HERCULES TECHNOLOGY GROWTH CAPITAL INC
Form 497
September 14, 2007
Table of Contents

Filed Pursuant to Rule 497
Registration Statement No. 333-141828

PROSPECTUS SUPPLEMENT TO PROSPECTUS DATED MAY 16, 2007

12,000,000 Shares

Common Stock

This prospectus supplement supplements the prospectus dated May 16, 2007, relating to our offer, from time to time, of up to 12,000,000 shares of our common stock in one or more offerings, by providing certain information regarding our second quarter 2007 financial results. As of the date of this prospectus supplement, we have issued 9,200,000 shares of the common stock for total proceeds to us of approximately $117,990,000.

Please read this prospectus supplement, and the accompanying prospectus, before investing, and keep it for future reference. The prospectus supplement and the accompanying prospectus contain important information about us that a prospective investor should know before investing in our common stock. We file annual, quarterly and current reports, proxy statements and other information about us with the Securities and Exchange Commission. This information is available free of charge by contacting us at 400 Hamilton Avenue, Suite 310, Palo Alto, California 94301, or by telephone by calling collect at (650) 289-3060 or on our website at www.herculestech.com. The information on our website is not incorporated by reference into this prospectus or the accompanying prospectus. The SEC also maintains a website at www.sec.gov that contains such information.

An investment in our common stock involves risks, including the risk of a total loss of investment. In addition, the companies in which we invest are subject to special risks. See Risk Factors beginning on page 12 of the accompanying prospectus to read about risks that you should consider before investing in our common stock, including the risk of leverage.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus supplement is September 14, 2007.

Table of Contents

TABLE OF CONTENTS

You should rely only on the information contained in this document or to which we have referred you. We have not authorized anyone to provide you with information that is different. This document may only be used where it is legal to sell these securities. The information in this document may only be accurate on the date of this document.

This document is in two parts. The first part is this prospectus supplement, which updates certain information in the accompanying prospectus by providing information regarding our second quarter 2007 Financial results. The second part is the accompanying prospectus, which gives additional information. To the extent the information contained in this prospectus supplement, differs from the information contained in the accompanying prospectus the information in this prospectus supplement shall control.

Unless the context requires otherwise, in this prospectus supplement the terms we, us, and/or the Company refer to Hercules Technology Growth Capital, Inc. and its subsidiaries.

This prospectus supplement is part of a registration statement that we have filed with the Securities and Exchange Commission using the shelf registration process. Under the shelf registration process, which constitutes a delayed offering in reliance on Rule 415 under the Securities Act of 1933, as amended, we may offer, from time to time, up to 12,000,000 shares of common stock on terms to be determined at the time of the offering. The common stock may be offered at prices and on terms described in one or more supplements to the prospectus. The prospectus provides you with a general description of the common stock that we may offer. Each time we use the prospectus to offer common stock, we will provide a prospectus supplement that will contain specific information about the terms of that offering. Please carefully read the prospectus and any such supplements together with the additional information described under Where You Can Find Additional Information in the Prospectus Summary and Risk Factors sections before you make an investment decision.

A prospectus supplement may also add, update or change information contained in the prospectus.

Table of Contents

INTERIM MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following analysis of the financial condition and results of operations of the Company should be read in conjunction with the Company s Consolidated Financial Statements and the Notes thereto included herein and in the Company s annual report on Form 10-K for the year ended December 31, 2006.

Forward-Looking Statements

The information set forth in this report includes forward-looking statements. Such statements may include, but are not limited to: projections of revenues, income or loss, capital expenditures, plans for product development and cooperative arrangements, future operations, financing needs, or plans of Hercules, as well as assumptions relating to the foregoing. The terms may, will, should, expects, plans, anticipates, could, target, projects, contemplates, believes, estimates, predicts, potential, or continue, or the negatives of these terms, or other similar e generally identify forward-looking statements.

The forward-looking statements made in this Form 10-Q speak only to events as of the date on which the statements are made. You should not place undue reliance on such forward-looking statements, as substantial risks and uncertainties could cause actual results to differ materially from those projected in or implied by these forward-looking statements due to a number of risks and uncertainties affecting its business. The forward-looking statements contained in this Form 10-Q are made as of the date hereof, and Hercules assumes no obligation to update the forward-looking statements for subsequent events.

Overview

We are a specialty finance company that provides debt and equity growth capital to technology-related companies at all stages of development. We primarily finance privately-held companies backed by leading venture capital and private equity firms and also may finance certain publicly-traded companies. We source our investments through our principal office located in Silicon Valley, as well as our additional offices in the Boston, Boulder, Chicago, Costa Mesa and Columbus areas. Our goal is to be the leading structured mezzanine capital provider of choice for venture capital and private equity backed technology-related and life science companies requiring sophisticated and customized financing solutions. Our strategy is to evaluate and invest in a broad range of companies active in the technology and life science industries and to offer a full suite of growth capital products up and down the capital structure. We invest primarily in structured mezzanine debt and, to a lesser extent, in senior debt and equity investments. We use the term structured mezzanine debt investment to refer to any debt investment, such as a senior or subordinated secured loan, that is coupled with an equity component, including warrants, options or rights to purchase common or preferred stock. Our structured mezzanine debt investments will typically be secured by some or all of the assets of the portfolio company.

Our investment objective is to maximize our portfolio s total return by generating current income from our debt investments and capital appreciation from our equity-related investments. We are an internally managed, non-diversified closed-end investment company that has elected to be regulated as a business development company under the 1940 Act. As a business development company, we are required to comply with certain regulatory requirements. For instance, we generally have to invest at least 70% of our total assets in qualifying assets, including securities of private U.S. companies, cash, cash equivalents, U.S. government securities and high-quality debt investments that mature in one year of less.

We may engage in the asset management business by providing investment advisory services to externally managed funds that may be formed in the future. We may, from time to time, serve as the investment manager of such funds and may receive management and other fees for such services. Such funds may have overlapping investment objectives and may invest in asset classes similar to those targeted by us.

Portfolio and Investment Activity

The total value of our investment portfolio was $416.7 million at June 30, 2007 as compared to $283.2 million at December 31, 2006. During the three and six-month periods ended June 30, 2007, we made debt commitments to 15 and 29 portfolio companies totaling $143.1 million and $249.6, respectively. We funded $99.4 million to 23 companies and $177.8 million to 39 companies during the three and six-month periods ended June 30, 2007, respectively. During the three and six-month periods ended June 30, 2007, we also received normal principal repayments of approximately $16.7 million and $27.8 million, and early repayments and recoveries of $11.7 million and $13.5 million from five and seven companies, respectively, We also received pay downs of $9.1 million on working capital lines of credit for the six month period ended June 30, 2007. We did not receive any working capital paydowns during the three month period ended June 30, 2007. We also made equity investments in two and six portfolio companies totaling $1.0 million and $2.8 million during the three and six-month periods ended June 30, 2007, respectively, and sold one equity investment with a fair value of $500,000 during the six month period

Table of Contents

ended June 30, 2007. At June 30, 2007, our equity investments have a fair value of approximately $11.8 million. At June 30, 2007, we had unfunded contractual commitments of $111.1 million to 31 portfolio companies. In addition, as of June 30, 2007, we executed non-binding term sheets with six prospective portfolio companies, representing approximately $47.9 million. These proposed investments are subject to completion of our due diligence and final approval process, as well as the negotiation of definitive documentation with the prospective portfolio companies. Not all non-binding term sheets are expected to close and do not necessarily represent future cash requirements.

Total portfolio investment activity (exclusive of unearned income) as of and for the period ended June 30, 2007 was as follows:

	June 30,
($ in millions)	**2007**
Beginning Portfolio	$ 283.2
Purchase of investments	177.8
Equity Investments	2.8
Sale of Equity Investments	(0.5)
Principal payments received on investments	(27.8)
Early pay-offs and recoveries	(22.6)
Accretion of loan discounts	1.5
Net realized and unrealized change in investments	2.3
Ending Portfolio	$ 416.7

The following table shows the fair value of our portfolio of investments by asset class as of June 30, 2007 and December 31, 2006 (excluding unearned income):

	June 30, 2007		December 31, 2006	
($ in millions)	**Investments at Fair Value**	**Percentage of Total Portfolio**	**Investments at Fair Value**	**Percentage of Total Portfolio**
Senior debt with warrants	$ 391.4	93.9%	$ 273.2	96.5%
Senior debt-second lien with warrants	$ 12.4	3.0%		%
Subordinated debt with warrants	1.1	0.2%	1.9	0.7%
Preferred stock	9.8	2.4%	8.1	2.8%
Common Stock	2.0	0.5%		0.0%
	$ 416.7	100.0%	$ 283.2	100.0%

Table of Contents

A Summary of the company s investment portfolio at value by geographic location is as follows.

	June 30, 2007		December 31, 2006	
($ in millions)	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
United States	$ 406.4	97.5%	$ 269.0	95.0%
Canada	6.2	1.5%	10.5	3.7%
Israel	4.1	1.0%	3.7	1.3%
	$ 416.7	100.0%	$ 283.2	100.0%

The following table shows the fair value of our portfolio by industry sector at June 30, 2007 and December 31, 2006 (excluding unearned income):

	June 30, 2007		December 31, 2006	
($ in millions)	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
Communications & networking	$ 88.7	21.3%	$ 19.5	6.9%
Drug discovery	88.4	21.2%	75.0	26.5%
Software	38.6	9.3%	40.4	14.3%
Specialty pharmaceuticals	37.1	8.9%	18.0	6.4%
Electronics & computer hardware	29.7	7.1%	30.6	10.8%
Semiconductors	22.6	5.4%	15.9	5.6%
Consumer & business products	19.7	4.7%	21.9	7.7%
Information services	16.7	4.0%		0.0%
Therapeutic	16.7	4.0%	13.4	4.7%
Drug delivery	14.1	3.4%	16.6	5.9%
Internet consumer & business services	11.7	2.8%	11.7	4.1%
Energy	8.5	2.1%	8.5	3.0%
Advanced Specialty Materials & Chemicals	8.1	1.9%		0.0%
Biotechnology tools	6.4	1.6%	5.8	2.0%
Media/Content/Info	5.0	1.2%		0.0%
Diagnostic	4.7	1.1%	5.9	2.1%
	$ 416.7	100.0%	$ 283.2	100.0%

We use an investment grading system, which grades each debt investment on a scale of 1 to 5, to characterize and monitor our expected level of risk on the debt investments in our portfolio with 1 being the highest quality. The following table shows the distribution of our outstanding debt investments on the 1 to 5 investment grading scale at fair value as of June 30, 2007 and December 31, 2006:

	June 30, 2007		December 31, 2006	
($ in millions)	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
Investment Grading				
1	$ 21.2	5.4%	$ 9.2	3.5%
2	296.0	75.9	220.4	82.6
3	63.2	16.2	29.3	11.0
4	9.7	2.5	7.8	2.9

5

	$ 390.1	100.0%	$ 266.7	100.00%

As of June 30, 2007, our investments had a weighted average investment grading of 2.16 as compared to 2.14 at December 31, 2006. Our policy is to reduce the grading on our portfolio companies as they approach the point in time when they will require additional equity capital. Additionally, we may downgrade our portfolio companies if they are not meeting our financing criteria and their respective business plans. Various companies in our portfolio will require additional funding in the near term or have not met their business plans and have therefore been downgraded until the funding is complete or their operations improve.

Table of Contents

The weighted average yield to maturity of our loan obligations was approximately 12.75%. Yields to maturity are computed using interest rates as of June 30, 2007 and include amortization of loan facility fees, commitment fees and market premiums or discounts over the expected life of the debt investments, weighted by their respective costs when averaged and are based on the assumption that all contractual loan commitments have been fully funded.

We generate revenue in the form of interest income, primarily from our investments in debt securities, and commitment and facility fees. Fees generated in connection with our debt investments are recognized over the life of the loan or, in some cases, recognized as earned. In addition, we generate revenue in the form of capital gains, if any, on warrants or other equity-related securities that we acquire from our portfolio companies. Our investments generally range from $1.0 million to $25.0 million, with an average initial principal balance of between $3.0 million and $7.0 million. Our debt investments have a term of between two and seven years and typically bear interest at a rate ranging from 8.0% to 14.0% (based on current interest rate conditions). In addition to the cash yields received on our loans, in some instances, our loans may also include any of the following: end-of-term payments, PIK interest exit fees, balloon payment fees, or prepayment fees, and diligence fees, which may be required to be included in income prior to receipt. In some cases, we collateralize our investments by obtaining security interests in our portfolio companies assets, which may include their intellectual property. In other cases, we may obtain a negative pledge covering a company s intellectual property. See Part II Item 1A Risk Factors. At June 30, 2007, approximately 29 portfolio company loans were secured by a first priority security in all of the assets of the portfolio company and 38 portfolio company loans were prohibited from pledging or encumbering their intellectual property. Interest on debt securities is generally payable monthly, with amortization of principal typically occurring over the term of the security for emerging-growth and expansion-stage companies. In addition, certain loans may include an interest-only period ranging from three to twelve months. In limited instances in which we choose to defer amortization of the loan for a period of time from the date of the initial investment, the principal amount of the debt securities and any accrued but unpaid interest become due at the maturity date. Our mezzanine debt investments also generally have equity enhancement features, typically in the form of warrants or other equity-related securities designed to provide us with an opportunity for capital appreciation.

As of June 30, 2007, we have received warrants in connection with our debt investments in each portfolio company, and have realized gains on five warrant positions. We currently hold warrants in 70 portfolio companies, with a fair value of approximately $14.7 million included in the investment portfolio of $416.7 million. The fair value of the warrant portfolio has increased by 116.0% to $14.7 million as compared to the fair value of $6.8 million at June 30, 2006. These warrant holdings would allow us to invest approximately $41.5 million if such warrants are exercised.

Results of Operations

Comparison of the Three and Six-Month Periods Ended June 30, 2007 and 2006

Operating Income

Interest income totaled approximately $11.8 and $20.8 million for the three and six-month periods ended June 30, 2007, respectively, compared with $6.2 and $11.8 for the three and six-month periods ended June 30, 2006. Income from commitment and facility fees totaled approximately $1.5 and $2.1 million for the three and six-month periods ended June 30, 2007, respectively, as compared with approximately $612,000 and $1.5 million for the three and six-month periods ended June 30, 2006. The increases in investment income and income from commitment and facility fees for both periods presented are the result of higher average loan balances outstanding due to origination activity and yield from the related investments.

At June 30, 2007, we had approximately $4.9 million of deferred revenue related to commitment and facility fees, as compared to approximately $3.2 million as of June 30, 2006. We expect to generate additional interest income and loan fees as we continue to originate additional investments.

Operating Expenses

Operating expenses totaled approximately $6.0 million and $10.5 million during the three and six-month periods ended June 30, 2007, respectively, compared with $4.3 and $8.8 million during the three and six-month periods ended June 30, 2006, respectively. Operating expenses for the three and six-month periods ended June 30, 2007 included interest expense, loan fees and unused commitment fees under the Credit Facility of approximately $2.0 and $3.0 million, respectively, compared with $1.6 and $3.6 million for the three and six-month periods ended June 30, 2006, respectively. The increase in interest expense and loan fees was due to the higher average debt outstanding during the three months ended June 30, 2007 as compared to the same period in 2006. The expense was lower for the six month period of 2007 compared to 2006 due to a lower average debt balance and lower average interest rate. Employee compensation and benefits were approximately $2.0 and $4.0 million during the three and six-month periods ended June 30, 2007, respectively, compared with $1.1 and $2.3 million during the three and six-month periods ended June 30, 2006, respectively. The increase in compensation expense was directly related to increasing our number of employees from 19 employees at June 30, 2006 to 35 employees at June 30, 2007. General and administrative expenses increased to $1.7 and $3.0 million for the three and six-month periods ended June 30, 2007, up from $1.4 and $2.6 million during the three and six-month periods ended June 30, 2006, primarily due to increased legal expense related to workouts in two portfolio companies, professional service costs related to our status as a public company and the creation of our SBIC subsidiaries as well as increased business development expenses. In addition, we incurred approximately $293,000 and $547,000 of stock-based compensation expense during the three and six-month periods ended June 30, 2007, as compared to $130,000 and $253,000 in 2006, respectively.

Table of Contents

Net Investment Income Before Income Tax Expense and Investment Gains and Losses

Net investment income before provision for income tax expense for the three and six-month periods ended June 30, 2007 totaled $7.2 and $12.5 million, respectively, as compared with net investment income before provision for income tax expense of approximately $2.5 and $4.5 million for the three and six-month periods ended June 30, 2006. The changes are made up of the items described above under Operating Income and Operating Expenses.

Net Investment Gains/Losses

During the three month period ended June 30, 2007, we generated a net realized loss totaling approximately $272,000 due to the write-off of the warrant values in one portfolio company. This brings the total net realized gains to approximately $17,000 for the six month period ended June 30. 2007. During the three month period ended June 30, 2006, we generated a net realized gain totaling approximately $1.6 million due to the recovery of approximately $1.4 million on one portfolio company as well as the sale of equity and warrants of approximately $155,000 in one portfolio company. During the six month period ended June 30, 2006, we generated a net realized loss totaling approximately $141,000 due to the sale of equity and warrants in two portfolio companies totaling approximately $1.2 million offset by a loss of $1.4 million in one portfolio company.

We anticipate ten to twelve liquidity events from our portfolio companies in the current fiscal year. During the first six months of 2007 we have had two portfolio companies acquired, one completed its IPO, two portfolio companies filed registration statements for their IPO s of which one was subsequently withdrawn, and three other portfolio companies are in various stages of M&A discussions.

For the three and six-month periods ended June 30, 2007, net unrealized investment appreciation totaled approximately $1.4 and $2.2 million respectively, compared to net unrealized depreciation of approximately $1.5 million for the three month period ended June 30, 2006 and net unrealized appreciation of $2.5 million for the six month period ended June 30, 2006. The net unrealized appreciation and depreciation of investments is based on portfolio asset valuations determined in good faith by our Board of Directors, based on the recommendations of the Valuation Committee. At June 30, 2007, gross unrealized appreciation totaled approximately $7.4 million in 24 of our portfolio investment companies and approximately $1.7 million of gross unrealized depreciation on 49 of our portfolio investment companies. At June 30, 2006, gross unrealized appreciation totaled approximately $4.5 million in 15 of our portfolio investment companies and approximately $1.3 million of gross unrealized depreciation on 26 of our portfolio investment companies. The net unrealized appreciation totaling approximately $1.4 million for the three month period ended June 30, 2007 was the result of a net increase in the warrant portfolio of $1.5 million, a decrease in value of the conversion right in one portfolio loan by approximately $97,000, a net depreciation on equity investments of approximately $214,000, a reversal of approximately $336,000 on warrants in two portfolio companies from an unrealized loss to a realized loss and an increase of approximately $170,000 related to the Citigroup warrant participation agreement. The net decrease in unrealized appreciation totaling approximately $1.5 million for the three-months ended June 30, 2006 was the result of the conversion of an unrealized gain on a warrant in one portfolio company to a realized gain upon the exercise and sale of the portfolio company s common stock in the second quarter.

Income Taxes

We account for income taxes in accordance with the provisions of Statement of Financial Accounting Standards No. 109, *Accounting for Income Taxes*, which requires that deferred income taxes be determined based upon the estimated future tax effects of differences between the financial statement and tax basis of assets and liabilities given the provisions of the enacted tax law. Valuation allowances are used to reduce deferred tax assets to the amount likely to be realized.

We will elect to be treated as a RIC under Subchapter M of the Code for 2006 with the submission of our 2006 tax return. Such an election and qualification to be treated as a RIC requires that we comply with certain requirements contained in Subchapter M of the Code. For example, a RIC must meet certain requirements, including source-of-income, asset diversification and income distribution requirements. The income source requirement mandates that we receive 90% or more of our income from qualified earnings, typically referred to as good income. Qualified earnings may exclude such income as management fees received in connection with our SBIC or other potential outside managed funds and certain other fees.

We reported our financial position and results of operations under Subchapter C of the Code prior to 2006. As a C corporation, we accrued income tax expense on a quarterly basis until we were able to reasonably determine that we qualified as a RIC under requirements contained in Subchapter M of the Code. During 2006, we were able to reasonably

determine that we could qualify as a RIC, and we accordingly reversed the income tax expense recorded during 2006 and adjusted through operations the $1.4 million deferred tax asset on our balance sheet at December 31, 2005. If we had been able to make the determination as of December 31, 2005, the impact of charging the deferred tax to operations would have reduced our NAV by approximately $0.15 per share.

Net Increase in Net Assets Resulting from Operations and Earnings Per Share

For the three and six-month periods ended June 30, 2007, net income totaled approximately $8.3 and $14.6 million, respectively, compared to net income of approximately $3.4 and $5.9 million for the three and six-month periods ended June 30, 2006. These changes are made up of the items previously described.

Basic net income per share for the three and six-month periods ended June 30, 2007 was $0.33 and $0.61 and fully diluted net income per share was $0.33 and $0.60, respectively, as compared to a basic net income per share of $0.26 and $0.52, and fully diluted net income per share of $0.26 and $0.51 for the three and six-month periods ended June 30, 2006, respectively.

Financial Condition, Liquidity, and Capital Resources

On October 20, 2006, we raised approximately $30.0 million, net of estimated issuance costs, in a public offering of 2.5 million shares of common stock delivered on October 25, 2006.

On December 12, 2006, we raised approximately $74.1 million, net of estimated issuance costs, in a public offering of 5.7 million shares of its common stock. On January 3, 2007, the underwriters exercised their over-allotment option and purchased an additional 840,000 shares of our common stock for additional net proceeds to the company of approximately $10.9 million.

During the first quarter of 2006, we received net proceeds of approximately $2.7 million from the exercise of the 5-Year Warrants.

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.

For the six months ended June 30, 2007, net cash used in operating activities totaled approximately $119.7 million as compared to $9.6 million for the six months ended June 30, 2006. This increase was due primarily due to $180.7 million used for investment in our portfolio companies offset by $50.0 million of principal payments in first half of 2007 as compared $65.9 million used for investment in our portfolio companies offset by $48.8 million in principal repayments during the six months ended June 30 2006. Cash provided by investing activities totaled approximately $138,000 for the six months ended June 30, 2007 compared with net cash used in investing activities of $413,000 for the six months ended June 30, 2006. This change is primarily the result of a decrease in other long-term assets offset by the purchase of capital equipment. Net cash provided by financing activities totaled $110.7 million for the six months ended June 30, 2007 compared to $17.9 million for the six months ended June 30, 2006. This change is due to net proceeds from the sale of additional common stock of approximately $131.2 million, borrowings of $124.0 million on the credit facilities offset by repayment of $131.3 million and dividends paid of approximately $12.0 million in the six months ended June 30, 2007.

As of June 30, 2007, net assets totaled $390.0 million, with a net asset value per share of $12.05. We intend to generate additional cash primarily from future borrowings as well as cash flows from operations, including income earned from investment in our portfolio companies and, to a lesser extent, from the temporary investment of cash in U.S. government securities and other high-quality debt investments that mature in one year or less, principal payments from our investments and equity capital. Our primary use of funds will be for operations, investments in portfolio companies and cash distributions to holders of our common stock. After we have used our current capital resources, we expect to raise additional capital to support our future growth through future equity offerings, issuances of senior securities and/or future borrowings, to the extent permitted by the 1940 Act. As a result of the exemptive relief we received related to our SBA debt, we are able to exceed the 1:1 leverage ratio required by the 1940 Act. In order to fully leverage the Company, we would need to obtain additional credit. There can be no assurances that we will seek to, or be successful in leveraging the Company further.

As required by the 1940 Act, our asset coverage must be at least 200% after each issuance of senior securities. Our asset coverage as of June 30, 2007 was approximately 1,953%.

At June 30, 2007, we had approximately $7.5 million in cash and cash equivalents and available borrowing capacity of approximately $228.3 million under our Credit Facility, subject to existing terms and advance rates and $38.0 million under the SBA program. We primarily invest cash on hand in interest bearing deposit accounts.

Table of Contents

We anticipate that we will continue to fund our investment activities through a combination of debt and additional equity capital over the next year. As of June 30, 2007, we had $21.7 million outstanding under the Credit Facility and $12.0 million under the SBA program. Through March 30, 2007, advances under the Credit Facility carried interest at one-month LIBOR plus 165 basis points. On March 30, 2007, the interest on all borrowings was reduced to LIBOR plus a spread of 1.20%. On May 2, 2007, we amended the Credit Facility to extend the expiration date to May 1, 2008, increased the borrowing capacity under the facility to $250 million and included Deutsche Bank Securities Inc. as a participant 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%. We paid a structuring fee of $375,000 which will be expensed ratably through maturity. As of June 30, 2007, based on $251.7 million of eligible loans in the collateral pool and existing advance rates, we have access to approximately $116.8 million of borrowing capacity available under our $250.0 million securitized credit facility. In addition, Citigroup has an equity participation right of 10% of the realized gains on warrants collateralized under the Credit Facility. See Note 4 to the Consolidated Financial Statements for discussion of the participation right. We anticipate that portfolio fundings entered into in succeeding periods will allow us to utilize the full borrowing capacity of the Credit Facility.

At June 30, 2007 and December 31, 2006, we had the following borrowing capacity and outstandings:

	June 30, 2007		December 31, 2006	
($ in thousands)	Facility Amount	Amount Outstanding	Facility Amount	Amount Outstanding
Credit Facility	$ 250,000	$ 21,700	$ 150,000	$ 41,000
SBA Debenture	50,000	12,000		
Total	300,000	33,700	150,000	41,000

HTII operates as a Small Business Investment Company under the SBIC program and borrows funds from the SBA against eligible previously approved investments and additional contributions to regulatory capital. As of June 30, 2007, HTII could draw up to $50.0 million of leverage. We made our first draw from the SBA on April 26, 2007 for $12.0 million. At June 30, 2007, we had a net investment of $46.5 million in HTII, and there are 19 outstanding investments with a fair value of $59.2 million. On July 31, 2007, we received approval from the SBA to increase our leverage by approximately $77.0 million to a total of $127.0 million, subject to certain regulatory requirements.

Off Balance Sheet Arrangements

In the normal course of business, we are party to financial instruments with off-balance sheet risk. These consist primarily of unfunded commitments to extend credit, in the form of loans, to our portfolio companies. Unfunded commitments to provide funds to portfolio companies will not be reflected on our balance sheet. Our unfunded commitments may be significant from time to time. As of June 30, 2007, we had unfunded commitments of approximately $111.1 million. These commitments will be subject to the same underwriting and ongoing portfolio maintenance as are the on-balance sheet financial instruments that we hold. Since these commitments may expire without being drawn upon, the total commitment amount does not necessarily represent future cash requirements.

Contractual Obligations

The following table shows our contractual obligations as of June 30, 2007:

	Payments due by period (dollars in thousands)				
Contractual Obligations[1]	Total	Less than 1 year [2][3]	1-3 years	3-5 years	After 5 years
Borrowings[4]	$ 33,700	$ 21,700	$	$	$ 12,000
Operating Lease Obligations	3,322	649	1,503	1,000	170
Total	$ 37,022	$ 22,349	$ 1,503	$ 1,000	$ 12,170

(1) Excludes commitments to extend credit to our portfolio companies.

Table of Contents

(2) Borrowings under our Credit Facility are listed based on the contractual maturity of the facility. Actual repayments could differ significantly due to prepayments by our existing portfolio companies, modifications of our current agreements with our existing portfolio companies and modification of the credit facility.
(3) We also have a warrant participation agreement with Citigroup as discussed further below.
(4) Includes borrowings under our Credit Facility and the SBA debentures.

Borrowings

We, 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, we 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, we amended the Credit Facility to extend the expiration date to May 1, 2008, increased the borrowing capacity under the facility to $250 million and included Deutsche Bank Securities Inc. as a participant 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%. We paid a structuring fee of $375,000 which will be expensed ratably through maturity. At June 30, 2007, we had $21.7 million outstanding under the Credit Facility.

The Credit Facility is collateralized by loans from our portfolio companies, and includes an advance rate of approximately 55% of eligible loans. The Credit Facility contains covenants that, among other things, require us 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, we 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 six months ended June 30, 2007, we recorded an additional liability and reduced its unrealized gains by approximately $225,000 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 $602,000 at June 30, 2007 and is included in accrued liabilities and reduces the unrealized gain we recognized at June 30, 2007. We have paid Citigroup approximately $16,000 during the six months ended June 30, 2007 and $292,000 since inception of the agreement under the warrant participation agreement thereby reducing our realized gains.

We intend to aggregate pools of funded loans using the Credit Facility or other conduits that we may seek until a sufficiently large pool of funded loans is created which can then be securitized. We expect 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 we will be able to complete this securitization strategy, or that it will be successful.

Under the SBA program we are able to draw up to $127.0 million, of which, we had drawn $12.0 million at June 30, 2007. We anticipate drawing the additional $115.0 million of availability over the next 6 to 12 months, subject to certain regulatory requirements.

Dividends

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

Date Declared	Record Date	Payment Date	Amount Per Share
October 27, 2005	November 1, 2005	November 17, 2005	$ 0.025
December 9, 2005	January 6, 2006	January 27, 2006	0.300
April 3, 2006	April 10, 2006	May 5, 2006	0.300
July 19, 2006	July 31, 2006	August 28, 2006	0.300
October 16, 2006	November 6, 2006	December 1, 2006	0.300
February 7, 2007	February 19, 2007	March 19, 2007	0.300
May 3, 2007	May 16, 2007	June 18, 2007	0.300
			$ 1.825

On August 2, 2007, we announced that our Board of Directors approved a dividend of $0.30 per share to shareholders of record as of August 16, 2007 and payable on September 17, 2007. Distributions in excess of our current and accumulated earnings and profits would be treated first as a return of capital to the extent of the stockholder s tax basis, and any remaining distributions would be treated as a capital gain. The determination of the tax attributes of our distributions is made annually as of the end of our fiscal year based upon its taxable income for the full year and distributions paid for the full year, therefore a determination made on a quarterly basis may not be representative of the actual tax attributes of our distributions for a full year. If we determined the tax attributes of its distributions year-to-date as of June 30, 2007, 93.6% would be from ordinary income and 6.4% would be a return of capital for stockholders, however there can be no certainty to stockholders that this determination is representative of what the tax attributes of its 2007 distributions to stockholders will actually be. Stockholders should read any written disclosure accompanying a dividend payment carefully and should not assume that the source of any distribution is our taxable ordinary income or capital gains. Although there can be no assurances, we expect that dividends will be paid entirely out of earnings by the end of 2007.

Critical Accounting Policies

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

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

As a BDC, we invest primarily in illiquid securities, including debt and equity-related securities of private companies. Our investments are generally subject to some restrictions on resale and generally have no established trading market. Because of the type of investments that we make and the nature of our business, our valuation process requires an analysis of various factors. Our valuation methodology includes the examination of, among other things, the underlying investment performance, financial condition and market changing events that impact valuation.

At June 30, 2007, approximately 97% of our total assets represented investments in portfolio companies, of which greater than 98% are recorded at fair value by the Board of Directors. Value, as defined in Section 2(a) (41) of the 1940 Act, is (i) the market price for those securities for which a market quotation is readily available and (ii) for all other securities and assets, fair value is as determined in good faith by the Board of Directors. Since there is typically no readily available market value for the investments in our portfolio, we value substantially all of our investments at fair value as determined in good faith by our board pursuant to a valuation policy and a consistent valuation process. Due to the inherent uncertainty in determining the fair value of investments that do not have a readily available market value, the fair value of our investments determined in good faith by our board may differ significantly from the value that would have been used had a ready market existed for such investments, and the differences could be material.

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

With respect to private debt and equity securities, each investment is valued using industry valuation benchmarks, and, where appropriate, the value is assigned a discount reflecting the illiquid nature of the investment, and our minority, non-control position. When a qualifying external event such as a significant purchase transaction, public offering, or subsequent debt or equity sale occurs, the pricing indicated by the external event will be used to corroborate our private debt or equity valuation.

Income Recognition. Interest income is recorded on the accrual basis and is recognized as earned in accordance with the contractual terms of the loan agreement to the extent that such amounts are expected to be collected. Original Issue Discount, OID, initially represents the value of detachable equity warrants obtained in conjunction with the acquisition of debt securities and is accreted into interest income over the term of the loan as a yield enhancement. When a loan becomes 90 days or more past due, or if management otherwise does not expect the portfolio company to be able to service its debt and other obligations, 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. As of June 30, 2007 we had one loan on non-accrual status. There were no loans on non-accrual status as of June 30, 2006,

Table of Contents

Paid-In-Kind Income. Contractual paid-in-kind (PIK) interest, which represents contractually deferred interest added to the loan balance that is generally due at the end of the loan term, is generally recorded on the accrual basis to the extent such amounts are expected to be collected. We will generally cease accruing PIK interest if there is insufficient value to support the accrual or we do not expect the portfolio company to be able to pay all principal and interest due.

Fee Income. 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 FAS 91, *Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring loans and Initial Direct Costs of Leases.*

Stock-Based Compensation. We have issued and may, from time to time, issue additional stock options to employees under our 2004 Equity Incentive Plan. We follow Statement of Financial Accounting Standards No. 123 (revised 2004), *Share-Based Payments* (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.

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. FIN 48 became effective as of January 1, 2007.

We conducted a review of all open tax year s income recognition and expense deduction filing positions and income tax returns filed (federal and state) for determination of any uncertain tax positions that may require recognition of a tax liability. This review encompassed an analysis of all book/tax difference adjustments as well as the timing of income and expense recognition for all tax years still open under the statute of limitations. As a result, we determined that it is more likely than not that each tax position taken on a previously filed return or to be taken on current tax returns will be sustained on examination based on the technical merits of the positions and therefore, no recognition of a tax liability on an uncertain tax position for FIN 48 purposes is anticipated.

In September 2006, the FASB issued Statement on Financial Accounting Standards No. 157, Fair Value Measurements. 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 June 30, 2007, we do not believe the adoption of FAS 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.

Recent Developments

During the second quarter of 2007, one publicly traded portfolio company did not maintain an effective registration statement on file with the Securities and Exchange Commission as required by its warrant agreement. In July 2007, Hercules and the portfolio company reached a settlement agreement regarding the requirement to maintain an effective registration statement thereby allowing Hercules the option to exercise and sell the warrants in the portfolio at its discretion. In connection with the agreement, the portfolio company paid a one-time fee of $250,000.

Table of Contents

Interim Consolidated Financial Statements

HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES

	June 30, 2007 (unaudited)	December 31, 2006
Assets		
Investments, at value (cost of $411,011,161 and $279,946,465, respectively)	$ 416,705,087	$ 283,233,751
Deferred loan origination revenue	(4,939,369)	(3,450,971)
Cash and cash equivalents	7,465,828	16,404,214
Interest receivable	4,934,961	2,906,831
Other assets	3,570,301	2,048,384
Total assets	427,736,808	301,142,209
Liabilities		
Accounts payable	535,247	540,376
Accrued liabilities	3,477,486	4,189,011
Short-term loans payable	21,700,000	41,000,000
Long-term loans payable	12,000,000	
Total liabilities	37,712,733	45,729,387
Net assets	$ 390,024,075	$ 255,412,822
Net assets consist of:		
Par value	$ 32,371	$ 21,927
Capital in excess of par value	391,061,289	257,234,729
Unrealized appreciation on investments	5,042,341	2,860,654
Accumulated realized gains (losses) on investments	(2,017,940)	(1,972,014)
Distributions in excess of investment income	(4,093,986)	(2,732,474)
Total net assets	$ 390,024,075	$ 255,412,822
Shares of common stock outstanding ($0.001 par value, 60,000,000 authorized)	32,371,376	21,927,034
Net asset value per share	$ 12.05	$ 11.65

See notes to consolidated financial statements (unaudited).

S-12

Table of Contents

HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

June 30, 2007

(unaudited)

Portfolio Company	Industry	Type of Investment(1)(6)	Principal Amount	Cost(2)	Value(3)
Acceleron Pharmaceuticals, Inc. (1.04%)*(4)	Drug Discovery	Senior Debt			
		Matures June 2009			
		Interest rate 10.25%	$ 3,663,796	$ 3,596,060	$ 3,596,060
		Preferred Stock Warrants		69,106	409,707
		Preferred Stock Warrants		34,996	31,290
Acceleron Pharmaceuticals, Inc. (0.28%)		Preferred Stock		1,000,000	1,111,112
Total Acceleron Pharmaceuticals, Inc.				4,700,162	5,148,169
Aveo Pharmaceuticals, Inc. (3.66%)(4)	Drug Discovery	Senior Debt			
		Matures September 2009			
		Interest rate 10.75%	$ 14,289,198	14,166,591	14,166,591
		Preferred Stock Warrants		144,056	84,408
		Preferred Stock Warrants		46,288	32,845
Total Aveo Pharmaceuticals, Inc.				14,356,935	14,283,844
Elixir Pharmaceuticals, Inc. (2.57%)(4)	Drug Discovery	Senior Debt			
		Matures June 2010			
		Interest rate Prime + 2.45%	$ 10,000,000	9,878,968	9,878,968
		Preferred Stock Warrants		149,510	132,908
Total Elixir Pharmaceuticals, Inc.				10,028,478	10,011,876
EpiCept Corporation (2.60%)(4)	Drug Discovery	Senior Debt			
		Matures August 2009			
		Interest rate 11.70%	$ 9,129,887	8,571,497	8,571,497
		Common Stock Warrants		794,633	1,568,705
Total EpiCept Corporation				9,366,130	10,140,202
Memory Pharmaceuticals Corp. (2.84%) (4)	Drug Discovery	Senior Debt			
		Matures February 2011			
		Interest rate 11.45%	$ 11,000,000	9,362,449	9,362,449
		Common Stock Warrants		1,750,585	1,698,732
Total Memory Pharmaceuticals Corp.				11,113,034	11,061,181
Merrimack Pharmaceuticals, Inc. (1.27%)(4)	Drug Discovery	Convertible Senior Debt			
		Matures October 2008			
		Interest rate 11.15%	$ 5,833,308	4,380,225	4,570,225
		Preferred Stock Warrants		155,456	388,729
Total Merrimack Pharmaceuticals, Inc.				4,535,681	4,958,954
Neosil, Inc. (0.51%)	Drug Discovery	Senior Debt			
		Matures May 2010			
		Interest rate 10.75%	$ 2,000,000	1,921,817	1,921,817
		Preferred Stock Warrants		82,782	83,423
Total Neosil, Inc.				2,004,599	2,005,240
Paratek Pharmaceuticals, Inc. (1.21%)(4)	Drug Discovery	Senior Debt			
		Matures June 2008			

		Interest rate 11.10%	$ 4,675,325	4,633,343	4,633,343
		Preferred Stock Warrants		137,396	91,625
Total Paratek Pharmaceuticals, Inc.				4,770,739	4,724,968
Portola Pharmaceuticals, Inc. (3.87%)[4]	Drug Discovery	Senior Debt			
		Matures September 2010			
		Interest rate Prime + 1.75%	$ 15,000,000	14,875,281	14,875,281
		Preferred Stock Warrants		151,557	205,290
Total Portola Pharmaceuticals, Inc.				15,026,838	15,080,571

S-13

Table of Contents

HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

June 30, 2007

(Continued)

Portfolio Company	Industry	Type of Investment(1)(6)	Principal Amount	Cost(2)	Value(3)
Sirtris Pharmaceuticals, Inc. (2.68%)(4)	Drug Discovery	Senior Debt Matures April 2011 Interest rate 10.60%	$ 10,000,000	$ 9,933,376	$ 9,933,376
		Common Stock Warrants		88,829	504,743
Sirtris Pharmaceuticals, Inc. (0.14%)		Common Stock		500,000	559,524
Total Sirtris Pharmaceuticals, Inc.				10,522,205	10,997,643
Total Drug Discovery (22.67%)				86,424,801	88,412,648
IKANO Communications, Inc. (5.78%)(4)	Communications & Networking	Senior Debt Matures March 2011 Interest rate 11.00%	$ 22,500,000	22,500,000	22,500,000
		Preferred Stock Warrants		45,460	27,138
		Preferred Stock Warrants		72,344	46,217
Total IKANO Communications, Inc.				22,617,804	22,573,355
Interwise, Inc. (0.06%)(4)	Communications & Networking	Senior Debt Preferred Stock Warrants		268,401	230,765
Total Interwise, Inc.				268,401	230,765
Ping Identity Corporation (0.57%)(4)	Communications & Networking	Senior Debt Matures June 2009 Interest rate 11.50%	$ 2,112,811	2,082,820	2,082,820
		Preferred Stock Warrants		51,801	155,432
Total Ping Identity Corporation				2,134,621	2,238,252
Purcell Systems, Inc. (2.01%)	Communications & Networking	Senior Debt Matures June 2009 Interest rate Prime + 3.50%	$ 2,500,000	2,380,622	2,380,622
		Revolving Line of Credit Matures June 2008 Interest rate Prime + 2.00%	$ 5,334,473	5,334,473	5,334,473
		Preferred Stock Warrants		122,789	119,360
Total Purcell Systems, Inc.				7,837,884	7,834,455
Rivulet Communications, Inc. (0.90%)(4)	Communications & Networking	Senior Debt Matures September 2009 Interest rate 10.60%	$ 3,500,000	3,467,973	3,467,973
		Preferred Stock Warrants		50,710	35,677

Rivulet Communications, Inc. (0.06%)		Preferred Stock		250,000	250,000
Total Rivulet Communications, Inc.				3,768,683	3,753,650
Seven Networks, Inc. (3.08%)		Senior Debt			
	Communications & Networking	Matures April 2010			
		Interest rate Prime + 3.75%	$ 10,000,000	10,000,000	10,000,000
		Revolving Line of Credit			
		Matures April 2008			
		Interest rate Prime + 3.00%	$ 2,000,000	1,841,383	1,841,383
		Preferred Stock Warrants		173,967	167,521
Total Seven Networks, Inc.				12,015,350	12,008,904
Simpler Networks Corp. (1.26%)(4)		Senior Debt			
	Communications & Networking	Matures July 2009			
		Interest rate 11.75%	$ 4,264,256	4,174,366	4,174,366
		Preferred Stock Warrants		160,241	727,740
Simpler Networks Corp. (0.13%)		Preferred Stock		500,000	500,000
Total Simpler Networks Corp.				4,834,607	5,402,106

Table of Contents

HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

June 30, 2007

(Continued)

Portfolio Company	**Industry**	**Type of Investment[1][6]**	**Principal Amount**	**Cost[2]**	**Value[3]**
Tectura Corporation (5.57%)	Communications & Networking	Senior Debt Matures March 2012 Interest rate LIBOR + 6.15%	$ 9,726,182	$ 9,677,668	$ 9,677,668
		Revolving Line of Credit Matures March 2008 Interest rate LIBOR + 5.15%	$ 12,000,000	12,000,000	12,000,000
		Preferred Stock Warrants		51,067	49,368
Total Tectura Corporation				21,728,735	21,727,036
Teleflip, Inc. (0.13%)[4]	Communications & Networking	Senior Debt Matures May 2010 Interest rate Prime + 2.75%	$ 500,000	489,784	489,784
		Preferred Stock Warrants		10,508	9,837
Total Teleflip, Inc.				500,292	499,621
Wireless Channels, Inc. (3.18%)	Communications & Networking	Senior Debt-Second Lien Matures April 2010 Interest rate 9.25%	$ 2,378,824	2,240,922	2,240,922
		Senior Debt-Second Lien Matures April 2010 Interest rate Prime + 4.25%	$ 10,000,000	10,000,000	10,000,000
		Preferred Stock Warrants		155,139	152,828
Total Wireless Channels, Inc.				12,396,061	12,393,750
Total Communications & Networking (22.73%)				88,102,438	88,661,894
Atrenta, Inc. (1.26%)[4]	Software	Senior Debt Matures June 2009 Interest rate 11.50%	$ 4,707,075	4,651,001	4,651,001
		Preferred Stock Warrants		102,396	189,211
		Preferred Stock Warrants		33,760	62,084
Atrenta, Inc. (0.06%)		Preferred Stock		250,000	250,000
Total Atrenta, Inc.				5,037,157	5,152,296
Blurb, Inc. (0.06%)	Software	Senior Debt Matures December 2009 Interest rate 9.55%	$ 250,000	239,605	239,605
		Preferred Stock Warrants		12,904	11,513
Total Blurb, Inc.				252,509	251,118
Cittio, Inc. (0.26%)	Software	Senior Debt Matures April 2010			

		Interest rate 11.00%	$ 1,000,000	1,000,000	1,000,000
Total Cittio, Inc.				1,000,000	1,000,000
Compete, Inc. (0.85%)(4)	Software	Senior Debt Matures March 2009 Interest rate Prime + 3.50%	$ 3,168,595	3,133,366	3,133,366
		Preferred Stock Warrants		62,067	195,872
Total Compete, Inc.				3,195,433	3,329,238
Forescout Technologies, Inc. (0.77%)(4)	Software	Senior Debt Matures August 2009 Interest rate 11.15%	$ 2,500,000	2,459,849	2,459,849
		Revolving Line of Credit Matures August 2007 Interest rate Prime + 1.49%	$ 500,000	500,000	500,000
		Preferred Stock Warrants		55,593	45,585
Total Forescout Technologies, Inc.				3,015,442	3,005,434
GameLogic, Inc. (0.77%)(4)	Software	Senior Debt Matures December 2009 Interest rate Prime + 4.125%	$ 2,947,396	2,926,101	2,926,101
		Preferred Stock Warrants		92,483	74,978
Total GameLogic, Inc.				3,018,584	3,001,079

Table of Contents

HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

June 30, 2007

(Continued)

Portfolio Company	Industry	Type of Investment[(1)(6)]	Principal Amount	Cost[(2)]	Value[(3)]
Gomez, Inc. (0.17%)[(4)]	Software	Senior Debt Matures December 2007 Interest rate 12.25%	$ 672,351	$ 667,491	$ 667,491
		Preferred Stock Warrants		35,000	9,542
Total Gomez, Inc.				702,491	677,033
HighRoads, Inc. (0.01%)[(4)]	Software	Preferred Stock Warrants		44,466	31,004
Total HighRoads, Inc.				44,466	31,004
Intelliden, Inc. (0.73%)	Software	Senior Debt Matures February 2010 Interest rate 13.20%	$ 2,793,991	2,780,727	2,780,727
		Preferred Stock Warrants		17,542	72,309
Total Intelliden, Inc.				2,798,269	2,853,036
Inxight Software, Inc. (0.92%)[(4)]	Software	Senior Debt Matures February 2008 Interest rate 10.00%	$ 3,414,512	3,402,270	3,402,270
		Preferred Stock Warrants		55,963	133,000
Total Inxight Software, Inc.				3,458,233	3,535,270
Oatsystems, Inc. (1.40%)[(4)]	Software	Senior Debt Matures September 2009 Interest rate 11.00%	$ 5,473,469	5,424,121	5,424,121
		Preferred Stock Warrants		67,484	47,488
Total Oatsystems, Inc.				5,491,605	5,471,609
Proficiency, Inc. (1.04%)[(5)]	Software	Senior Debt Matures July 2008 Interest rate 12.00%	$ 4,000,000	3,968,821	3,968,821
		Preferred Stock Warrants		96,370	97,459
Total Proficiency, Inc.				4,065,191	4,066,280
PSS Systems, Inc. (0.09%) [(4)]	Software	Senior Debt Matures March 2010 Interest rate 10.74%	$ 350,000	304,485	304,485
		Preferred Stock Warrants		51,205	51,186
Total PSS Systems, Inc.				355,690	355,671
Savvion, Inc. (1.21%)[(4)]	Software	Senior Debt Matures March 2009 Interest rate Prime + 3.45%	$ 1,695,633	1,695,633	1,695,633
		Revolving Line of Credit Matures March 2007 Interest rate Prime + 2.00%	$ 3,000,000	3,000,000	3,000,000
		Preferred Stock Warrants		52,135	36,694

Total Savvion, Inc.				4,747,768	4,732,327
Sportvision, Inc. (0.01%)	Software	Preferred Stock Warrants		39,339	24,312
Total Sportvision, Inc.				39,339	24,312
Talisma Corp. (0.28%)[4]	Software	Subordinated Debt Matures December 2007 Interest rate 11.25%	$ 1,076,689	1,069,883	1,069,883
		Preferred Stock Warrants		49,000	12,880
Total Talisma Corp.				1,118,883	1,082,763
Total Software (9.89%)				38,341,060	38,568,470

Table of Contents

HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

June 30, 2007

(Continued)

Portfolio Company	Industry	Type of Investment(1)(6)	Principal Amount	Cost(2)	Value(3)
Agami Systems, Inc. (1.66%)(4)		Senior Debt			
	Electronics & Computer Hardware	Matures August 2009			
		Interest rate 11.00%	$ 6,385,715	$ 6,324,658	$ 6,324,658
		Preferred Stock Warrants		85,601	142,504
Total Agami Systems, Inc.				6,410,259	6,467,162
Luminus Devices, Inc. (3.38%)(4)	Electronics &	Senior Debt			
	Computer Hardware	Matures August 2009			
		Interest rate 12.50%	$ 13,194,417	13,005,316	13,005,316
		Preferred Stock Warrants		183,290	133,735
		Preferred Stock Warrants		83,529	75,868
Total Luminus Devices, Inc.				13,272,135	13,214,919
NetEffect, Inc. (0.64%)	Electronics &	Senior Debt			
	Computer Hardware	Matures May 2010			
		Interest rate 11.95%	$ 2,500,000	2,458,726	2,458,726
		Preferred Stock Warrants		43,632	42,335
Total NetEffect, Inc.				2,502,358	2,501,061
NeoScale Systems, Inc. (0.77%)	Electronics &	Senior Debt			
	Computer Hardware	Matures October 2009			
		Interest rate 10.75%	$ 3,000,000	2,982,305	2,982,305
		Preferred Stock Warrants		23,593	29,598
Total NeoScale Systems, Inc.				3,005,898	3,011,903
SiCortex, Inc. (0.04%)	Electronics &				
	Computer Hardware	Preferred Stock Warrants		164,051	159,469
Total SiCortex, Inc.				164,051	159,469
Sling Media, Inc. (0.48%)	Electronics &				
	Computer Hardware	Preferred Stock Warrants		38,968	1,373,104
		Preferred Stock		500,000	500,000
Total Sling Media, Inc.				538,968	1,873,104
VeriWave, Inc. (0.56%)	Electronics &	Senior Debt			
	Computer Hardware	Matures May 2010			
		Interest rate 10.75%	$ 2,163,271	2,112,140	2,112,140

		Preferred Stock Warrants		54,230	53,243
Total VeriWave, Inc.				2,166,370	2,165,383
ViDeOnline Communications, Inc. (0.08%)[4]	Electronics & Computer Hardware	Preferred Stock Warrants			295,901
Total ViDeOnline Communications, Inc.					295,901
Total Electronics & Computer Hardware (7.61%)				28,060,039	29,688,902
Aegerion Pharmaceuticals, Inc. (2.57%) [4]	Specialty Pharmaceuticals	Senior Debt Matures August 2010 Interest rate Prime + 2.50%	$ 10,000,000	9,937,545	9,937,545
		Preferred Stock Warrants		69,207	69,059
Total Aegerion Pharmaceuticals, Inc.				10,006,752	10,006,604
Quatrx Pharmaceuticals Company (4.21%)[4]	Specialty Pharmaceuticals	Senior Debt Matures January 2010 Interest rate Prime + 3.00%	$ 16,567,142	16,429,421	16,429,421
		Preferred Stock Warrants		220,354	
Quatrx Pharmaceuticals Company (0.19%)		Preferred Stock		750,001	750,001
Total Quatrx Pharmaceuticals Company				17,399,776	17,179,422

Table of Contents

HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

June 30, 2007

(Continued)

Portfolio Company	Industry	Type of Investment(1)(6)	Principal Amount	Cost(2)	Value(3)
Panacos Pharmaceuticals, Inc. (2.55%)	Specialty Pharmaceuticals	Senior Debt Matures January 2011 Interest rate 11.20%	$ 10,000,000	$ 9,144,567	$ 9,144,567
		Common Stock Warrants		876,297	803,781
Total Panacos Pharmaceuticals, Inc.				10,020,864	9,948,348
Total Specialty Pharmaceuticals (9.52%)				37,427,392	37,134,374
BabyUniverse, Inc. (1.31%)(4)	Consumer & Business Products	Senior Debt Matures July 2009 Interest rate Prime + 2.35%	$ 5,000,000	4,783,184	4,783,184
		Common Stock Warrants		325,224	307,587
Total BabyUniverse, Inc.				5,108,408	5,090,771
Market Force Information, Inc. (0.43%)(4)	Consumer & Business Products	Senior Debt Matures May 2009 Interest rate 10.45%	$ 1,541,514	1,527,721	1,527,721
		Preferred Stock Warrants		23,823	141,940
Market Force Information, Inc. (0.13%)		Preferred Stock		500,000	500,000
Total Market Force Information, Inc.				2,051,544	2,169,661
Wageworks, Inc. (3.11%)(4)	Consumer & Business Products	Senior Debt Matures November 2008 Interest rate Prime + 4.00%	$ 11,127,398	11,031,412	11,031,412
		Preferred Stock Warrants		251,964	1,106,668
Wageworks, Inc. (0.06%)		Preferred Stock		249,995	249,995
Total Wageworks, Inc.				11,533,371	12,388,075
Total Consumer & Business Products (5.04%)				18,693,323	19,648,507
Ageia Technologies, Inc. (1.55%)(4)	Semiconductors	Senior Debt Matures August 2008 Interest rate 10.25%	$ 6,001,890	5,966,071	5,966,071
		Convertible Debt		61,880	61,880
		Preferred Stock Warrants		99,190	
Ageia Technologies, Inc. (0.13%)		Preferred Stock		500,000	500,000
Total Ageia Technologies				6,627,141	6,527,951

Cradle Technologies (0.00%)	Semiconductors	Preferred Stock Warrants		79,150	
Total Cradle Technologies				79,150	
iWatt Inc. (1.30%)[(4)]	Semiconductors	Senior Debt Matures September 2009 Interest rate Prime + 2.75%	$ 1,824,490	1,791,859	1,791,859
		Revolving Line of Credit Matures September 2007 Interest rate Prime + 1.75%	$ 3,235,000	3,235,000	3,235,000
		Preferred Stock Warrants		45,684	54,384
Total iWatt Inc.				5,072,543	5,081,243
NEXX Systems, Inc. (2.82%)[(4)]	Semiconductors	Senior Debt Matures February 2010 Interest rate Prime + 2.75%	$ 5,000,000	4,852,775	4,852,775
		Revolving Line of Credit Matures December 2009 Interest rate Prime + 1.75%	$ 6,000,000	6,000,000	6,000,000
		Preferred Stock Warrants		164,613	153,966
Total NEXX Systems, Inc.				11,017,388	11,006,741
Total Semiconductors (5.80%)				22,796,222	22,615,935

S-18

Table of Contents

HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

June 30, 2007

(Continued)

Portfolio Company	Industry	Type of Investment[(1)(6)]	Principal Amount	Cost[(2)]	Value[(3)]
Labopharm USA, Inc. (1.19%)[(4)(5)]	Drug Delivery	Senior Debt Matures July 2008 Interest rate 11.95%	$ 4,539,328	$ 4,651,897	$ 4,651,897
Total Labopharm USA, Inc.				4,651,897	4,651,897
Transcept Pharmaceuticals, Inc. (2.29%)[(4)]	Drug Delivery	Senior Debt Matures October 2009 Interest rate 10.69%	$ 8,667,943	8,604,549	8,604,549
		Preferred Stock Warrants		35,630	120,553
		Preferred Stock Warrants		51,067	189,460
Transcept Pharmaceuticals, Inc. (0.13%)		Preferred Stock		500,000	500,000
Total Transcept Pharmaceuticals, Inc.				9,191,246	9,414,562
Total Drug Delivery (3.61%)				13,843,143	14,066,459
BARRX Medical, Inc. (0.39%)	Therapeutic	Preferred Stock		1,500,000	1,500,000
Total BARRX Medical, Inc.				1,500,000	1,500,000
EKOS Corporation (1.28%)	Therapeutic	Senior Debt Matures November 2010 Interest rate Prime + 2.00%	$ 5,000,000	4,833,783	4,833,783
		Preferred Stock Warrants		174,528	169,449
Total EKOS Corporation				5,008,311	5,003,232
Gynesonics, Inc. (0.49%)[(4)]	Therapeutic	Senior Debt Matures October 2009 Interest rate 9.50%	$ 1,881,146	1,869,862	1,869,862
		Preferred Stock Warrants		17,552	53,047
Gynesonics, Inc. (0.06%)		Preferred Stock		250,000	250,000
Total Gynesonics, Inc.				2,137,414	2,172,909
Novasys Medical, Inc. (2.05%)[(4)]	Therapeutic	Senior Debt Matures January 2010 Interest rate 9.70%	$ 8,000,000	8,000,000	8,000,000
Total Novasys Medical, Inc.				8,000,000	8,000,000
Power Medical Interventions, Inc. (0.01%)	Therapeutic	Common Stock Warrants		20,687	27,371
Total Power Medical Interventions, Inc.				20,687	27,371
Total Therapeutic (4.28%)				16,666,412	16,703,512
Hedgestreet, Inc. (0.86%)[(4)]	Internet Consumer &	Senior Debt			

	Business Services	Matures March 2009			
		Interest rate 11.30%	$ 3,329,307	3,301,086	3,301,086
		Preferred Stock Warrants		54,956	39,075
Total Hedgestreet, Inc.				3,356,042	3,340,161
Invoke Solutions, Inc. (0.56%)(4)	Internet Consumer &	Senior Debt			
	Business Services	Matures December 2008			
		Interest rate 11.25%	$ 2,187,234	2,161,526	2,161,526
		Preferred Stock Warrants		49,722	36,816
Total Invoke Solutions, Inc.				2,211,248	2,198,342
Prism Education Group Inc. (0.51%)	Internet Consumer &	Senior Debt			
	Business Services	Matures December 2010			
		Interest rate 11.25%	$ 2,000,000	1,958,261	1,958,261
		Preferred Stock Warrants		42,757	41,601
Total Prism Education Group Inc.				2,001,018	1,999,862
RazorGator Interactive Group, Inc. (0.64%)(4)	Internet Consumer &	Senior Debt			
	Business Services	Matures January 2008			
		Interest rate 9.95%	$ 1,903,620	1,901,445	1,901,445
		Preferred Stock Warrants		13,050	552,355
		Preferred Stock Warrants		28,478	25,071
RazorGator Interactive Group, Inc. (0.44%)		Preferred Stock		1,000,000	1,708,178
Total RazorGator Interactive Group, Inc.				2,942,973	4,187,049
Total Internet Consumer & Business Services (3.01%)				10,511,281	11,725,414

Table of Contents

HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

June 30, 2007

(Continued)

Portfolio Company	Industry	Type of Investment(1)(6)	Principal Amount	Cost(2)	Value(3)
Lilliputian Systems, Inc. (2.18%)(4)	Energy	Senior Debt Matures March 2010 Interest rate 9.75%	$ 8,500,000	$ 8,468,986	$ 8,468,986
		Preferred Stock Warrants		48,460	34,462
Total Lilliputian Systems, Inc.				8,517,446	8,503,448
Total Energy (2.18%)				8,517,446	8,503,448
Active Response Group, Inc. (2.56%)	Information Services	Senior Debt Matures March 2012 Interest rate Libor + 6.55%	$ 10,000,000	9,956,988	9,956,988
		Preferred Stock Warrants		38,434	37,835
		Common Stock Warrants		7,650	7,531
Total Active Response Group, Inc.				10,003,072	10,002,354
Buzznet, Inc. (0.06%)	Information Services	Senior Debt Matures March 2010 Interest rate 10.25%	$ 250,000	242,344	242,344
		Preferred Stock Warrants		8,613	8,496
Total Buzznet, Inc.				250,957	250,840
Solutionary, Inc. (1.54%)	Information Services	Senior Debt Matures June 2010 Interest rate LIBOR + 5.50%	$ 5,500,000	5,413,580	5,413,580
		Revolving Line of Credit Matures June 2010 Interest rate LIBOR + 5.00%	$ 500,000	500,000	500,000
		Preferred Stock Warrants		93,827	92,363
Solutionary, Inc. (0.07%)		Preferred Stock		250,000	250,000
Total Solutionary, Inc.				6,257,407	6,255,943
Wallop Technologies, Inc. (0.06%)	Information Services	Senior Debt Matures March 2010 Interest rate 10.00%	$ 237,207	230,564	230,564
		Preferred Stock Warrants		7,473	7,332
Total Wallop Technologies, Inc.				238,037	237,896
Total Information Services (4.29%)				16,749,473	16,747,033
Novadaq Technologies, Inc. (0.37%)	Diagnostic	Common Stock		1,735,157	1,461,740
Total Novadaq Technologies, Inc.				1,735,157	1,461,740
Optiscan Biomedical, Corp. (0.17%)(4)	Diagnostic	Senior Debt Matures March 2008			

		Interest rate 15.00%	$ 617,389	594,022	594,022
		Preferred Stock Warrants		80,486	54,638
Optiscan Biomedical, Corp. (0.26%)		Preferred Stock		1,000,000	1,000,000
Total Optiscan Biomedical, Corp.				1,674,508	1,648,660
Xillix Technologies Corp. (0.41%)(4)(5)(7)	Diagnostic	Senior Debt Matures December 2008 Interest rate 12.40%	$ 1,750,374	1,602,518	1,602,518
		Common Stock Warrants		313,108	
Total Xillix Technologies Corp.				1,915,626	1,602,518
Total Diagnostic (1.21%)				5,325,291	4,712,918
Guava Technologies, Inc. (1.38%)(4)	Biotechnology Tools	Senior Debt Matures July 2009 Interest rate Prime + 3.25%	$ 4,389,223	4,331,505	4,331,505
		Revolving Line of Credit Matures December 2007 Interest rate Prime + 2.00%	$ 1,000,000	1,000,000	1,000,000
		Preferred Stock Warrants		105,399	72,635
Total Guava Technologies, Inc.				5,436,904	5,404,140

Table of Contents

HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

June 30, 2007

(Continued)

Portfolio Company	Industry	Type of Investment(1)(6)	Principal Amount	Cost(2)	Value(3)
NuGEN Technologies, Inc. (0.26%)	Biotechnology Tools	Senior Debt Matures March 2010 Interest rate 11.70%	$ 1,000,000	$ 958,899	$ 958,899
		Preferred Stock Warrants		44,837	44,138
Total NuGEN Technologies, Inc.				1,003,736	1,003,037
Total Biotechnology Tools (1.64%)				6,440,640	6,407,177
Rubicon Technology Inc. (2.08%) (4)	Advanced Specialty Materials & Chemicals	Senior Debt Matures December 2010 Interest rate Prime + 3.375%	$ 5,100,000	5,023,863	5,023,863
		Revolving Line of Credit Matures April 2008 Interest rate Prime + 0.25%	$ 3,000,000	3,000,000	3,000,000
		Preferred Stock Warrants		81,708	78,991
Total Rubicon Technology Inc.				8,105,571	8,102,854
Total Advanced Specialty Materials & Chemicals (2.08%)				8,105,571	8,102,854
Waterfront Media Inc. (1.28%) (4)	Media/Content/Info	Senior Debt Matures December 2010 Interest rate Prime + 3.00%	$ 3,000,000	2,946,966	2,946,966
		Revolving Line of Credit Matures March 2008 Interest rate Prime + 1.25%	$ 2,000,000	2,000,000	2,000,000
		Preferred Stock Warrants		59,663	58,576
Total Waterfront Media Inc.				5,006,629	5,005,542
Total Media/Content/Info (1.28%)				5,006,629	5,005,542
Total Investments (106.84%)				$ 411,011,161	$ 416,705,087

* 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 $7,412,168, $1,718,242 and $5,693,926, respectively.

(3) Except for warrants in seven publicly traded companies and common stock in two publicly traded companies, all investments are restricted at June 30, 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

$602,000 at June 30, 2007 and is included in accrued liabilities and reduces the unrealized gain recognized by the Company at June 30, 2007.

(5) Non-U.S. company or the company's principal place of business is outside the United States.
(6) All investments are less than 5% owned.
(7) Non-income producing at the relevant period end.

See notes to consolidated financial statements (unaudited).

Table of Contents

HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2006

(unaudited)

Portfolio Company	Industry	Type of Investment(1)(7)	Principal Amount	Cost(2)	Value(3)
Acceleron Pharmaceuticals, Inc. (1.74%)*(4)	Biopharmaceuticals	Senior Debt Matures June 2009 Interest rate 10.25%	$ 4,069,607	$ 3,987,624	$ 3,987,624
		Preferred Stock Warrants		69,106	417,115
		Preferred Stock Warrants		34,996	34,393
Acceleron Pharmaceuticals, Inc. (0.44%)		Preferred Stock		1,000,000	1,111,112
Total Acceleron Pharmaceuticals, Inc				5,091,726	5,550,244
Aveo Pharmaceuticals, Inc. (5.88%)(4)	Biopharmaceuticals	Senior Debt Matures September 2009 Interest rate 10.75%	$ 15,000,000	14,849,099	14,849,099
		Preferred Stock Warrants		144,056	115,212
		Preferred Stock Warrants		46,288	43,771
Total Aveo Pharmaceuticals, Inc				15,039,443	15,008,082
Elixir Pharmaceuticals, Inc. (3.92%)	Biopharmaceuticals	Senior Debt Matures June 2010 Interest rate Prime + 2.45%	$ 10,000,000	9,857,610	9,857,610
		Preferred Stock Warrants		74,755	73,334
		Preferred Stock Warrants		74,755	73,334
Total Elixir Pharmaceuticals, Inc.				10,007,120	10,004,278
EpiCept Corporation (3.84%)	Biopharmaceuticals	Senior Debt Matures August 2009 Interest rate 11.70%	$ 10,000,000	9,312,750	9,312,750
		Common Stock Warrants		794,633	507,592
Total EpiCept Corporation				10,107,383	9,820,342
Guava Technologies, Inc. (2.26%)(4)	Biopharmaceuticals	Senior Debt Matures July 2009 Interest rate Prime + 3.25%	$ 5,266,485	5,193,710	5,193,710
		Revolving Line of Credit Matures December 2007 Interest rate Prime + 2.00%	$ 500,000	500,000	500,000
		Preferred Stock Warrants		105,399	83,940
Total Guava Technologies, Inc				5,799,109	5,777,650
Labopharm USA, Inc. (2.58%)(4)(5)	Biopharmaceuticals	Senior Debt Matures July 2008 Interest rate 11.95%	$ 6,675,417	6,598,870	6,598,870
Total Labopharm USA, Inc.				6,598,870	6,598,870
Merrimack Pharmaceuticals, Inc. (2.61%)(4)	Biopharmaceuticals	Convertible Senior Debt Matures October 2008 Interest rate 11.15%	$ 6,043,382	5,967,550	6,254,550
		Preferred Stock Warrants		155,456	409,159

Total Merrimack Pharmaceuticals, Inc.				6,123,006	6,663,709
Paratek Pharmaceuticals, Inc. (2.62%)[(4)]	Biopharmaceuticals	Senior Debt			
		Matures June 2008			
		Interest rate 11.10%	$ 6,651,586	6,586,705	6,586,705
		Preferred Stock Warrants		137,396	110,553
Total Paratek Pharmaceuticals, Inc.				6,724,101	6,697,258
Portola Pharmaceuticals, Inc. (4.41%) .	Biopharmaceuticals	Senior Debt			
		Matures September 2010			
		Interest rate Prime + 1.75%	$ 11,250,000	$ 11,145,804	$ 11,145,804
		Preferred Stock Warrants		113,668	107,489
Total Portola Pharmaceuticals, Inc				11,259,472	11,253,293
Quatrx Pharmaceuticals Company (7.05%)[(4)]	Biopharmaceuticals	Senior Debt			
		Matures January 2010			
		Interest rate Prime + 3.00%	$ 18,000,000	17,834,735	17,834,735
		Preferred Stock Warrants		220,354	179,708
Total Quatrx Pharmaceuticals Company				18,055,089	18,014,443
Sirtris Pharmaceuticals, Inc. (3.91%)[(4)]	Biopharmaceuticals	Senior Debt			
		Matures April 2011			
		Interest rate 10.60%	$ 10,000,000	9,924,495	9,924,495
		Preferred Stock Warrants		88,829	70,986
Total Sirtris Pharmaceuticals, Inc.				10,013,324	9,995,481

Table of Contents

HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2006

(Continued)

Portfolio Company	Industry	Type of Investment(1)(7)	Principal Amount	Cost(2)	Value(3)
TransOral Pharmaceuticals, Inc. (3.92%)(4)	Biopharmaceuticals	Senior Debt			
		Matures October 2009			
		Interest rate 10.69%	$ 10,000,000	9,921,976	9,921,976
		Preferred Stock Warrants		35,630	28,265
		Preferred Stock Warrants		51,067	50,548
Total TransOral Pharmaceuticals, Inc.				10,008,673	10,000,789
Total Biopharmaceuticals (45.18%)				114,827,316	115,384,439
Atrenta, Inc. (2.03%)(4)	Software	Senior Debt			
		Matures June 2009			
		Interest rate 11.50%	$ 5,000,000	4,929,298	4,929,298
		Preferred Stock Warrants		102,396	200,285
		Preferred Stock Warrants		33,760	65,719
Atrenta, Inc. (0.10%)		Preferred Stock		250,000	250,000
Total Atrenta, Inc				5,315,454	5,445,302
Blurb, Inc. (0.10%)	Software	Senior Debt			
		Matures December 2009			
		Interest rate 9.55%	$ 250,000	237,454	237,454
		Preferred Stock Warrants		12,904	12,653
Total Blurb, Inc				250,358	250,107
Compete, Inc. (1.52%)(4)	Software	Senior Debt			
		Matures March 2009			
		Interest rate Prime + 3.50%	$ 3,884,338	3,839,045	3,839,045
		Preferred Stock Warrants		62,067	49,247
Total Compete, Inc.				3,901,112	3,888,292
Forescout Technologies, Inc. (0.78%)	Software	Senior Debt			
		Matures August 2009			
		Interest rate 11.15%	$ 2,000,000	1,950,584	1,950,584
		Preferred Stock Warrants		55,593	50,800
Total Forescout Technologies, Inc.				2,006,177	2,001,384
GameLogic, Inc. (1.17%)(4)	Software	Senior Debt			
		Matures December 2009			
		Interest rate Prime + 4.125%	$ 3,000,000	$ 2,957,416	$ 2,957,416
		Preferred Stock Warrants		52,604	41,860
Total GameLogic, Inc				3,010,020	2,999,276
Gomez, Inc. (0.48%)(4)	Software	Senior Debt			
		Matures December 2007			
		Interest rate 12.25%	$ 1,212,506	1,201,811	1,201,811
		Preferred Stock Warrants		35,000	18,832

Total Gomez, Inc.				1,236,811	1,220,643
HighRoads, Inc. (0.77%)[(4)]	Software	Senior Debt Matures February 2009 Interest rate 11.65%	$ 1,954,723	1,923,844	1,923,844
		Preferred Stock Warrants		44,466	35,484
Total HighRoads, Inc				1,968,310	1,959,328
Intelliden, Inc. (1.17%)	Software	Senior Debt Matures February 2010 Interest rate 13.20%	$ 3,000,000	2,984,169	2,984,169
		Preferred Stock Warrants		17,542	16,688
Total Intelliden, Inc.				3,001,711	3,000,857
Inxight Software, Inc. (1.60%)[(4)]	Software	Senior Debt Matures February 2008 Interest rate 10.00%	$ 4,073,794	4,051,059	4,051,059
		Preferred Stock Warrants		55,963	29,800
Total Inxight Software, Inc.				4,107,022	4,080,859
Oatsystems, Inc. (2.36%)[(4)]	Software	Senior Debt Matures September 2009 Interest rate 11.00%	$ 6,000,000	5,973,007	5,973,007
		Preferred Stock Warrants		33,742	26,881
Total Oatsystems, Inc.				6,006,749	5,999,888

Table of Contents

HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2006

(Continued)

Portfolio Company	**Industry**	**Type of Investment(1)(7)**	**Principal Amount**	**Cost(2)**	**Value(3)**
Proficiency, Inc. (1.43%)(5)	Software	Senior Debt Matures July 2008 Interest rate 12.00%	$ 4,000,000	3,951,815	3,548,185
		Preferred Stock Warrants		96,370	115,977
Total Proficiency, Inc.				4,048,185	3,664,162
Savvion, Inc. (1.58%)(4)	Software	Senior Debt Matures March 2009 Interest rate Prime + 3.45%	$ 1,000,000	1,000,000	1,000,000
		Revolving Line of Credit Matures March 2007 Interest rate Prime + 2.00%	$ 3,000,000	2,991,311	2,991,311
		Preferred Stock Warrants		52,135	41,743
Total Savvion, Inc				4,043,446	4,033,054
Sportvision, Inc. (0.01%)	Software	Preferred Stock Warrants		39,339	29,667
Total Sportvision, Inc.				39,339	29,667
Talisma Corp. (0.74%)(4)	Software	Subordinated Debt Matures December 2007 Interest rate 11.25%	$ 1,873,774	$ 1,858,802	$ 1,858,802
		Preferred Stock Warrants		49,000	25,259
Total Talisma Corp				1,907,802	1,884,061
Total Software (15.84%)				40,842,496	40,456,880
BabyUniverse, Inc. (1.90%)(4)	Consumer & Business Products	Senior Debt Matures July 2009 Interest rate Prime + 2.35%	$ 5,000,000	4,728,980	4,728,980
		Common Stock Warrants		325,224	146,299
Total BabyUniverse, Inc				5,054,204	4,875,279
Market Force Information, Inc. (0.70%)(4)	Consumer & Business Products	Senior Debt Matures May 2009 Interest rate 10.45%	$ 1,777,064	1,759,510	1,759,510
		Preferred Stock Warrants		23,823	19,197
Total Market Force Information, Inc				1,783,333	1,778,707
Wageworks, Inc. (5.89%)(4)	Consumer & Business Products	Senior Debt Matures November 2008 Interest rate Prime + 4.00%	$ 14,036,422	13,904,441	13,904,441

		Preferred Stock Warrants		251,964	1,140,998
Wageworks, Inc. (0.10%)		Preferred Stock		249,995	249,995
Total Wageworks, Inc				14,406,400	15,295,434
Total Consumer & Business Products (8.59%)				21,243,937	21,949,420
IKANO Communications, Inc. (0.03%)	Communications & Networking	Preferred Stock Warrants		45,460	33,391
		Preferred Stock Warrants		72,344	55,530
Total IKANO Communications, Inc.				117,804	88,921
Interwise, Inc. (0.83%)(4)	Communications & Networking	Senior Debt Matures August 2008 Interest rate 17.50%	$ 2,094,999	1,869,542	1,869,542
		Preferred Stock Warrants		268,401	244,653
Total Interwise, Inc				2,137,943	2,114,195
Pathfire, Inc. (1.84%)(4)	Communications & Networking	Senior Debt Matures December 2008 Interest rate Prime + 3.65%	$ 4,713,221	4,672,795	4,672,795
		Preferred Stock Warrants		63,276	16,918
Total Pathfire, Inc				4,736,071	4,689,713
Ping Identity Corporation (1.05%)(4)	Communications & Networking	Senior Debt Matures June 2009 Interest rate 11.50%	$ 2,569,123	2,530,953	2,530,953
		Preferred Stock Warrants		51,801	160,500
Total Ping Identity Corporation				2,582,754	2,691,453
Rivulet Communications, Inc. (1.37%)(4)	Communications & Networking	Senior Debt Matures September 2009 Interest rate 10.60%	$ 3,500,000	$ 3,459,966	$ 3,459,966
		Preferred Stock Warrants		50,710	40,352
Rivulet Communications, Inc. (0.10%)		Preferred Stock		250,000	250,000
Total Rivulet Communications, Inc.				3,760,676	3,750,318

Table of Contents

HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2006

(Continued)

Portfolio Company	Industry	Type of Investment(1)(7)	Principal Amount	Cost(2)	Value(3)
Simpler Networks Corp. (2.20%)(4)	Communications & Networking	Senior Debt Matures July 2009 Interest rate 11.75%	$ 5,000,000	4,886,659	4,886,659
		Preferred Stock Warrants		160,241	742,688
Simpler Networks Corp. (0.20%)		Preferred Stock		500,000	500,000
Total Simpler Networks Corp.				5,546,900	6,129,347
Total Communications & Networking (7.62%)				18,882,148	19,463,947
Adiana, Inc. (0.53%)(4)	Medical Devices & Equipment	Senior Debt Matures June 2008 Interest rate Prime + 6.00%	$ 1,346,551	1,312,938	1,312,938
		Preferred Stock Warrants		67,225	52,427
Adiana, Inc. (0.20%)		Preferred Stock		500,000	500,000
Total Adiana, Inc.				1,880,163	1,865,365
BARRX Medical, Inc. (0.59%)	Medical Devices & Equipment	Preferred Stock		1,500,000	1,500,000
Total BARRX Medical, Inc				1,500,000	1,500,000
Gynesonics, Inc. (0.80%)	Medical Devices & Equipment	Senior Debt Matures October 2009 Interest rate 9.50%	$ 2,000,000	1,986,209	1,986,209
		Preferred Stock Warrants		17,552	54,735
Total Gynesonics, Inc				2,003,761	2,040,944
Novasys Medical, Inc. (3.13%)(4)	Medical Devices & Equipment	Senior Debt Matures January 2010 Interest rate 9.70%	$ 8,000,000	8,000,000	8,000,000
Total Novasys Medical, Inc				8,000,000	8,000,000
Optiscan Biomedical, Corp. (0.40%)(4)	Medical Devices & Equipment	Senior Debt Matures March 2008 Interest rate 15.00%	$ 1,006,259	967,314	967,314
		Preferred Stock Warrants		80,486	64,478
Optiscan Biomedical, Corp. (0.39%)		Preferred Stock		1,000,000	1,000,000
Total Optiscan Biomedical, Corp				2,047,800	2,031,792
Power Medical Interventions, Inc. (0.01%)	Medical Devices & Equipment	Common Stock Warrants		20,687	30,200

Total Power Medical Interventions, Inc				20,687	30,200
Xillix Technologies Corp. (1.53%)(4)(5)(6)	Medical Devices & Equipment	Senior Debt Matures December 2008 Interest rate 12.40%	$ 3,975,834	$ 3,775,493	$ 3,775,493
		Common Stock Warrants		313,108	122,206
Total Xillix Technologies Corp				4,088,601	3,897,699
Total Medical Devices & Equipment (7.58%)				19,541,012	19,366,000
Hedgestreet, Inc. (1.67%)(4)	Internet Consumer & Business Services	Senior Debt Matures March 2009 Interest rate 11.30%	$ 4,263,806	4,226,674	4,226,674
		Preferred Stock Warrants		54,956	44,836
Total Hedgestreet, Inc				4,281,630	4,271,510
Invoke Solutions, Inc. (0.97%)(4)	Internet Consumer & Business Services	Senior Debt Matures December 2008 Interest rate 11.25%	$ 2,466,574	2,438,574	2,438,574
		Preferred Stock Warrants		43,826	35,741
Total Invoke Solutions, Inc.				2,482,400	2,474,315
RazorGator Interactive Group, Inc. (1.25%)(4)	Internet Consumer & Business Services	Senior Debt Matures January 2008 Interest rate 9.95%	$ 2,637,626	2,633,276	2,633,276
		Preferred Stock Warrants		13,050	570,026
RazorGator Interactive Group, Inc. (0.67%)		Preferred Stock		1,000,000	1,708,178
Total RazorGator Interactive Group, Inc.				3,646,326	4,911,480
Total Internet Consumer & Business Services (4.56%)				10,410,356	11,657,305
Agami Systems, Inc. (2.75%)(4)	Electronics & Computer Hardware	Senior Debt Matures August 2009 Interest rate 11.00%	$ 7,000,000	6,924,288	6,924,288
		Preferred Stock Warrants		85,601	79,040
Total Agami Systems, Inc.				7,009,889	7,003,328

Table of Contents

HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2006

(Continued)

Portfolio Company	Industry	Type of Investment[(1)(7)]	Principal Amount	Cost[(2)]	Value[(3)]
Cornice, Inc. (1.44%)[(4)]	Electronics & Computer Hardware	Senior Debt Matures November 2008 Interest rate Prime + 4.50%	$ 3,524,664	3,459,755	3,459,755
		Preferred Stock Warrants		101,597	80,181
		Preferred Stock Warrants		35,353	27,571
		Preferred Stock Warrants		135,403	106,862
Total Cornice, Inc				3,732,108	3,674,369
Luminus Devices, Inc. (5.88%)[(4)]	Electronics & Computer Hardware	Senior Debt Matures August 2009 Interest rate 12.50%	$ 15,000,000	14,765,514	14,765,514
		Preferred Stock Warrants		183,290	161,106
		Preferred Stock Warrants		83,529	83,466
Total Luminus Devices, Inc.				15,032,333	15,010,086
NeoScale Systems, Inc. (1.17%)[(4)]	Electronics & Computer Hardware	Senior Debt Matures October 2009 Interest rate 10.75%	$ 3,000,000	$ 2,978,373	$ 2,978,373
		Preferred Stock Warrants		23,593	22,525
Total NeoScale Systems, Inc				3,001,966	3,000,898
Sling Media, Inc. (0.56%)	Electronics & Computer Hardware	Preferred Stock Warrants		38,968	936,565
		Preferred Stock		500,000	500,000
Total Sling Media, Inc				538,968	1,436,565
ViDeOnline Communications, Inc. (0.18%)[(4)]	Electronics & Computer Hardware	Senior Debt Matures May 2009 Interest rate 15.00%	$ 461,158	461,158	461,158
		Preferred Stock Warrants			
Total ViDeOnline Communications, Inc				461,158	461,158
Total Electronics & Computer Hardware (11.98%)				29,776,422	30,586,404
Ageia Technologies, Inc. (2.76%)[(4)]	Semiconductors	Senior Debt Matures August 2008 Interest rate 10.25%	$ 7,027,806	6,975,456	6,975,456
		Preferred Stock Warrants		99,190	73,604
Ageia Technologies, Inc. (0.20%)		Preferred Stock		500,000	500,000
Total Ageia Technologies				7,574,646	7,549,060

Cradle Technologies (0.02%)	Semiconductors	Preferred Stock Warrants		79,150	63,647
Total Cradle Technologies				79,150	63,647
iWatt Inc. (1.27%)[4]	Semiconductors	Senior Debt Matures September 2009 Interest rate Prime + 2.75%	$ 2,000,000	1,959,537	1,959,537
		Revolving Line of Credit Matures September 2007 Interest rate Prime + 1.75%	$ 1,250,000	1,250,000	1,250,000
		Preferred Stock Warrants		45,684	41,417
Total iWatt Inc				3,255,221	3,250,954
NEXX Systems, Inc. (1.96%)[4]	Semiconductors	Senior Debt Matures February 2010 Interest rate Prime + 2.75%	$ 4,000,000	3,919,015	3,919,015
		Revolving Line of Credit Matures December 2009 Interest rate Prime + 1.75%	$ 1,000,000	1,000,000	1,000,000
		Preferred Stock Warrants		83,116	83,938
Total NEXX Systems, Inc.				5,002,131	5,002,953
Total Semiconductors (6.21%)				15,911,148	15,866,614
Lilliputian Systems, Inc. (3.33%)[4]	Energy	Senior Debt Matures March 2010 Interest rate 9.75%	$ 8,500,000	$ 8,463,170	$ 8,463,170
		Preferred Stock Warrants		48,460	39,572
Total Lilliputian Systems, Inc.				8,511,630	8,502,742
Total Energy (3.33%)				8,511,630	8,502,742
Total Investments (110.89%)				$ 279,946,465	$ 283,233,751

* 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 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 $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.

Table of Contents

HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)

	Three Months Ended June 30, 2007	Three Months Ended June 30, 2006	Six Months Ended June 30, 2007	Six Months Ended June 30, 2006
Investment income:				
Interest	$ 11,791,547	$ 6,175,831	$ 20,827,536	$ 11,810,370
Fees	1,483,213	612,080	2,126,171	1,464,674
Total investment income	13,274,760	6,787,911	22,953,707	13,275,044
Operating expenses:				
Interest	1,763,285	1,357,893	2,449,250	3,034,875
Loan fees	250,313	286,688	516,420	537,481
Employee compensation:				
Compensation and benefits	2,014,763	1,127,238	3,954,324	2,332,320
Stock-based compensation	292,705	130,000	546,455	253,000
Total employee compensation	2,307,468	1,257,238	4,500,779	2,585,320
General and administrative	1,713,931	1,418,584	3,022,167	2,603,977
Total operating expenses	6,034,997	4,320,403	10,488,616	8,761,653
Net investment income before provision for income taxes and investment gains and losses	7,239,763	2,467,508	12,465,091	4,513,391
Provision (benefit) for income taxes		(771,823)		988,177
Net investment income	7,239,763	3,239,331	12,465,091	3,525,214
Net realized gain (loss) on investments	(335,629)	1,599,422	(45,926)	(140,949)
Net increase (decrease) in unrealized appreciation on investments	1,365,634	(1,472,381)	2,181,687	2,487,100
Net realized and unrealized gain	1,030,005	127,041	2,135,761	2,346,151
Net increase in net assets resulting from operations	$ 8,269,768	$ 3,366,372	$ 14,600,852	$ 5,871,365
Net investment income before provision for income taxes and investment gains and losses per common share:				
Basic	$ 0.29	$ 0.19	$ 0.52	$ 0.40
Diluted	$ 0.29	$ 0.19	$ 0.51	$ 0.39
Change in net assets per common share:				
Basic	$ 0.33	$ 0.26	$ 0.61	$ 0.52
Diluted	$ 0.33	$ 0.26	$ 0.60	$ 0.51
Weighted average shares outstanding				
Basic	25,190,000	12,859,000	24,037,000	11,394,000

Diluted	25,401,000	12,945,000	24,248,000	11,479,000

See notes to consolidated financial statements (unaudited).

S-28

Table of Contents

HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

(unaudited)

	Common Stock		Capital in excess	Unrealized Appreciation	Accumulated Realized Gains(Losses)	Distributions in Excess of	Net
	Shares	Par Value	of par value	on Investments	on Investments	Investment Income	Assets
Balance at December 31, 2005	9,801,965	$ 9,802	$ 114,524,833	$ 353,093	$ 481,694	$ (1,017,092)	114,352,330
Net increase in net assets resulting from operations				2,487,100	(140,949)	3,525,214	5,871,365
Issuance of common stock	432,900	433	4,999,567				5,000,000
Issuance of common stock in Rights Offering, net of offering costs	3,411,992	3,412	33,860,028				33,863,440
Dividends declared						(6,011,049)	(6,011,049)
Stock-based compensation			253,000				253,000
Balance at June 30, 2006	13,646,857	$ 13,647	$ 153,637,428	$ 2,840,193	$ 340,745	$ (3,502,927)	$ 153,329,086
Balance at December 31, 2006	21,927,034	$ 21,927	$ 257,234,729	$ 2,860,654	$ (1,972,014)	$ (2,732,474)	$ 255,412,822
Net increase in net assets resulting from operations				2,181,687	(45,926)	12,465,091	14,600,852
Issuance of common stock in lieu of directors compensation	23,334	23	326,070				326,093
Issuance of common stock in public offerings, net of offering costs	10,040,000	10,040	128,469,177				128,479,217
Issuance of common stock from warrant exercises	256,128	256	2,707,017				2,707,273
Issuance of common stock under dividend reinvestment plan	124,880	125	1,777,841				1,777,966
Dividends declared						(13,826,603)	(13,826,603)
Stock-based compensation			546,455				546,455
Balance at June 30, 2007	32,371,376	$ 32,371	$ 391,061,289	$ 5,042,341	$ (2,017,940)	$ (4,093,986)	$ 390,024,075

See notes to consolidated financial statements (unaudited).

Table of Contents

HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

	Six Months Ended June 30, 2007	2006
Cash flows from operating activities:		
Net increase in net assets resulting from operations	$ 14,600,852	$ 5,871,365
Adjustments to reconcile net increase in net assets resulting from operations to net cash used in operating activities:		
Purchase of investments	(180,685,616)	(65,850,000)
Principal payments received on investments	49,989,346	48,823,968
Proceeds from sale of investments	873,002	2,594,002
Net unrealized appreciation on investments	(2,406,640)	541,407
Net unrealized appreciation on investments due to lender	224,953	(23,001)
Net realized loss on investments	45,926	(2,280,541)
Warrant values for unfunded loans	(164,056)	
Accretion of loan discounts	(1,107,224)	(709,406)
Accretion of loan exit fees	(676,555)	(276,981)
Depreciation	99,538	20,638
Stock-based compensation	546,455	253,000
Common stock issued in lieu of Director compensation	326,093	
Amortization of deferred loan origination revenue	(1,483,139)	(1,162,048)
Change in operating assets and liabilities:		
Interest receivable	(1,351,575)	(475,402)
Prepaid expenses and other assets	(622,281)	888,091
Income tax receivable	29,294	(533,423)
Deferred tax asset		1,454,000
Accounts payable	(5,129)	529,903
Income tax payable		(1,709,000)
Accrued liabilities	(952,552)	799,019
Deferred loan origination revenue	2,971,537	1,654,160
Net cash used in operating activities	(119,747,771)	(9,590,249)
Cash flows from investing activities:		
Purchases of capital equipment	(131,636)	(27,627)
Other long-term assets	269,168	(385,207)
Net cash provided by (used in) investing activities	137,532	(412,834)
Cash flows from financing activities:		
Proceeds from issuance of common stock, net	131,186,490	38,863,440
Dividends paid	(12,048,637)	(6,011,049)
Borrowings of credit facilities	124,000,000	
Repayments of credit facilities	(131,300,000)	(15,000,000)
Fees paid for credit facilities and debentures	(1,166,000)	
Net cash provided by financing activities	110,671,853	17,852,391
Net (decrease) increase in cash	(8,938,386)	7,849,308
Cash and cash equivalents at beginning of period	16,404,214	15,362,447