unrestricted securities of the same issuer are outstanding. The Company uses the Standard Industrial Code for classifying the industry grouping of its portfolio companies.

(4) Debt and warrant investments of this portfolio company have been pledged as collateral under the Credit Facility. Citigroup has an equity participation right on loans collateralized under the Credit Facility. The value of their participation right on unrealized gains in the related equity investments was approximately $690,000 at December 31, 2007 and is included in accrued liabilities and reduces the unrealized gain recognized by the Company at December 31, 2007.

(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. All other investments are less than 5% owned.

See notes to consolidated financial statements.

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED STATEMENT OF OPERATIONS

(unaudited)

(in thousands, except per share data)

	Three Months Ended March 31, 2008	Three Months Ended March 31, 2007
Investment income:		
Interest	$ 14,239	$ 9,036
Fees	1,361	643
Total investment income	15,600	9,679
Operating expenses:		
Interest	1,851	686
Loan fees	382	266
General and administrative	1,241	1,308
Employee Compensation:		
Compensation and benefits	2,799	1,940
Stock-based compensation	327	254
Total employee compensation	3,126	2,194
Total operating expenses	6,600	4,454
Net investment income	9,000	5,225
Net realized gain on investments	2,958	290
Net (decrease) increase in unrealized appreciation on investments	(921)	816
Net realized and unrealized gain	2,037	1,106
Net increase in net assets resulting from operations	$ 11,037	$ 6,331
Net investment income before investment gains and losses per common share:		
Basic	$ 0.28	$ 0.23
Diluted	$ 0.28	$ 0.23
Change in net assets per common share:		
Basic	$ 0.34	$ 0.28
Diluted	$ 0.34	$ 0.27
Weighted average shares outstanding		
Basic	32,629	22,871
Diluted	32,639	23,120

See notes to consolidated financial statements (unaudited).

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

(unaudited)

(in thousands)

	Common Stock		Capital in Excess of par value	Deferred Stock Compensation	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
	Shares	Par Value							
Balance at December 31, 2006	21,927	$ 22	$ 257,235	$	$ 2,861	$ (1,972)	$ (2,733)	$	$ 255,413
Net increase net assets resulting from operations					816	290	5,225		6,331
Issuance of common stock	12		166						166
Issuance of common stock in public offering overallotment exercise	840	1	10,851						10,852
Issuance of common stock from warrant exercises	256		2,707						2,707
Issuance of common stock under dividend reinvestment plan	56		783						783
Dividends declared							(6,895)		(6,895)
Conversion to a regulated investment company and other tax items									
Stock-based compensation			254						254
Balance at March 31, 2007	23,091	$ 23	$ 271,996	$	$ 3,677	$ (1,682)	$ (4,403)	$	$ 269,611
Balance at December 31, 2007	32,541	$ 33	$ 393,530	$ (79)	$ 10,129	$ 819	$ (3,556)	$ (139)	$ 400,737
Net increase in net assets resulting from operations					(921)	2,958	9,000		11,037
Issuance of common stock	2		21						21
Issuance of common stock under dividend reinvestment plan									
Issuance of common stock under restricted stock plan	225		2,745	(2,745)					
Dividends declared							(9,763)		(9,763)
Stock-based compensation			327	75					402
Balance at March 31, 2008	32,768	$ 33	$ 396,623	$ (2,748)	$ 9,208	$ 3,777	$ (4,320)	$ (139)	$ 402,434

See notes to consolidated financial statements (unaudited).

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

(unaudited)

(in thousands)

	Three Months Ended March 31, 2008	2007
Cash flows from operating activities:		
Net increase in net assets resulting from operations	$ 11,037	$ 6,331
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by (used in) operating activities:		
Purchase of investments	(49,791)	(80,231)
Principal payments received on investments	48,875	21,898
Proceeds from sale of investments	3,757	873
Net unrealized appreciation (depreciation) on investments	578	(871)
Net unrealized appreciation on investments due to lender	343	55
Net realized gain on investments	(2,958)	(290)
Warrant values for loans not funded		(139)
Accretion of paid-in-kind principal	(184)	
Accretion of loan discounts	(1,012)	(474)
Accretion of loan exit fees	(3)	(283)
Depreciation	60	47
Stock-based compensation	327	254
Amortization of restricted stock	74	
Common stock issued in lieu of director compensation	21	166
Amortization of deferred loan origination revenue	(1,042)	(662)
Change in operating assets and liabilities:		
Interest receivable	(443)	(786)
Prepaid expenses and other assets	117	(751)
Income tax receivable		29
Accounts payable	(174)	575
Income tax payable	(132)	
Accrued liabilities	(3,489)	(1,714)
Deferred loan origination revenue	1,418	1,524
Net cash provided by (used in) operating activities	7,379	(54,449)
Cash flows from investing activities:		
Purchases of capital equipment	(247)	(87)
Other long-term assets		173
Net cash provided by (used in) investing activities	(247)	86
Cash flows from financing activities:		
Proceeds from issuance of common stock, net		13,560
Dividends paid	(9,763)	(6,113)
Borrowings of credit facilities	33,700	87,000
Repayments of credit facilities	(25,000)	(15,000)

Fees paid for credit facilities and debentures	(121)	
Net cash provided by (used in) financing activities	(1,184)	79,447
Net increase in cash	5,948	25,084
Cash and cash equivalents at beginning of period	7,856	16,404
Cash and cash equivalents at end of period	$ 13,804	$ 41,488

See notes to consolidated financial statements (unaudited).

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

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

Hercules Technology Growth Capital, Inc. (the Company) is a specialty finance company that provides debt and equity growth capital to technology-related and life-science companies at all stages of development from seed and emerging growth to expansion and established stages of development, including expanding into select publicly listed companies and lower middle market companies. The Company sources its investments through its principal office located in Silicon Valley, as well as through its additional offices in the Boston, Massachusetts, Boulder, Colorado, Chicago, Illinois, San Diego, California and Columbus, Ohio areas. 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 4).

The Company formed Hercules Technology II, L.P. (HT II), which was licensed on September 27, 2006, to operate as a Small Business Investment Company (SBIC) under the authority of the Small Business Administration (SBA). As an SBIC, the Fund is subject to a variety of regulations concerning, among other things, the size and nature of the companies in which it may invest and the structure of those investments. The Company also formed Hercules Technology SBIC Management, LLC (HTM), a limited liability company. HTM is a wholly-owned subsidiary of the Company. The Company is the sole limited partner of HT II and HTM is the general partner (see Note 3).

In December 2006, the Company established Hydra Management LLC and Hydra Management Co. Inc., a general partner and investment management group, respectively, should it determine in the future to pursue a relationship with an externally managed fund. These entities are currently inactive.

The consolidated financial statements include the accounts of the Company and its subsidiaries. All inter-company accounts and transactions have been eliminated in consolidation. The accompanying consolidated interim financial statements are presented in conformity with U.S. generally accepted accounting principles (U.S. GAAP) for interim financial information, and pursuant to the requirements for reporting on Form 10-Q and Article 10 of Regulation S-X under the Securities Act of 1933 and the Securities Exchange Act of 1934. Accordingly, certain disclosures accompanying annual consolidated financial statements prepared in accordance with U.S. GAAP are omitted. In the opinion of management, all adjustments consisting solely of normal recurring accruals considered necessary for the fair presentation of consolidated financial statements for the interim period, have been included. The current period s results of operations are not necessarily indicative of results that ultimately may be achieved for the year. Therefore, the interim unaudited consolidated financial statements and notes should be read in conjunction with the audited consolidated financial statements and notes thereto for the period ended December 31, 2007. Financial statements prepared on a U.S. GAAP basis require management to make estimates and assumptions that affect the amounts and disclosures reported in the consolidated financial statements and accompanying notes. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed herein.

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(unaudited)

2. Investments

All investments are recorded at fair value with any changes in fair value recognized in the statement of consolidated operations as net increase (decrease) in unrealized appreciation. Value is defined in Section 2(a)(41) of the 1940 Act, as (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. Because the Company invests primarily in structured mezzanine debt investments (debt) and equity growth capital (equity) of privately-held technology-related and life-science companies backed by leading venture capital and private equity firms, the Company values substantially all of its investments at fair value, as determined in good faith by the Board of Directors in accordance with established valuation policies and consistently applied procedures and the recommendations of the Valuation Committee of the Board of Directors. At March 31, 2008, approximately 97% of the Company s total assets represented investments in portfolio companies of which greater than 99% are valued at fair value by the Board of Directors.

Estimating fair value requires that judgment be applied to the specific facts and circumstances of each portfolio investment. The Company determines fair value to be the amount for which an investment could be exchanged in a current sale, which assumes an orderly disposition over a reasonable period of time between willing parties other than in a forced or liquidation sale. The Company s valuation policy considers the fact that no ready market exists for substantially all of the securities in which it invests. Fair value established in good faith by the Board of Directors may differ significantly from the values that would have been used had a ready market for the securities existed, and the differences could be material. In addition, changes in the market environment and other events that may occur over the life of the investments may cause the gains or losses ultimately realized on these investments to be different than the valuations currently assigned.

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

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

An unrealized loss is recorded when an investment has decreased in value, including: where collection of a loan is doubtful, there is an adverse change in the underlying collateral or operational performance, there is a change in the borrower s ability to pay, or there are other factors that lead to a determination of a lower valuation for the debt or equity security. Conversely, unrealized appreciation is recorded when the investment has appreciated in value. Securities that are traded in the over the counter markets or on a stock exchange will be valued at the prevailing bid price at period end. The Board of Directors estimates the fair value of warrants and other equity-related securities in good faith using a Black-Scholes pricing model and consideration of the issuer s earnings, sales to third parties of similar securities, the comparison to publicly traded securities, and other factors.

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(unaudited)

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value, outlines a fair value hierarchy based on inputs used to measure fair value and enhances disclosure requirements for fair value measurements. SFAS 157 does not change existing guidance as to whether an instrument is carried at fair value. The Company adopted SFAS 157 for the quarter ending March 31, 2008. SFAS 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Company has categorized all investments recorded at fair value in accordance with SFAS 157 based upon the level of judgment associated with the inputs used to measure their fair value. Hierarchical levels, defined by SFAS 157 and directly related to the amount of subjectivity associated with the inputs to fair valuation of these assets and liabilities, are as follows:

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

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

Level 3 Inputs reflect management s best estimate of what market participants would use in pricing the asset at the measurement date. It includes prices or valuations that require inputs that are both significant to the fair value measurement and unobservable. Generally, assets carried at fair value and included in this category are the debt investments and warrants held in a private company. For loan and debt securities, the Company has performed a yield analysis assuming a hypothetical current sale of the security. The yield analysis considers changes in interest rates and changes in leverage levels of the portfolio company as compared to the market interest rates and leverage levels. Assuming the credit quality of the portfolio company remains stable, the Company will use the value determined by the yield analysis as the fair value for that security.

The Company will record unrealized depreciation on investments when it determines that the fair value of a security is less than its cost basis, and will record unrealized appreciation when it determines that the fair value is greater than its cost basis.

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:

Assets at Fair Value as of March 31, 2008

(in thousands) Description	3/31/2008	Quoted Prices In Active Markets For Idendtial Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Senior secured debt	$ 468,140	$	$	$ 468,140
Senior debt-second lien	11,717			11,717
Preferred stock	24,546			24,546
Common stock	2,000	2,000		
Warrants	24,360		2,999	21,361
	$ 530,763	$ 2,000	$ 2,999	$ 525,764

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(unaudited)

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

At March 31, 2008 and December 31, 2007, the Company had investments in two portfolio companies deemed to be Affiliates. One investment is a non income producing equity investment and one portfolio company became an Affiliate on December 17, 2007 upon a restructure of the company. Income derived from these investments was less than $38,000 since these investments became Affiliates.

Security transactions are recorded on the trade-date basis.

A summary of the composition of the Company s investment portfolio as of March 31, 2008 and December 31, 2007 at fair value is shown as follows:

	March 31, 2008		December 31, 2007	
(in thousands)	**Investments at Fair Value**	**Percentage of Total Portfolio**	**Investments at Fair Value**	**Percentage of Total Portfolio**
Senior debt with warrants	$ 432,038	81.4%	$ 429,760	81.1%
Senior debt	59,700	11.2%	61,483	11.6%
Preferred stock	24,546	4.6%	23,265	4.4%
Senior debt-second lien with warrants	12,057	2.3%	12,078	2.3%
Common Stock	2,000	0.4%	2,938	0.5%
Subordinated debt with warrants	422	0.1%	448	0.1%
	$ 530,763	100.0%	$ 529,972	100.0%

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

	March 31, 2008		December 31, 2007	
(in thousands)	**Investments at Fair Value**	**Percentage of Total Portfolio**	**Investments at Fair Value**	**Percentage of Total Portfolio**

United States	$ 501,439	94.5.%	$ 512,724	96.8%
Canada	15,950	3.0%	15,001	2.8%
Israel	13,374	2.5%	2,247	0.4%
	$ 530,763	100.0%	$ 529,972	100.0%

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(unaudited)

The following table shows the fair value of our portfolio by industry sector at March 31, 2008 and December 31, 2007 (excluding unearned income):

	March 31, 2008		December 31, 2007	
(in thousands)	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
Communications & networking	$ 116,477	21.9%	$ 114,014	21.5%
Drug discovery	90,092	17.0%	95,294	18.0%
Information services	65,038	12.3%	58,464	11.0%
Electronics & computer hardware	50,192	9.5%	50,953	9.6%
Specialty pharmaceuticals	43,651	8.2%	45,646	8.6%
Software	34,705	6.5%	38,963	7.4%
Semiconductors	24,214	4.6%	25,501	4.8%
Drug delivery	22,806	4.3%	22,725	4.3%
Biotechnology tools	19,095	3.6%	9,714	1.8%
Internet consumer & business services	17,181	3.2%	16,918	3.2%
Therapeutic	13,572	2.6%	12,853	2.4%
Media/Content/Info	12,132	2.3%	7,193	1.4%
Surgical Devices	7,748	1.5%	16,821	3.2%
Energy	6,573	1.2%	7,016	1.3%
Consumer & business products	5,471	1.0%	2,817	0.5%
Diagnostic	1,816	0.3%	2,316	0.5%
Advanced Specialty Materials & Chemicals		0.0%	2,764	0.5%
	$ 530,763	100.0%	$ 529,972	100.0%

During the three-month period ended March 31, 2008, the Company made investments in debt securities totaling approximately $49.1 million and made investments in equity securities of approximately $700,000.

During the three-month period ended March 31, 2008, the Company realized gains of approximately $3.1 million from the sale of common stock of one advanced specialty materials and chemicals company and approximately $400,000 from the acquisition of one software company and one medical device and equipment company. The Company recognized realized losses in the first quarter of 2008 of approximately $566,000 on the acquisition of one semiconductor company.

During the quarter ended March 31, 2008, the Company revised the marketability discount it applies to its private company warrants. As a result of the revision to the discounts applied to the warrants, it recognized an unrealized gain of approximately $5.3 million during the quarter representing an increase to net assets from operations of approximately $0.16 per share.

Loan origination and commitment fees received in full at the inception of a loan are deferred and amortized into fee income as an enhancement to the related loan s yield over the contractual life of the loan. Loan exit fees to be paid at the termination of the loan are accreted into fee income over the contractual life of the loan. These fees are reflected as adjustments to the loan yield in accordance with Statement of Financial Standards No. 91, *Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring loans and Initial Direct Costs of Leases* (FAS 91). The Company had approximately $7.0 million and $6.6 million of unamortized fees at March 31, 2008 and December 31, 2007, respectively, and approximately $2.0 million and $2.0 million in exit fees receivable at March 31, 2008 and December 31, 2007, respectively.

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(unaudited)

While not significant to the total debt investment portfolio, the Company has loans in its portfolio that contain a payment-in-kind (PIK) provision. The PIK interest, computed at the contractual rate specified in each loan agreement, is added to the principal balance of the loan and recorded as interest income. To maintain the Company s status as a RIC, this non-cash source of income must be paid out to stockholders in the form of dividends even though the Company has not yet collected the cash. Amounts necessary to pay these dividends may come from available cash or the liquidation of certain investments. The Company recorded approximately $186,000 and $381,000 in PIK income at March 31, 2008 and December 31, 2007, respectively.

In some cases, the Company collateralizes its investments by obtaining a first priority security interest in a portfolio companies assets, which may include their intellectual property. In other cases, the Company may obtain a negative pledge covering a company s intellectual property. At March 31, 2008, approximately 33 portfolio company loans were secured by a first priority security in all of the assets of the portfolio company, 43 portfolio company loans were prohibited from pledging or encumbering their intellectual property and one portfolio company with a second lien facility. See Part II Item 1A Risk Factors.

3. Borrowings

The Company, through Hercules Funding Trust I, an affiliated statutory trust, has a securitized credit facility (the Credit Facility) with Citigroup Global Markets Realty Corp. and Deutsche Bank Securities Inc. The Credit Facility is a one year facility and is renewable on May 1, 2008 with an interest rate of LIBOR plus a spread of 1.20% and a borrowing capacity of $250 million. The Company paid a structuring fee of $375,000 which will be expensed ratably through maturity. At March 31, 2008, the Company had $72.9 million outstanding under the Credit Facility.

The Credit Facility is collateralized by loans from the Company s portfolio companies, and includes an advance rate of approximately 55% of eligible loans. The Credit Facility contains covenants that, among other things, require the Company to maintain a minimum net worth and to restrict the loans securing the Credit Facility to certain dollar amounts, to concentrations in certain geographic regions and industries, to certain loan grade classifications, to certain security interests, and to certain interest payment terms. Citigroup has an equity participation right through a warrant participation agreement on the pool of loans and warrants collateralized under the Credit Facility. Pursuant to the warrant participation agreement, the Company granted to Citigroup a 10% participation in all warrants held as collateral. However, no additional warrants are 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 equals $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. During the three-month period ended March 31, 2008, the Company recorded an additional liability and reduced its unrealized gains by approximately $399,000 to account for Citigroup s participation in unrealized gains in the warrant portfolio. The value of their participation right on unrealized gains in the related equity investments since inception of the agreement was approximately $1.1 million at March 31, 2008 and is included in accrued liabilities and reduces the unrealized appreciation recognized by the Company at March 31, 2008. Since inception of the agreement, the Company has paid Citigroup approximately $680,000 under the warrant participation agreement, thereby reducing its realized gains by that amount.

As of March 31, 2008, the Company, through its special purpose entity (SPE), had transferred pools of loans and warrants with a fair value of approximately $273.5 million to Hercules Funding Trust I and had drawn $72.9 million under the Credit Facility. Transfers of loans have not met the requirements of Statement of

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(unaudited)

Financial Accounting Standards (SFAS) No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, for sales treatment and are, therefore, treated as secured borrowings, with the transferred loans remaining in investments and the related liability recorded in borrowings. The average debt outstanding under the Credit Facility for the quarter ended March 31, 2008 was approximately $77.3 million and the average interest rate was approximately 4.5%, excluding facility fees.

The Company plans to aggregate pools of funded loans using the Credit Facility or other conduits that it may seek until a sufficiently large pool of unfunded loans is created which can then be securitized at a later date. The Company expects that any loans included in a securitization facility will be securitized on a non-recourse basis with respect to the credit losses on the loans. There can be no assurance that the Company will be able to complete this securitization strategy, or that it will be successful.

In January 2005, the Company formed HT II and HTM. HT II is licensed as a SBIC. HT II borrows funds from the SBA against eligible investments and additional deposits to regulatory capital. Under the Small Business Investment 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 March 31, 2008, the maximum statutory limit on the dollar amount of outstanding SBA guaranteed debentures issued by a single SBIC is $127.2 million, subject to periodic adjustments by the SBA. With $63.6 million of regulatory capital as of March 31, 2008, HT II has the current capacity to issue up to a total of $127.2 million of SBA guaranteed debentures, subject to the payment of a 1% commitment fee to the SBA on the amount of the commitment. Currently, HT II has paid commitment fees of approximately $1.3 million and has a commitment from the SBA to issue a total of $127.2 million of SBA guaranteed debentures, of which approximately $70.1 million was outstanding as of March 31, 2008. There is no assurance that HT II will 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 20.0% 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 subsidiary HT II, the Company plans to provide long-term loans to qualifying small businesses, and in connection therewith, make equity investments. HT II is periodically examined and audited by the SBA s staff to determine its compliance with SBIC regulations. As of March 31, 2008, HT II could draw up to $127.2 million of leverage from the SBA as noted above. Borrowings under the program are charged interest based on ten year treasury rates plus a spread and the rates are generally set for a pool of debentures issued by the SBA in six month periods. The rate for the $12 million of borrowings originated from March 13, 2007 to September 10, 2007 was set by the SBA as announced on September 26, 2007 at 5.528%. The rate for the $58.1 million borrowings made after September 10, 2007 through March 13, 2008 was set by the SBA as announced on March 26, 2008 at 5.471%. In addition, the SBA charges an annual 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 2008 and 2007 annual fee has been set at 0.906%. Interest

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(unaudited)

payments are payable semi-annually and there are no principal payments required on these issues prior to maturity. Debentures under the SBA generally mature ten years after being borrowed.

At March 31, 2008 and December 31, 2007, the Company had the following borrowing capacity and outstandings:

	March 31, 2008		December 31, 2007	
(in thousands)	**Facility Amount**	**Amount Outstanding**	**Facility Amount**	**Amount Outstanding**
Credit Facility	$ 250,000	$ 72,900	$ 250,000	$ 79,200
SBA Debenture	127,200	70,050	127,200	55,050
Total	$ 377,200	$ 142,950	$ 377,200	$ 134,250

4. Income taxes

The Company intends to continue to operate so as to qualify to be taxed as a RIC under the Code and, as such, the Company is not subject to federal income tax on the portion of its taxable income and gains distributed to stockholders. To qualify as a RIC, the Company is required, among other requirements, to distribute at least 90% of its annual investment company taxable income, as defined by the Code. The amount to be paid out as a dividend is determined by the Board of Directors each quarter and is based upon the annual earnings estimated by the management of the Company. To the extent that the Company s earnings fall below the amount of dividends declared, however, a portion of the total amount of the Company s dividends for the fiscal year may be deemed a return of capital for tax purposes to the Company s stockholders.

Taxable income includes the Company s taxable interest, dividend and fee income, as well as taxable net capital gains. Taxable income generally differs from net income for financial reporting purposes due to temporary and permanent differences in the recognition of income and expenses, and generally excludes net unrealized appreciation or depreciation, as gains or losses are not included in taxable income until they are realized. In addition, gains realized for financial reporting purposes may differ from gains included in taxable income as a result of the Company s election to recognize gains using installment sale treatment, which generally results in the deferment of gains for tax purposes until notes or other amounts, including amounts held in escrow, received as consideration from the sale of investments are collected in cash. Taxable income includes non-cash income, such as changes in accrued and reinvested interest and dividends, which includes contractual payment-in-kind interest, and the amortization of discounts and fees. Cash collections of income resulting from contractual PIK interest or the amortization of discounts and fees generally occur upon the repayment of the loans or debt securities that include such items. Non-cash taxable income is reduced by non-cash expenses, such as realized losses and depreciation and amortization expense.

For the quarter ended March 31, 2008, the Company declared a distribution of $0.34 per share. The determination of the tax attributes of the Company s distributions is made annually as of the end of the Company s fiscal year based upon its taxable income for the full year and distributions paid for the full year, therefore a determination made on a quarterly basis may not be representative of the actual tax attributes of its distributions for a full year. If the Company had determined the tax attributes of its distributions year-to-date as of March 31, 2008, approximately $0.30 or 100.0% would be from ordinary income and split over earnings from 2007, however there can be no certainty to shareholders that this determination is representative of what the tax attributes of its 2008 distributions to shareholders will actually be.

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

At December 31, 2007, the Company had excess taxable income of approximately $4.2 million available for distribution to shareholders in 2008. Excess taxable income for 2007 represents ordinary income and capital gains.

In accordance with regulated investment company distribution rules, the Company is required to declare current year dividends to be paid from carried over excess taxable income from 2007 before the Company files its 2007 tax return in September, 2008, and the Company must pay such dividends by December 31, 2008.

5. 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 January 2005 the Company notified its shareholders of its intent to elect to be regulated as a BDC. In conjunction with the Company s decision to elect to be regulated as a BDC, approximately 55% of the 5 Year Warrants were subject to mandatory cancellation under the terms of the Warrant Agreement with the warrant holder receiving one share of common stock for every two warrants cancelled and the exercise price of all warrants was adjusted to the then current net asset value of the common stock, subject to certain adjustments described in the Warrant Agreement. In addition, the 1 Year Warrants became subject to expiration immediately prior to the Company s election to become a BDC, unless exercised. Concurrent with the announcement of the BDC election, the Company reduced the exercise price of all remaining 1 and 5 Year Warrants from $15.00 to $10.57. On February 22, 2005, the Company cancelled 47% of all outstanding 5 Year Warrants and issued 298,598 shares of common stock to holders of warrants upon exercise. In addition, the majority of shareholders owning 1 Year Warrants exercised them, and purchased 1,175,963 of common shares at $10.57 per share, for total consideration to the Company of $12,429,920. All unexercised 1 Year Warrants were then cancelled. The outstanding 5 Year Warrants will expire in June 2009.

A summary of activity in the 5 Year Warrants initially attached to units issued for the three months ended March 31, 2008 is as follows:

	Five-Year Warrants
Outstanding at December 31, 2007	371,937
Warrants issued	
Warrants cancelled	
Warrants exercised	
Outstanding at March 31, 2008	371,937

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

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The Company received net proceeds of approximately $2.7 million from the exercise of the 5-Year Warrants in the period ended March 31, 2007.

On January 3, 2007, in connection with the December 12, 2006 common stock issuance, the underwriters exercised their over-allotment option and purchased an additional 840,000 shares of common stock for additional net proceeds of approximately $10.9 million.

On June 4, 2007, the Company raised approximately $102.2 million, net of issuance costs, in a public offering of 8.0 million shares of its common stock. On June 19, 2007, in connection with the same common stock issuance, the underwriters exercised their over-allotment option and purchased an additional 1.2 million shares of common stock for additional net proceeds of approximately $15.4 million.

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

In conjunction with the amendment and in accordance with the exemptive order, on June 21, 2007 the Company made an automatic grant of shares of restricted common stock to Messrs. Badavas, Chow and Woodward, its independent Board of Directors, in the amounts of 1,667, 1,667 and 3,334 shares, respectively. The shares were issued pursuant to the 2006 Plan on July 31, 2007 and vest 33% on an annual basis from the date

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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of grant. Deferred compensation cost of approximately $91,000 will be recognized ratably over the three year vesting period.

During the three months ended March 31, 2008, the Company granted approximately 225,000 restricted shares pursuant to the 2004 Plan and vest 25% on an annual basis from the date of grant. Deferred compensation cost of approximately $2.7 million will be recognized ratably over the four year vesting period. During the three months ended March 31, 2008 the Company recognized compensation expense related to restricted stock of approximately $75,000. There was no compensation expense related to restricted stock during the three months ended March 31, 2007.

In 2004, each employee stock option to purchase two shares of common stock was accompanied by a warrant to purchase one share of common stock within one year and a warrant to purchase one share of common stock within five years. Both options and warrants had an exercise price of $15.00 per share on date of grant. On January 14, 2005, the Company notified all shareholders of its intent to elect to be regulated as a BDC and reduced the exercise price of all remaining 1 and 5 Year Warrants from $15.00 to $10.57 but did not reduce the strike price of the options (see Note 5). The unexercised one-year warrants expired and 55% of the five-year warrants were cancelled immediately prior to the Company s election to become a BDC.

A summary of common stock options and warrant activity under the Company s 2006 and 2004 Plans for the three months ended March 31 is as follows:

	Common Stock Options	Five-Year Warrants
Outstanding at December 31, 2007	2,920,513	10,692
Granted	1,031,836	
Exercised		
Cancelled		
Outstanding at March 31, 2008	3,952,349	10,692
Weighted-average exercise price at March 31, 2008	$ 13.17	$ 10.57

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 March 31, 2008, options for approximately 1.9 million shares were exercisable at a weighted average exercise price of approximately $13.17 per share with a weighted average exercise term of 4.5 years. The outstanding five year warrants have an expected life of five years.

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

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The Company determined that the fair value of options and warrants granted under the 2006 and 2004 Plan during the three month periods ended March 31, 2008 and 2007 was approximately $1.0 million and 1.3 million, respectively. During the three month periods ended March 31, 2008 and 2007, approximately $327,000 and $254,000 of share-based cost was expensed, respectively. As of March 31, 2008, there was approximately $2.1 million of total unrecognized compensation costs related to stock options. These costs are expected to be recognized over a weighted average period of 2.0 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 month periods ended March 31, 2008 and 2007:

	2008	2007
Expected Volatility	24%	24%
Expected Dividends	8%	8%
Expected term (in years)	4.5	4.5
Risk-free rate	2.27% - 2.69%	4.47% - 4.88%

7. Earnings per Share

Shares used in the computation of the Company s basic and diluted earnings per share are as follows:

(in thousands, except per share data)	Three months ended March 31, 2008	2007
Net increase in net assets resulting from operations	$ 11,037	$ 6,331
Weighted average common shares outstanding	32,629	22,871
Change in net assets per common share - basic	$ 0.34	$ 0.28
Net increase (decrease) in net assets resulting from operations	$ 11,037	$ 6,331
Weighted average common shares outstanding	32,629	22,871
Dilutive effect of warrants and stock options	10	249
Weighted average common shares outstanding, assuming dilution	32,639	23,120
Change in net assets per common share - assuming dilution	$ 0.34	$ 0.27

The calculation of change in net assets per common share assuming dilution, excludes all anti-dilutive shares. For the three month periods ended March 31, 2008 and 2007, 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 3.9 million and 988,000 shares, respectively.

8. Related-Party Transactions

During February 2007, Farallon Capital Management, L.L.C and its related affiliates and Manuel Henriquez, the Company s CEO, exercised warrants to purchase 132,480 and 75,075 shares of the Company s common stock, respectively. The exercise price of the warrants was $10.57 per share resulting in net proceeds to the company of approximately $2.2 million.

In conjunction with the Company s public offering completed on June 4, 2007 and the related overallotment exercise, the Company agreed to pay JMP Securities LLC a fee of approximately $1.6 million as co-manager of the offering.

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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In connection with the sale of public equity investments, the Company paid JMP Securities LLC approximately $3,300 in brokerage commissions during the three month periods ended March 31, 2008. The Company did not pay any brokerage commissions during the three months ended March 31, 2007.

9. Financial Highlights

Following is a schedule of financial highlights for the three months ended March 31, 2008 and 2007:

(in thousands, except per share data)	Three Months Ended March 31, 2008	2007
Per share data:		
Net asset value at beginning of period	$ 12.31	$ 11.65
Net investment income	0.28	0.23
Net realized gain on investments	0.09	0.01
Net unrealized appreciation on investments	(0.03)	0.04
Total from investment operations	0.34	0.28
Net increase/(decrease) in net assets from capital share transactions	(0.08)	0.04
Distributions	(0.30)	(0.30)
Stock-based compensation expense included in investment income[(1)]	0.01	0.01
Net asset value at end of period	$ 12.28	$ 11.68
Ratios and supplemental data:		
Per share market value at end of period	$ 10.86	$ 13.70
Total return	-5.26%[(2)]	-1.74%[(2)]
Shares outstanding at end of period	32,768	23,091
Weighted average number of common shares outstanding	32,629	22,871
Net assets at end of period	$ 402,434	$ 269,611
Ratio of operating expense to average net assets (annualized)	6.53%	6.70%
Ratio of net investment income before investment gains and losses to average net assets (annualized)	8.91%	7.87%
Average debt outstanding	$ 139,337	$ 38,211
Weighted average debt per common share	$ 4.27	$ 1.67
Portfolio turnover	0.70%	0.29%

(1) Stock option expense is a non-cash expense that has no effect on net asset value. Pursuant to Financial Accounting Standards No. 123R, net investment loss includes the expense associated with the granting of stock options which is offset by a corresponding increase in paid-in capital.

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

10. 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 unused commitments to extend credit at March 31, 2008 totaled approximately $128.4 million. Since this commitment may expire without being drawn upon, the total commitment amount does not necessarily represent future cash requirements.

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

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Certain premises are leased under agreements which expire at various dates through December 2013. Total rent expense amounted to approximately $218,000 and $151,000 during the three-month periods ended March 31, 2008 and 2007, respectively.

The following table shows our contractual obligations as of March 31, 2008:

(in thousands)		**Payments due by period**			
Contractual Obligations[1]	**Total**	**Less than 1 year** [2][3]	**1-3 years**	**4-5 years**	**After 5 years**
Borrowings[4]	$ 142,950	$ 72,900	$	$	$ 70,050
Operating Lease Obligations	3,913	841	2,102	970	
Total	$ 146,863	$ 73,741	$ 2,102	$ 970	$ 70,050

(1) Excludes commitments to extend credit to our portfolio companies.
(2) Borrowings under the Credit Facility are listed based on the contractual maturity of the credit facility. Actual repayments could differ significantly due to prepayments by the Company s existing portfolio companies, modifications of current agreements with existing portfolio companies and modification of the credit facility.
(3) The Company also has a warrant participation agreement with Citigroup. See Note 3.
(4) Includes borrowings under the Credit Facility and the SBA debentures.

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.

11. Recent Accounting Pronouncements

In September 2006, the FASB issued SFAS 157. SFAS 157 defines fair value, establishes a framework for measuring fair value, outlines a fair value hierarchy based on inputs used to measure fair value and enhances disclosure requirements for fair value measurements. SFAS 157 does not change existing guidance as to whether an instrument is carried at fair value.

SFAS 157 also (i) nullifies the guidance in EITF 02-3 that precluded recognition of a trading profit at the inception of a derivative contract, unless the fair value of such derivative was obtained from a quoted market price or other valuation technique incorporating observable imputs; (ii) clarifies that an issuer s credit standing should be considered when measuring liabilities at fair value; (iii) precludes the use of a liquidity or block discount when measuring instruments trading in an active market at fair value; and (iv) requires costs related to acquiring financial instruments carried at fair value to be included in earnings as incurred.

The Company adopted SFAS 157 effective January 1, 2008. No material change to the Company s financial statements resulted from its adoption of SFAS 157. For additional information regarding the Company s adoption of SFAS 157 see Note 2, Investments, to the Consolidated Financial Statements.

In February 2007, the FASB issued Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of FASB Statement No. 115.* This statement permits an entity to choose to measure many financial instruments and certain other items at fair value. This statement applies to all reporting entities, and contains financial statement presentation and disclosure requirements for assets and liabilities reported at fair value as a consequence of the election. This statement is effective for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years.

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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12. Subsequent Events

On May 8, 2008 the Board of Directors declared a dividend of $0.34 per share for the first quarter, payable on June 16, 2008 to shareholders of record as of May 16, 2008.

On May 7, 2008, the Company amended and renewed its Credit Facility with Citigroup and Deutsche Bank providing for a borrowing capacity of $135.0 million and extending the expiration date to October 31, 2008. Under the terms of the agreement, the Company paid a renewal fee of approximately $1.3 million, interest on all borrowings was set at LIBOR plus a spread of 5.0%, and a fee of 2.50% that will be charged on any unused portion of the facility. The Credit Facility is collateralized by loans from the Company s portfolio companies, and includes an advance rate of approximately 45% of eligible loans. The Credit Facility contains covenants that, among other things, require the Company to maintain a minimum net worth and to restrict the loans securing the Credit Facility to certain dollar amounts, to concentrations in certain geographic regions and industries, to certain loan grade classifications, to certain security interests, and to certain interest payment terms. The Company is also in preliminary discussions with other large national banks who are interested in potentially providing us with additional debt capital.

On April 22, 2008, GlaxoSmithKline announced that the company has entered into a definitive agreement with Sirtris Pharmaceuticals to acquire the company for approximately $720 million through a cash tender offer of $22.50 per share. The acquisition has been approved by the board of directors of each company and is subject to customary closing conditions, including the tender of at least a majority of Sirtris shares and clearance under the Hart-Scott-Rodino Antitrust Improvements Act. The parties anticipate that the tender offer will be commenced in early May and close in the second quarter of 2008. Upon the closing of the acquisition, the Company anticipates a realized gain of approximately $2.2 million, or $0.07 per share.

On May 7, 2008, Gomez, Inc. announced that it has filed a registration statement with the SEC relating to a proposed initial public offering of shares of its common stock.

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PART C OTHER INFORMATION

Item 25. Financial Statements and Exhibits

1. *Financial Statements*

The following financial statements of Hercules Technology Growth Capital, Inc. (the Company or the Registrant) are included in this registration statement in Part A Information Required in a Prospectus :

AUDITED FINANCIAL STATEMENTS

UNAUDITED FINANCIAL STATEMENTS

2. *Exhibits*

Exhibit Number	**Description**
a.1	Articles of Amendment and Restatement. (2)
a.2	Articles of Amendment. (12)
b	Amended and Restated Bylaws. (2)
d	Specimen certificate of the Company s common stock, par value $.001 per share. (3)
e	Form of Dividend Reinvestment Plan. (4)
f.1	Credit Agreement dated as of April 12, 2005 between Hercules Technology Growth Capital, Inc. and Alcmene Funding, L.L.C. (2)
f.2	Pledge and Security Agreement dated as of April 12, 2005 between Hercules Technology Growth Capital, Inc. and Alcmene Funding, L.L.C. (2)

f.3	First Amendment to Credit and Pledge Security Agreement dated August 1, 2005 between Hercules Technology Growth Capital, Inc. and Alcmene Funding L.L.C. (5)
f.4	Loan Sale Agreement between Hercules Funding LLC and Hercules Technology Growth Capital, Inc. dated as of August 1, 2005. (5)

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Exhibit Number	Description
f.5	Sale and Servicing Agreement among Hercules Funding Trust I, Hercules Funding LLC, Hercules Technology Growth Capital, Inc., U.S. Bank National Association and Lyon Financial Services, Inc. dated as of August 1, 2005. (5)
f.6	Indenture between Hercules Funding Trust I and U.S. Bank National Association dated as of August 1, 2005. (5)
f.7	Note Purchase Agreement among Hercules Funding Trust I, Hercules Funding I LLC, Hercules Technology Growth Capital, Inc. and Citigroup Global Markets Realty Corp. dated as of August 1, 2005. (5)
f.8	Second Amendment to Credit and Pledge and Security Agreement by and among Hercules Technology Growth Capital, Inc. and Alcmene Funding, L.L.C., as lender and administrative agent for the lenders, dated March 6, 2006. (6)
f.9	First Omnibus Amendment by and among Hercules Funding Trust I, Hercules Funding I, LLC, Hercules Technology Growth Capital, Inc., U.S. Bank National Association, Lyon Financial Services, Inc. and Citigroup Global Markets Realty Corp. dated March 6 2006. (6)
f.10	Intercreditor Agreement among Hercules Technology Growth Capital, Inc., Alcmene Funding, L.L.C. and Citigroup Global Markets Realty Corp. dated as of March 6, 2006. (6)
f.11	Warrant Participation Agreement between the Company and Citigroup Global Markets Realty Corp. dated as of August 1, 2005. (7)
f.12	Second Amendment to Warrant Participation Agreement dated as of October 16, 2006. (7)
f.13	Third Amendment to Sale and Servicing Agreement among Hercules Funding Trust I, Hercules Funding LLC, Hercules Technology Growth Capital, Inc., U.S. Bank National Association and Lyon Financial Services, Inc., dated as of July 28, 2006. (8)
f.14	Second Omnibus Amendment by and among Hercules Funding Trust I, Hercules Funding I, LLC, Hercules Technology Growth Capital, Inc., U.S. Bank National Association, Lyon Financial Services, Inc. and Citigroup Global Markets Realty Corp. dated December 6, 2006. (9)
f.15	Fifth Amendment to Sale and Servicing Agreement by and among Hercules Funding Trust I, Hercules Funding I, LLC, Hercules Technology Growth Capital, Inc., U.S. Bank National Association, Lyon Financial Services, Inc. and Citigroup Global Markets Realty Corp. dated March 30, 2007. (13)
f.16	Amended and Restated Sale and Servicing Agreement by and among Hercules Funding Trust I, Hercules Funding I LLC, the Company, U.S. Bank National Association, Lyon Financial Services, Inc., Citigroup Global Markets Inc., and Deutsche Bank AG dated as of May 2, 2007. (14)
f.17	Fourth Amendment to the Warrant Participation Agreement dated as of May 2, 2007. (15)
f.18	Amended and Restated Note Purchase Agreement by and among the Company, Hercules Funding Trust I, Hercules Funding I LLC, and Citigroup Global Markets, Inc. dated as of May 2, 2007. (15)
f.19*	First Amendment to Amended and Restated Note Purchase Agreement by and among the Company, Hercules Funding Trust I, Hercules Funding I LLC, and Citigroup Global Markets, Inc. dated as of May 7, 2008.
f.20*	Second Amendment to Amended and Restated Sale and Servicing Agreement by and among Hercules Funding Trust I, Hercules Funding I LLC, the Company, U.S. Bank National Association, Lyon Financial Services, Inc., Citigroup Global Markets Inc., and Deutsche Bank AG dated as of May 7, 2008.

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Exhibit Number	Description
h.1***	Form of Underwriting Agreement.
i.1	Hercules Technology Growth Capital, Inc. 2004 Equity Incentive Plan (2007 Amendment and Restatement). (11)
i.2	Hercules Technology Growth Capital, Inc. 2006 Non-Employee Director Plan (2007 Amendment and Restatement). (16)
i.3	Form of Incentive Stock Option Award under the 2004 Equity Incentive Plan. (2)
i.4	Form of Nonstatutory Stock Option Award under the 2004 Equity Incentive Plan. (2)
i.5	Form of Restricted Stock Award under the 2004 Equity Incentive Plan. (2)
j	Form of Custody Agreement between the Company and Union Bank of California. (2)
k.1	Form of Registrar Transfer Agency and Service Agreement between the Company and American Stock Transfer & Trust Company. (2)
k.2	Warrant Agreement dated June 22, 2004 between the Company and American Stock Transfer & Trust Company, as warrant agent. (1)
k.3	Side Letter dated February 2, 2004 between the Company and Jolson Merchant Partners Group LLC (now known as JMP Group LLC). (1)
k.4	Registration Rights Agreement dated June 22, 2004 between the Company and JMP Securities LLC. (1)
k.5	Letter Agreement dated February 22, 2005 between the Company and JMP Asset Management LLC. (2)
k.6	Letter Agreement dated February 22, 2005 between the Company and Farallon Capital Management, L.L.C. (2)
k.7	Subscription Agreement among Hercules Technology Growth Capital, Inc. and the subscribers named therein dated March 2, 2006. (6)
k.8	Registration Rights Agreement among Hercules Technology Growth Capital, Inc. and the purchasers named therein dated March 2, 2006. (6)
k.9	Lease Agreement dated June 13, 2006 between the Company and 400 Hamilton Associates. (10)
l***	Opinion of Sutherland Asbill & Brennan LLP.
n.1*	Consent of Ernst & Young LLP.
n.2*	Consent of Sutherland Asbill & Brennan LLP (included in Exhibit l).
n.3	Report of Independent Registered Public Accounting Firm. (17)
n.4	Consent of VentureOne. (17)
p	Subscription Agreement dated February 2, 2004 between the Company and the subscribers named therein. (2)
r	Code of Ethics. (2)

* Filed herewith.
*** To be filed by Amendment.
(1) Previously filed as part of the Registration Statement on Form N-2 of the Company, as filed on February 22, 2005.

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(2) Previously filed as part of Pre-Effective Amendment No. 1, as filed on May 17, 2005 (File No. *333-122950*) to the Registration Statement on Form N-2 of the Company.
(3) Previously filed as part of Pre-Effective Amendment No. 2, as filed on June 8, 2005 (File No. *333-122950*) to the Registration Statement on Form N-2 of the Company.
(4) Previously filed as part of Post-Effective Amendment No. 1, as filed on June 10, 2005 (File No. *333-122950*) to the Registration Statement on Form N-2 of the Company.
(5) Previously filed as part of the Current Report on Form 8-K of the Company, as filed on August 5, 2005.
(6) Previously filed as part of Post-Effective Amendment No. 3, as filed on March 9, 2006 (File No. *333-126604*) to the Registration Statement on Form N-2 of the Company.
(7) Previously filed as part of the Pre-Effective Amendment No. 1, as filed on October 17, 2006 (File No. *333-136918)* to the Registration Statement on Form N-2 of the Company.
(8) Previously filed as part of the Current Report on Form 8-K of the Company, as filed on July 28, 2006.
(9) Previously filed as part of the Current Report on Form 8-K of the Company, as filed on December 6, 2006.
(10) Previously filed as part of the Current Report on Form 8-K of the Company, as filed on August 1, 2006.
(11) Previously filed as part of the Securities to be Offered to Employees in Employee Benefit Plans on Form S-8, as filed June 22, 2007.
(12) Previously filed as part of the Current Report on Form 8-K of the Company, as filed March 9, 2007.
(13) Previously filed as part of the Current Report on Form 8-K of the Company, as filed April 3, 2007.
(14) Previously filed as part of the Current Report on Form 8-K of the Company, as filed May 5, 2007.
(15) Previously filed as part of the Pre-Effective Amendment No. 1, as filed May 15, 2007 (File No. 333-141828), to the Registration Statement on Form N-2 of the Company.
(16) Previously filed as part of the Securities to be Offered to Employees in Employee Benefit Plans on Form S-8, as filed October, 10, 2007.
(17) Previously filed as part of the Registration Statement on Form N-2 of the Company, as filed on April 23, 2008.

Item 26. Marketing Arrangements

The information contained under the heading Plan of Distribution of the prospectus is incorporated herein by reference, and any information concerning any underwriters will be contained in any prospectus supplement, if any, accompanying this prospectus.

Item 27. Other Expenses of Issuance and Distribution

The following table sets forth the estimated expenses payable by us in connection with the offering (excluding placement fees):

	Amount
SEC registration fee	$ 4,233
FINRA filing fee	11,271
Nasdaq listing fee	65,000
Accounting fees and expenses	150,000
Legal fees and expenses	250,000
Printing expenses	100,000
Miscellaneous	19,496
Total	600,000

The amounts set forth above, except for the SEC and FINRA fees, are in each case estimated.

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Item 28. Persons Controlled by or Under Common Control

Hercules Technology SBIC Management, LLC is a wholly-owned subsidiary of the Company. Hercules Technology SBIC Management, LLC is the general partner of Hercules Technology II, L.P. and the Company owns substantially all of the limited partnership interests in Hercules Technology II, L.P. Hercules Funding I LLC, a Delaware limited liability company, is a wholly-owned subsidiary of the Company. Hercules Funding I LLC holds all the ownership interests of Hercules Funding Trust I, a Delaware statutory trust. Hydra Management LLC is a wholly owned subsidiary formed in Delaware, and Hydra Management Co., Inc., a Delaware corporation is a wholly owned subsidiary. Hercules Technology Management Co. II, Inc. is a wholly owned subsidiary formed in Delaware. Accordingly, the Company may be deemed to control, directly or indirectly, the following entities:

Name	Jurisdiction of Organization
Hercules Technology SBIC Management, LLC	Delaware
Hercules Technology II, L.P.	Delaware
Hercules Funding I LLC	Delaware
Hercules Funding Trust I	Delaware
Hydra Management LLC	Delaware
Hydra Management Co., Inc.	Delaware
Hercules Technology Management Co., Inc.	Delaware

Item 29. Number of Holder of Securities

The following table sets forth the approximate number of shareholders of the Company s common stock as of April 17, 2008:

Title of Class	Number of Record Holders
Common stock, par value $.001 per share	11,078
Warrants to purchase shares of common stock	20

Item 30. Indemnification

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. The Registrant s 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.

The Registrant s charter authorizes the Registrant, to the maximum extent permitted by Maryland law and subject to the requirements of the 1940 Act, to obligate itself to indemnify any present or former director or officer or any individual who, while a director or officer of the Registrant and at its 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 that person may become subject or which that person may incur by reason of his or her service in any such capacity and, under certain circumstances and provided certain conditions have been met, to pay or reimburse their reasonable expenses in advance of final disposition of a proceeding. The Registrant s bylaws obligate the Registrant, 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 of the Registrant and at its 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

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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 and, under certain circumstances and provided certain conditions have been met, to pay or reimburse their reasonable expenses in advance of final disposition of a proceeding. The charter and bylaws also permit the Registrant to indemnify and, under certain circumstances and provided certain conditions have been met, advance expenses to any person who served a predecessor of the Registrant in any of the capacities described above and any of the Registrant s employees or agents or any employees or agents of its predecessor. In accordance with the 1940 Act, the Registrant will not indemnify any person for any liability to which such person would be subject by reason of such person s willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his office. Additionally, the Registrant will not indemnify any person 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 the best interests of the Registrant.

Maryland law requires a corporation (unless its charter provides otherwise, which the Registrant s charter does not) to indemnify a director or officer who has been successful, on the merits or otherwise, 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, 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.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Company pursuant to the provisions described above, or otherwise, the Company has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Company of expenses incurred or paid by a director, officer or controlling person in the successful defense of an action, suit or proceeding) is asserted by a director, officer or controlling person in connection with the securities being registered, the Company will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

In addition, we have agreed to indemnify, to the maximum extent permitted by Maryland law and the 1940 Act, representatives of JMP Asset Management LLC and Farallon Capital Management, L.L.C. on terms similar to those afforded to our directors and officers under our charter and bylaws in connection with their activities in evaluating our investment opportunities prior to our election to be regulated as a business development company.

The Company carries liability insurance for the benefit of its directors and officers (other than with respect to claims resulting from the willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his or her office) on a claims-made basis of up to $3,000,000, subject to a $250,000 retention and the other terms thereof.

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The Company has agreed to indemnify the underwriters against specified liabilities for actions taken in their capacities as such, including liabilities under the Securities Act of 1933, as amended.

Item 31. Business and Other Connections of Investment Advisor

Not applicable.

Item 32. Location of Accounts and Records

The Company maintains at its principal office physical possession of each account, book or other document required to be maintained by Section 31(a) of the 1940 Act and the rules thereunder.

Item 33. Management Services

Not applicable.

Item 34. Undertakings

We hereby undertake:

(1) to suspend the offering of shares until the prospectus is amended if (i) subsequent to the effective date of this registration statement, the net asset value declines more than ten percent from the net asset value as of the effective date of this registration statement, or (ii) the net asset value increases to an amount greater than the net proceeds as stated in the prospectus;

(2) to file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) to include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) to reflect in the prospectus any facts or events after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement; and

(iii) to include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

(3) that, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of those securities at that time shall be deemed to be the initial *bona fide* offering thereof;

(4) to remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering; and

(5) that, for the purpose of determining liability under the Securities Act of 1933 to any purchaser, if the Registrant is subject to Rule 430C [17 CFR 230.430C]: Each prospectus filed pursuant to Rule 497(b), (c), (d) or (e) under the Securities Act of 1933 [17 CFR 230.497(b), (c), (d) or (e)] as part of a registration statement relating to an offering, other than prospectuses filed in reliance on Rule 430A under the Securities Act of 1933 [17 CFR 230.430A], shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness. *Provided, however*, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.

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(6) that for the purpose of determining liability of the Registrant under the Securities Act of 1933 to any purchaser in the initial distribution of securities: The undersigned Registrant undertakes that in a primary offering of securities of the undersigned Registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned Registrant will be a seller to the purchaser and will be considered to offer or sell such securities to the purchaser:

(i) any preliminary prospectus or prospectus of the undersigned Registrant relating to the offering required to be filed pursuant to Rule 497 under the Securities Act of 1933 [17 CFR 230.497];

(ii) the portion of any advertisement pursuant to Rule 482 under the Securities Act of 1933 [17 CFR 230.482] relating to the offering containing material information about the undersigned Registrant or its securities provided by or on behalf of the undersigned Registrant; and

(iii) any other communication that is an offer in the offering made by the undersigned Registrant to the purchaser.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Palo Alto, and State of California, on the 5th day of June, 2008.

HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

/s/ MANUEL A. HENRIQUEZ
Manuel A. Henriquez

Chairman of the Board, President and

Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ MANUEL A. HENRIQUEZ **Manuel A. Henriquez**	Chairman of the Board, President and Chief Executive Officer (principal executive officer)	June 5, 2008
/s/ DAVID M. LUND **David M. Lund**	Chief Financial Officer (principal financial and accounting officer)	June 5, 2008
* **Allyn C. Woodward, Jr.**	Director	June 5, 2008
* **Joseph W. Chow**	Director	June 5, 2008
* **Robert P. Badavas**	Director	June 5, 2008

* Signed by Manuel A. Henriquez as attorney-in-fact.