

HERCULES TECHNOLOGY GROWTH CAPITAL INC

Form 10-Q

November 04, 2011

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For The Quarterly Period Ended September 30, 2011

OR

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

Commission File Number: 814-00702

HERCULES TECHNOLOGY GROWTH
CAPITAL, INC.

(Exact Name of Registrant as Specified in its Charter)

Maryland (State or Jurisdiction of Incorporation or Organization)	743113410 (IRS Employer Identification No.)
400 Hamilton Ave., Suite 310 Palo Alto, California (Address of Principal Executive Offices)	94301 (Zip Code)
(650) 289-3060 (Registrant's Telephone Number, Including Area Code)	

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this Chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

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Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

On November 1, 2011, there were 43,811,939 shares outstanding of the Registrant's common stock, \$0.001 par value.

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

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

CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES**(unaudited)****(dollars in thousands, except per share data)**

	September 30, 2011 (unaudited)	December 31, 2010
Assets		
Investments:		
Non-Control/Non-Affiliate investments (cost of \$572,558 and \$445,782, respectively)	\$ 573,494	\$ 428,782
Affiliate investments (cost of \$3,236 and \$2,880, respectively)		3,069
Control investments (cost of \$11,611 and \$31,743, respectively)	2,983	40,181
Total investments, at value (cost of \$587,405 and \$480,405, respectively)	576,477	472,032
Cash and cash equivalents	96,309	107,014
Interest receivable	4,667	4,520
Other assets	11,184	7,681
Total assets	\$ 688,637	\$ 591,247
Liabilities		
Accounts payable and accrued liabilities	\$ 7,755	\$ 8,716
Long-term SBA Debentures	188,750	170,000
Long-term Liabilities (Convertible Debt)	70,082	
Total liabilities	266,587	178,716
Net assets consist of:		
Common stock, par value	43	43
Capital in excess of par value	486,557	477,549
Unrealized depreciation on investments	(10,861)	(8,038)
Accumulated realized losses on investments	(47,604)	(51,033)
Distributions in excess of investment income	(6,085)	(5,990)
Total net assets	\$ 422,050	\$ 412,531
Total liabilities and net assets	\$ 688,637	\$ 591,247
Shares of common stock outstanding (\$0.001 par value, 100,000,000 authorized)	43,908	43,444
Net asset value per share	\$ 9.61	\$ 9.50

See notes to Consolidated Financial Statements (unaudited)

Table of Contents**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS****September 30, 2011****(unaudited)****(dollars in thousands)**

Portfolio Company	Industry	Type of Investment⁽¹⁾	Principal Amount	Cost⁽²⁾	Value⁽³⁾
Acceleron Pharmaceuticals, Inc.	Drug Discovery	Preferred Stock Warrants		\$ 69	\$ 878
		Preferred Stock Warrants		35	186
		Preferred Stock Warrants		39	85
		Preferred Stock		1,341	2,473
Total Acceleron Pharmaceuticals, Inc.			1,484	3,622	
Anthera Pharmaceuticals Inc.	Drug Discovery	Senior Debt			
		Matures September 2014			
		Interest rate Prime + 7.3% or			
		Floor rate of 10.55%	\$ 25,000	24,269	25,019
		Common Stock Warrants		541	378
Total Anthera Pharmaceuticals Inc.		Common Stock Warrants		443	308
			25,253	25,705	
Aveo Pharmaceuticals, Inc.	Drug Discovery	Senior Debt			
		Matures June 2014			
		Interest rate Prime + 7.15% or			
		Floor rate of 11.9%	\$ 25,000	26,554	27,304
		Common Stock		842	2,583
Total Aveo Pharmaceuticals, Inc.			27,396	29,887	
Dicerna Pharmaceuticals, Inc.	Drug Discovery	Senior Debt			
		Matures January 2015			
		Interest rate Prime + 5.75% or			
		Floor rate of 10.15%	\$ 7,000	6,986	6,986
		Preferred Stock Warrants		206	90
		Preferred Stock Warrants		31	26
		Preferred Stock Warrants		28	15
		Preferred Stock Warrants		187	143
Preferred Stock		502	439		
Total Dicerna Pharmaceuticals, Inc.			7,940	7,699	

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EpiCept Corporation ⁽⁵⁾	Drug Discovery	Common Stock Warrants	4	13
Total EpiCept Corporation			4	13
Horizon Therapeutics, Inc.	Drug Discovery	Common Stock Warrants	231	1
Total Horizon Therapeutics, Inc.			231	1
Inotek Pharmaceuticals Corp.	Drug Discovery	Preferred Stock	1,500	
Total Inotek Pharmaceuticals Corp.			1,500	
Merrimack Pharmaceuticals, Inc.	Drug Discovery	Preferred Stock Warrants	155	1,115
		Preferred Stock	2,000	3,825
Total Merrimack Pharmaceuticals, Inc.			2,155	4,940
Paratek Pharmaceuticals, Inc.	Drug Discovery	Preferred Stock Warrants	137	140
		Preferred Stock	1,000	1,348
Total Paratek Pharmaceuticals, Inc.			1,137	1,488
See notes to Consolidated Financial Statements (unaudited)				

Table of Contents**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)****September 30, 2011****(unaudited)****(dollars in thousands)**

Portfolio Company	Industry	Type of Investment⁽¹⁾	Principal Amount	Cost⁽²⁾	Value⁽³⁾
PolyMedix, Inc.	Drug Discovery	Senior Debt Matures September 2013 Interest rate Prime + 7.1% or Floor rate of 12.35%	\$ 7,611	\$ 7,394	\$ 7,546
		Common Stock Warrants		480	78
Total PolyMedix, Inc.				7,874	7,624
Portola Pharmaceuticals, Inc.	Drug Discovery	Preferred Stock Warrants		152	285
Total Portola Pharmaceuticals, Inc.				152	285
Total Drug Discovery (19.25%)*				75,126	81,264
Affinity Videonet, Inc.	Communications & Networking	Preferred Stock Warrants		102	149
Total Affinity Videonet, Inc.				102	149
E-band Communications, Corp. ⁽⁶⁾	Communications & Networking	Convertible Senior Debt Matures May 2013 Interest rate Fixed 6.00%	\$ 356	356	
		Preferred Stock		2,880	
Total E-Band Communications, Corp.				3,236	
IKANO Communications, Inc.	Communications & Networking	Preferred Stock Warrants		45	
		Preferred Stock Warrants		72	
Total IKANO Communications, Inc.				117	
Intelepeer, Inc.	Communications & Networking	Senior Debt Matures May 2013 Interest rate Prime + 8.12% or Floor rate of 11.37%	\$ 6,524	6,509	6,640
		Senior Debt	\$ 1,100	998	998

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Matures May 2012

Interest rate Prime + 4.25%

Preferred Stock Warrants 102 123

Total Intelepeer, Inc. 7,609 7,761

Neonova Holding Company	Communications & Networking	Preferred Stock Warrants	94	21
		Preferred Stock	250	197

Total Neonova Holding Company 344 218

Pac-West Telecomm, Inc.	Communications & Networking	Senior Debt		
		Matures October 2014		
		Interest rate Prime + 7.50% or		
		Floor rate of 12.00%	\$ 4,369	4,164
		Preferred Stock Warrants	121	

Total Pac-West Telecomm, Inc. 4,285 4,164

PeerApp, Inc.	Communications & Networking	Senior Debt		
		Matures April 2013		
		Interest rate Prime + 7.5% or		
		Floor rate of 11.50%	\$ 2,072	2,091
		Preferred Stock Warrants	61	91

Total PeerApp, Inc.⁽⁵⁾ 2,152 2,203

See notes to Consolidated Financial Statements (unaudited)

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September 30, 2011

(unaudited)

(dollars in thousands)

Portfolio Company	Industry	Type of Investment⁽¹⁾	Principal Amount	Cost⁽²⁾	Value⁽³⁾	
Peerless Network, Inc.	Communications & Networking	Preferred Stock Warrants		\$ 95	\$ 187	
		Preferred Stock		1,000	2,370	
Total Peerless Network, Inc.				1,095	2,557	
Ping Identity Corporation	Communications & Networking	Preferred Stock Warrants		52	410	
Total Ping Identity Corporation				52	410	
PointOne, Inc.	Communications & Networking	Senior Debt				
		Matures April 2013				
		Interest rate Libor + 9.0% or Floor rate of 11.50%		\$ 8,375	8,153	8,153
	Communications & Networking	Common Stock Warrants		131	194	
Total PointOne, Inc.				8,284	8,347	
Purcell Systems, Inc.	Communications & Networking	Preferred Stock Warrants		123	89	
Total Purcell Systems, Inc.				123	89	
Seven Networks, Inc.	Communications & Networking	Preferred Stock Warrants		174		
Total Seven Networks, Inc.				174		
Stoke, Inc ⁽⁴⁾	Communications & Networking	Senior Debt				
		Matures May 2013				
		Interest rate Prime + 7.0% or Floor rate of 10.25%		\$ 3,051	2,995	3,025
		Preferred Stock Warrants			53	68
		Preferred Stock Warrants			65	54
	Preferred Stock			500	500	
Total Stoke, Inc.				3,613	3,647	

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Tectura Corporation	Communications & Networking	Senior Debt		
		Matures December 2012		
		Interest rate 11%	\$ 8,125	9,324
		Revolving Line of Credit		9,209
		Matures July 2012		
		Interest rate 11%,		
		PIK interest 1.00%	\$ 17,207	17,332
		Preferred Stock Warrants		51
				33
Total Tectura Corporation				26,707
				26,574
Total Communications & Networking (13.30%)*				57,893
				56,119
Atrenta, Inc.	Software	Preferred Stock Warrants		102
		Preferred Stock Warrants		34
		Preferred Stock Warrants		95
		Preferred Stock		250
				375
Total Atrenta, Inc.				481
				1,038
Blurb, Inc.	Software	Preferred Stock Warrants		25
		Preferred Stock Warrants		298
Total Blurb, Inc.				323
				803

See notes to Consolidated Financial Statements (unaudited)

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Portfolio Company	Industry	Type of Investment⁽¹⁾	Principal Amount	Cost⁽²⁾	Value⁽³⁾
Braxton Technologies, LLC.	Software	Preferred Stock Warrants		\$ 188	\$
Total Braxton Technologies, LLC.				188	
Bullhorn, Inc.	Software	Preferred Stock Warrants		43	188
Total Bullhorn, Inc.				43	188
Central Desktop, Inc.	Software	Senior Debt			
		Matures April 2014			
		Interest rate Prime + 6.75% or			
		Floor rate of 10.50%	\$ 3,000	2,872	2,872
		Preferred Stock Warrants		108	299
Total Central Desktop, Inc.				2,980	3,171
Clickfox, Inc.	Software	Senior Debt			
		Matures July 2013			
		Interest rate Prime + 6.00% or			
		Floor rate of 11.25%	\$ 4,565	4,462	4,553
		Preferred Stock Warrants		177	327
		Preferred Stock Warrants		152	296
Total Clickfox, Inc.				4,791	5,176
Forescout Technologies, Inc.	Software	Preferred Stock Warrants		99	47
Total Forescout Technologies, Inc.				99	47
GameLogic, Inc.	Software	Preferred Stock Warrants		92	
Total GameLogic, Inc.				92	
HighRoads, Inc.	Software	Preferred Stock Warrants		44	7
Total HighRoads, Inc.				44	7
Kxen, Inc.	Software	Senior Debt	\$ 3,000	2,938	2,938
		Matures January 2015			

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		Interest rate Prime + 5.08% or			
		Floor rate of 8.33%			
		Preferred Stock Warrants		47	29
Total Kxen, Inc.				2,985	2,967
RichRelevance, Inc.	Software	Senior Debt			
		Matures January 2015			
		Interest rate Prime + 3.25% or			
		Floor rate of 7.50%	\$ 5,000	4,857	4,857
		Preferred Stock Warrants		98	23
Total RichRelevance, Inc.				4,955	4,880
Rockyou, Inc.	Software	Preferred Stock Warrants		117	7
Total Rockyou, Inc.				117	7
Sportvision, Inc.	Software	Preferred Stock Warrants		39	
Total Sportvision, Inc.				39	
SugarSync Inc.	Software	Senior Debt			
		Matures April 2015			
		Interest rate Prime + 4.50% or			
		Floor rate of 8.25%	\$ 2,000	1,946	1,946
		Preferred Stock Warrants		78	77
Total SugarSync Inc.				2,024	2,023

See notes to Consolidated Financial Statements (unaudited)

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Portfolio Company	Industry	Type of Investment⁽¹⁾	Principal Amount	Cost⁽²⁾	Value⁽³⁾
Unify Corporation	Software	Common Stock Warrants		\$ 1,434	\$ 332
Total Unify Corporation				1,434	332
White Sky, Inc.	Software	Senior Debt			
		Matures June 2014			
		Interest rate Prime + 7.00% or			
		Floor rate of 10.25%	\$ 1,500	1,443	1,443
	Software	Preferred Stock Warrants		54	1
Total White Sky, Inc.				1,497	1,444
WildTangent, Inc.	Software	Preferred Stock Warrants		238	11
Total WildTangent, Inc.				238	11
Total Software (5.23%)*				22,330	22,094
Luminus Devices, Inc.	Electronics & Computer Hardware	Preferred Stock Warrants		183	
		Preferred Stock Warrants		84	
		Preferred Stock Warrants		334	
Total Luminus Devices, Inc.				601	
Maxvision Holding, LLC ⁽⁷⁾	Electronics & Computer Hardware	Senior Debt			
		Matures December 2013			
		Interest rate Prime + 8.25% or			
		Floor rate of 12.00%,			
		PIK interest 5.00%	\$ 4,366	4,462	2,069
		Senior Debt			
		Matures December 2013			
		Interest rate Prime + 6.25% or			
		Floor rate of 10.00%, PIK interest 2.00%	\$ 2,681	2,653	

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	Revolving Line of Credit			
	Matures December 2013			
	Interest rate Prime + 6.25% or			
	Floor rate of 10.00%	\$	923	914
	Common Stock			3,581
Total Maxvision Holding, LLC			11,610	2,983
Shocking Technologies, Inc.	Electronics & Computer Hardware	Preferred Stock Warrants	63	57
Total Shocking Technologies, Inc.			63	57
Spatial Photonics, Inc. ⁽⁸⁾	Electronics & Computer Hardware	Preferred Stock Warrants	130	
		Preferred Stock	768	
Total Spatial Photonics Inc.			898	
Total Electronics & Computer Hardware (.72%)*			13,172	3,040

See notes to Consolidated Financial Statements (unaudited)

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Portfolio Company	Industry	Type of Investment⁽¹⁾	Principal Amount	Cost⁽²⁾	Value⁽³⁾
Aegerion Pharmaceuticals, Inc.	Specialty Pharmaceuticals	Senior Debt			
		Matures September 2014			
		Interest rate Prime + 5.65% or			
		Floor rate of 10.40%	\$ 10,000	\$ 10,138	\$ 10,325
		Common Stock Warrants		69	722
		Common Stock		1,093	1,825
Total Aegerion Pharmaceuticals, Inc.				11,300	12,872
Althea Technologies, Inc.	Specialty Pharmaceuticals	Senior Debt			
		Matures October 2013			
		Interest rate Prime + 7.70% or			
		Floor rate of 10.95%	\$ 10,990	10,844	11,135
		Preferred Stock Warrants		309	362
Total Althea Technologies, Inc.				11,153	11,497
Chroma Therapeutics, Ltd. ⁽⁵⁾	Specialty Pharmaceuticals	Senior Debt			
		Matures September 2013			
		Interest rate Prime + 7.75% or			
		Floor rate of 12.00%	\$ 8,540	8,738	8,738
		Preferred Stock Warrants		490	344
Total Chroma Therapeutics, Ltd.				9,228	9,082
Pacira Pharmaceuticals, Inc.	Specialty Pharmaceuticals	Senior Debt			
		Matures August 2014			
		Interest rate Prime + 6.25% or			
		Floor rate of 10.25%	\$ 11,250	11,237	11,237
		Senior Debt	\$ 15,000	14,255	14,443
		Matures August 2014			

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Interest rate Prime + 8.65% or

Floor rate of 12.65%

		Common Stock Warrants	1,086	584
Total Pacira Pharmaceuticals, Inc.			26,578	26,264
Quatrx Pharmaceuticals Company	Specialty Pharmaceuticals	Convertible Senior Debt		
		Matures March 2012		
		Interest rate 8.00%	\$ 1,888	1,888
		Preferred Stock Warrants		220
		Preferred Stock Warrants		307
		Preferred Stock		750
Total Quatrx Pharmaceuticals Company			3,165	1,888
Total Specialty Pharmaceuticals (14.60%)*			61,424	61,603
Annie s, Inc.	Consumer & Business Products	Preferred Stock Warrants	321	96
Total Annie s, Inc.			321	96
IPA Holdings, LLC	Consumer & Business Products	Preferred Stock Warrants	275	24
		Preferred Stock	500	260
Total IPA Holding, LLC			775	284
Market Force Information, Inc.	Consumer & Business Products	Preferred Stock Warrants	24	105
		Preferred Stock	500	481
Total Market Force Information, Inc.			524	586

See notes to Consolidated Financial Statements (unaudited)

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Portfolio Company	Industry	Type of Investment⁽¹⁾	Principal Amount	Cost⁽²⁾	Value⁽³⁾
TV Guide, Inc.	Consumer & Business Products	Revolving Line of Credit Matures October 2011 Interest rate Prime + 11.00% or Floor rate of 13.00%	\$ 500	\$ 479	\$ 479
Total TV Guide, Inc.				479	479
Wageworks, Inc.	Consumer & Business Products	Preferred Stock Warrants Preferred Stock		252 250	2,510 390
Total Wageworks, Inc.				502	2,900
Total Consumer & Business Products (1.03%)*				2,601	4,345
Achronix Semiconductor Corporation	Semiconductors	Senior Debt Matures January 2015 Interest rate Prime + 10.60% or Floor rate of 13.85% Preferred Stock Warrants	\$ 2,500	2,396 160	2,396 152
Total Achronix Semiconductor Corporation				2,556	2,548
Enpirion, Inc.	Semiconductors	Preferred Stock Warrants		157	
Total Enpirion, Inc.				157	
iWatt, Inc.	Semiconductors	Preferred Stock Warrants Preferred Stock Warrants Preferred Stock Warrants Preferred Stock Warrants Preferred Stock		46 51 73 458 490	3 1 2 7 983
Total iWatt, Inc.				1,118	996
Kovio Inc.	Semiconductors	Senior Debt Matures March 2015 Interest rate Prime + 5.50% or Floor rate of 9.25% Preferred Stock Warrants	\$ 1,250	1,213 27	1,213 27
Total Kovio Inc.				1,240	1,240
NEXX Systems, Inc.	Semiconductors	Preferred Stock Warrants Preferred Stock		297 277	1,330 802
Total NEXX Systems, Inc.				574	2,132

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Quartics, Inc.	Semiconductors	Preferred Stock Warrants	53
Total Quartics, Inc.			53

See notes to Consolidated Financial Statements (unaudited)

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Portfolio Company	Industry	Type of Investment⁽¹⁾	Principal Amount	Cost⁽²⁾	Value⁽³⁾
Total Semiconductors (1.64%)*				\$ 5,698	\$ 6,916
AcelRX Pharmaceuticals, Inc.	Drug Delivery	Senior Debt			
		Matures December 2014			
		Interest rate Prime + 3.25% or			
		Floor rate of 8.50%	\$ 5,000	4,889	4,889
		Senior Debt			
		Matures December 2014			
		Interest rate Prime + 3.25% or			
		Floor rate of 8.50%	\$ 5,000	4,889	4,889
		Common Stock Warrants		178	102
		Common Stock Warrants		178	102
Total AcelRX Pharmaceuticals, Inc.				10,134	9,982
Alexza Pharmaceuticals, Inc. ⁽⁴⁾	Drug Delivery	Senior Debt			
		Matures October 2013			
		Interest rate Prime + 6.5% or			
		Floor rate of 10.75%	\$ 11,770	11,699	12,121
		Preferred Stock Warrants		645	103
Total Alexza Pharmaceuticals, Inc.				12,344	12,224
BIND Biosciences, Inc.	Drug Delivery	Senior Debt			
		Matures July 2014			
		Interest rate Prime + 7.45% or			
		Floor rate of 10.70%	\$ 5,000	4,655	4,805
		Preferred Stock Warrants		53	75
		Preferred Stock Warrants		50	76
		Preferred Stock Warrants		188	312

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Total BIND Biosciences, Inc.				4,946	5,268
Labopharm USA, Inc. ⁽⁵⁾	Drug Delivery	Senior Debt			
		Matures December 2012			
		Interest rate 10.95%	\$ 9,771	9,718	9,718
		Senior Debt			
		Matures December 2012			
		Interest rate Prime + 3.20% or			
		Floor rate of 10.95%	\$ 3,257	3,417	3,417
Total Labopharm USA, Inc.				13,135	13,135
Merrion Pharmaceuticals, Inc. ⁽⁵⁾	Drug Delivery	Senior Debt			
		Matures January 2015			
		Interest rate Prime + 9.20% or			
		Floor rate of 12.45%	\$ 5,000	4,735	3,870
		Common Stock Warrants		213	23
Total Merrion Pharmaceuticals, Inc.				4,948	3,893
Transcept Pharmaceuticals, Inc.	Drug Delivery	Common Stock Warrants		36	57
		Common Stock Warrants		51	86
		Common Stock		500	275
Total Transcept Pharmaceuticals, Inc.				587	418
Revence Therapeutics, Inc.	Drug Delivery	Senior Debt			
		Matures March 2015			
		Interest rate Prime + 6.60% or			
		Floor rate of 9.85%	\$ 22,000	21,257	21,257
		Preferred Stock Warrants		557	557
Total Revance Therapeutics, Inc.				21,814	21,814
Total Drug Delivery (15.81%)*				67,908	66,734

See notes to Consolidated Financial Statements (unaudited)

Table of Contents**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)****September 30, 2011****(unaudited)****(dollars in thousands)**

Portfolio Company	Industry	Type of Investment⁽¹⁾	Principal Amount	Cost⁽²⁾	Value⁽³⁾
BARRX Medical, Inc.	Therapeutic	Senior Debt			
		Matures December 2011			
		Interest rate 11.00%	\$ 768	\$ 1,295	\$ 1,295
		Preferred Stock Warrants		76	110
		Preferred Stock		1,501	2,607
Total BARRX Medical, Inc.				2,872	4,012
EKOS Corporation	Therapeutic	Preferred Stock Warrants		175	
		Preferred Stock Warrants		153	
Total EKOS Corporation				328	
Gelesis, Inc. ⁽⁸⁾	Therapeutic	Senior Debt			
		Matures April 2013			
		Interest rate Prime + 4.65% or			
		Floor rate of 10.75%	\$ 2,771	2,820	
Total Gelesis, Inc.				2,820	
Gynesonics, Inc.	Therapeutic	Senior Debt			
		Matures October 2013			
		Interest rate Prime + 8.25% or			
		Floor rate of 11.50%	\$ 5,846	5,775	5,842
		Preferred Stock Warrants		228	240
		Preferred Stock		532	451
Total Gynesonics, Inc.				6,535	6,533
Light Science Oncology, Inc.	Therapeutic	Preferred Stock Warrants		99	176
Total Light Science Oncology, Inc.				99	176
Novasys Medical, Inc.	Therapeutic	Preferred Stock Warrants		71	
		Preferred Stock Warrants		54	1
		Preferred Stock		1,000	1,001

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Total Novasys Medical, Inc.				1,125	1,002
Oraya Therapeutics, Inc.	Therapeutic	Senior Debt			
		Matures March 2015			
		Interest rate Prime + 4.75% or			
		Floor rate of 9.50%	\$ 7,500	7,317	7,317
		Preferred Stock Warrants		232	232
Total Oraya Therapeutics, Inc.				7,549	7,549
Pacific Child & Family Associates, LLC	Therapeutic	Senior Debt			
		Matures January 2015			
		Interest rate LIBOR + 8.0% or			
		Floor rate of 10.50%	\$ 5,685	5,592	5,592
		Revolving Line of Credit			
		Matures January 2015			
		Interest rate LIBOR + 6.5% or			
		Floor rate of 9.00%	\$ 1,500	1,483	1,396
		Senior Debt			
		Matures January 2015			
		Interest rate LIBOR + 10.50% or			
		Floor rate of 13.0%, PIK			
		interest 3.75%	\$ 5,900	6,185	6,302
Total Pacific Child & Family Associates, LLC				13,260	13,290
Total Therapeutic (7.72%)*				34,588	32,562

See notes to Consolidated Financial Statements (unaudited)

Table of Contents**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)****September 30, 2011****(unaudited)****(dollars in thousands)**

Portfolio Company	Industry	Type of Investment⁽¹⁾	Principal Amount	Cost⁽²⁾	Value⁽³⁾
Cozi Group, Inc.	Internet Consumer				
	& Business Services	Preferred Stock Warrants		\$ 147	\$
		Preferred Stock		177	48
Total Cozi Group, Inc.				324	48
Invoke Solutions, Inc.	Internet Consumer				
	& Business Services	Preferred Stock Warrants		56	
		Preferred Stock Warrants		26	
Total Invoke Solutions, Inc.				82	
InXpo, Inc.	Internet Consumer	Senior Debt			
	& Business Services	Matures March 2014			
		Interest rate Prime + 7.5% or			
		Floor rate of 10.75%	\$ 3,500	3,403	3,403
		Preferred Stock Warrants		98	82
Total InXpo, Inc.				3,501	3,485
Prism Education Group, Inc.	Internet Consumer				
	& Business Services	Preferred Stock Warrants		43	109
Total Prism Education Group, Inc.				43	109
RazorGator Interactive Group, Inc.	Internet Consumer				
	& Business Services	Preferred Stock Warrants		13	
		Preferred Stock Warrants		28	
		Preferred Stock Warrants		1,183	
		Preferred Stock		1,000	
Total RazorGator Interactive Group, Inc.				2,224	
Reply! Inc. ⁽⁴⁾	Internet Consumer	Senior Debt	\$ 13,000	12,862	12,862
	& Business Services	Matures June 2015			

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		Interest rate Prime + 6.87% or			
		Floor rate of 10.12%			
		Preferred Stock Warrants		320	206
Total Reply! Inc.				13,182	13,068
ScriptSave	Internet Consumer	Senior Debt			
(Medical Security Card Company, LLC)	& Business Services	Matures February 2016			
		Interest rate Prime + 8.75% or			
		Floor rate of 11.25%	\$ 20,158	19,786	20,391
Total ScriptSave				19,786	20,391
Trulia, Inc.	Internet Consumer	Senior Debt			
	& Business Services	Matures March 2015			
		Interest rate Prime + 2.75% or			
		Floor rate of 6.00%	\$ 5,000	4,856	4,856
		Senior Debt			
		Matures March 2015			
		Interest rate Prime + 5.50% or			
		Floor rate of 8.75%	\$ 5,000	4,857	4,857
		Preferred Stock Warrants		188	187
Total Trulia, Inc.				9,901	9,900

See notes to Consolidated Financial Statements (unaudited)

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

September 30, 2011

(unaudited)

(dollars in thousands)

Portfolio Company	Industry	Type of Investment ⁽¹⁾	Principal Amount	Cost ⁽²⁾	Value ⁽³⁾
Vaultlogix, Inc.	Internet Consumer & Business Services	Senior Debt			
		Matures September 2016			
	Interest rate Libor + 8.50% or				
	Floor rate of 10.00%,				
	PIK interest 2.50%	\$ 7,500	\$ 7,382	\$ 7,382	
	Senior Debt				
		Matures September 2015			
		Interest rate Libor + 7.00% or			
	Floor rate of 8.50%	\$ 11,500	11,309	11,309	
	Revolving Line of Credit				
	Matures September 2015				
	Interest rate Libor + 6.00% or				
		Floor rate of 7.50%	\$ 300	283	283
Total Vaultlogix, Inc.				18,974	18,974
Total Internet Consumer & Business Services (15.63%)				68,017	65,975
Lilliputian Systems, Inc.	Energy	Preferred Stock Warrants		106	
		Common Stock Warrants		48	
Total Lilliputian Systems, Inc.				154	
Total Energy (0.00%)*				154	
Box.net, Inc.	Information Services	Senior Debt	\$ 4,808	4,686	4,686
		Matures March 2015			
		Interest rate Prime + 3.75% or			

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		Floor rate of 7.50%			
		Senior Debt			
		Matures July 2014			
		Interest rate Prime + 5.25% or			
		Floor rate of 8.50%	\$ 1,590	1,602	1,634
		Preferred Stock Warrants		73	1,998
		Preferred Stock Warrants		117	1,352
		Preferred Stock Warrants		194	191
		Preferred Stock		500	3,137
		Preferred Stock		1,500	2,272
Total Box.net, Inc.				8,672	15,270
Buzznet, Inc.	Information Services	Preferred Stock Warrants		9	
		Preferred Stock		250	34
Total Buzznet, Inc.				259	34
Cha Cha Search, Inc.	Information Services	Senior Debt			
		Matures February 2015			
		Interest rate Prime + 6.25% or			
		Floor rate of 9.50%	\$ 3,000	2,916	2,916
		Preferred Stock Warrants		58	10
Total Cha Cha Search, Inc.				2,974	2,926
XL Education Corp.	Information Services	Common Stock		880	880
Total XL Education Corp.				880	880
hi5 Networks, Inc.	Information Services	Preferred Stock Warrants		213	
		Preferred Stock		250	741
Total hi5 Networks, Inc.				463	741
Jab Wireless, Inc.	Information Services	Senior Debt			
		Matures August 2016			
		Interest rate Prime + 6.25% or			
		Floor rate of 6.75%	\$ 18,121	17,858	17,858
Jab Wireless, Inc.	Information Services	Preferred Stock Warrants		265	281
Total Jab Wireless, Inc.				18,123	18,139

See notes to Consolidated Financial Statements (unaudited)

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

September 30, 2011

(unaudited)

(dollars in thousands)

Portfolio Company	Industry	Type of Investment ⁽¹⁾	Principal Amount	Cost ⁽²⁾	Value ⁽³⁾
Solutionary, Inc.	Information Services	Preferred Stock Warrants		\$ 94	\$
		Preferred Stock Warrants		2	
		Preferred Stock		250	42
Total Solutionary, Inc.				346	42
Intelligent Beauty, Inc.	Information Services	Preferred Stock Warrants		230	90
Total Intelligent Beauty, Inc.				230	90
Good Technologies, Inc.	Information Services	Common Stock		603	95
Total Good Technologies, Inc.				603	95
Zeta Interactive Corporation	Information Services	Preferred Stock Warrants		172	110
		Preferred Stock		501	485
Total Zeta Interactive Corporation				673	595
Total Information Services (9.20%)				33,223	38,812
Novadaq Technologies, Inc. ⁽⁵⁾	Diagnostic	Common Stock		1,415	808
Total Novadaq Technologies, Inc. ⁽⁵⁾				1,415	808
Optiscan Biomedical, Corp.	Diagnostic	Senior Debt			
		Matures December 2013			
		Interest rate Prime + 8.20% or			
		Floor rate of 11.45%	\$ 10,750	10,792	11,162
		Preferred Stock Warrants		1,069	668
		Preferred Stock		3,656	2,251
Total Optiscan Biomedical, Corp.				15,517	14,081
Total Diagnostic (3.53%)*				16,932	14,889
deCODE genetics ehf.	Biotechnology Tools	Senior Debt	\$ 5,000	4,740	4,740
		Matures September 2014			
		Interest rate Prime + 10.25% or			

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Floor rate of 13.50%,

PIK interest 2.00%

		Preferred Stock Warrants	305	358
Total deCODE genetics ehf.			5,045	5,098
Kamada, LTD.	Biotechnology Tools	Common Stock	427	398
Total Kamada, LTD.			427	398
Labcyte, Inc.	Biotechnology Tools	Senior Debt		
		Matures May 2013		
		Interest rate Prime + 8.6% or		
		Floor rate of 11.85%	\$ 2,800	2,774
		Common Stock Warrants		192
		Common Stock Warrants		5
Total Labcyte, Inc.			2,971	3,044
NeurogesX, Inc.	Drug Discovery	Senior Debt		
		Matures February 2015		
		Interest rate Prime + 6.25% or		
		Floor rate of 9.50%	\$ 15,000	14,433
		Common Stock Warrants		503
Total NeurogesX, Inc.			14,936	14,565

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Table of Contents**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)****September 30, 2011****(unaudited)****(dollars in thousands)**

Portfolio Company	Industry	Type of Investment⁽¹⁾	Principal Amount	Cost⁽²⁾	Value⁽³⁾
NuGEN Technologies, Inc.	Biotechnology Tools	Preferred Stock Warrants		\$ 45	\$ 203
		Preferred Stock Warrants		33	15
		Preferred Stock		500	473
Total NuGEN Technologies, Inc.				578	691
Total Biotechnology Tools (5.64%)*				23,957	23,796
Entrigue Surgical, Inc.	Surgical Devices	Senior Debt			
		Matures December 2014			
		Interest rate Prime + 5.90% or			
		Floor rate of 9.65%	\$ 3,000	2,863	2,863
		Preferred Stock Warrants		87	87
Total Entrigue Surgical, Inc.				2,950	2,950
Transmedics, Inc. ⁽⁴⁾	Surgical Devices	Senior Debt			
		Matures February 2014			
		Interest rate Prime + 9.70% or			
		Floor rate of 12.95%	\$ 8,375	9,115	4,733
		Preferred Stock Warrants		225	
		Preferred Stock		1,169	
Total Transmedics, Inc.				10,509	4,733
Total Surgical Devices (1.82%)*				13,459	7,683
Glam Media, Inc.	Media/Content/Info	Preferred Stock Warrants		482	138
Total Glam Media, Inc.				482	138
Everyday Health, Inc. (Waterfront Media, Inc.)	Media/Content/Info	Preferred Stock Warrants		60	364
		Preferred Stock		1,000	945
Total Everyday Health				1,060	1,309
Women s Marketing, Inc.	Media/Content/Info	Senior Debt	\$ 10,000	9,866	9,866

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	Matures May 2016			
	Interest rate Libor + 9.50% or			
	Floor rate of 12.00%,			
	PIK interest 3.00%			
	Senior Debt			
	Matures November 2015			
	Interest rate Libor + 7.50% or			
	Floor rate of 10.0%	\$ 9,875	9,648	9,648
	Senior Debt			
	Matures November 2015			
	Interest rate Libor + 7.50% or			
	Floor rate of 10.0%	\$ 10,125	9,891	9,891
Total Women's Marketing, Inc.			29,405	29,405
Total Media/Content/Info (7.31%)*			30,947	30,852

See notes to Consolidated Financial Statements (unaudited)

Table of Contents**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)****September 30, 2011****(unaudited)****(dollars in thousands)**

Portfolio Company	Industry	Type of Investment⁽¹⁾	Principal Amount	Cost⁽²⁾	Value⁽³⁾
BrightSource Energy, Inc. ⁽⁴⁾	Clean Tech	Senior Debt			
		Matures December 2011			
		Interest rate Prime + 7.75% or			
		Floor rate of 11.0%	\$ 11,250	\$ 11,096	\$ 11,096
		Senior Debt			
		Matures December 2012			
		Interest rate Prime + 9.55% or			
		Floor rate of 12.8%	\$ 13,750	13,542	13,542
		Preferred Stock Warrants		675	623
Total BrightSource Energy, Inc.				25,313	25,261
Calera, Inc.	Clean Tech	Preferred Stock Warrants		513	660
Total Calera, Inc.				513	660
EcoMotors, Inc.	Clean Tech	Senior Debt			
		Matures February 2014			
		Interest rate Prime + 6.1% or			
		Floor rate of 9.35%	\$ 5,383	5,260	5,421
		Preferred Stock Warrants		154	451
		Common Stock Warrants		154	451
Total EcoMotors, Inc.				5,568	6,323
Enphase Energy, Inc.	Clean Tech	Senior Debt			
		Matures June 2014			
		Interest rate Prime + 5.75% or			
		Floor rate of 9.0%	\$ 4,248	4,135	4,135
		Preferred Stock Warrants		102	17
Total Enphase Energy, Inc.				4,237	4,152

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GreatPoint Energy, Inc.	Clean Tech	Preferred Stock Warrants		548	203
Total GreatPoint Energy, Inc.				548	203
NanoSolar, Inc.	Clean Tech	Senior Debt			
		Matures September 2014			
		Interest rate Prime + 7.75% or			
		Floor rate of 11.0%	\$ 10,000	9,515	9,515
		Preferred Stock Warrants			
				355	355
Total NanoSolar, Inc.				9,870	9,870
Propel Biofuels, Inc.	Clean Tech	Senior Debt			
		Matures September 2013			
		Interest rate 11.0%	\$ 1,540	1,562	1,570
		Preferred Stock Warrants			
				211	195
Total Propel Biofuels, Inc.				1,773	1,765
Scientific Conservation, Inc.	Clean Tech	Senior Debt			
		Matures October 2014			
		Interest rate 6.25%	\$ 202	196	196
		Preferred Stock Warrants			
				8	2
Total Scientific Conservation, Inc.				204	198

See notes to Consolidated Financial Statements (unaudited)

Table of Contents**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)****September 30, 2011****(unaudited)****(dollars in thousands)**

Portfolio Company	Industry	Type of Investment⁽¹⁾	Principal Amount	Cost⁽²⁾	Value⁽³⁾
Solexel, Inc.	Clean Tech	Senior Debt			
		Matures June 2013			
		Interest rate Prime + 8.25% or			
		Floor rate of 11.50%	\$ 1,031	\$ 966	\$ 966
		Senior Debt			
		Matures June 2013			
		Interest rate Prime + 7.25% or			
		Floor rate of 10.50%	\$ 8,927	9,660	9,660
		Preferred Stock Warrants		335	11
		Preferred Stock Warrants		259	71
Preferred Stock Warrants		142	142		
Preferred Stock Warrants		426	427		
Total Solexel, Inc.			11,788	11,277	
Trilliant, Inc.	Clean Tech	Preferred Stock Warrants		89	46
		Preferred Stock Warrants		73	38
Total Trilliant, Inc.			162	84	
Total Clean Tech (14.17%)*			59,976	59,793	
Total Investments			\$ 587,405	\$ 576,477	

* Value as a percent of net assets

- (1) Preferred and common stock, warrants, and equity interests are generally non-income producing.
- (2) Gross unrealized appreciation, gross unrealized depreciation, and net depreciation for federal income tax purposes totaled \$28,443, \$40,649 and \$12,205 respectively. The tax cost of investments is \$588,807.
- (3) Except for warrants in twelve publicly traded companies and common stock in five publicly traded companies, all investments are restricted at September 30, 2011. No unrestricted securities of the same issuer are outstanding. The Company uses the Standard Industrial Code for classifying the industry grouping of its portfolio companies.
- (4) Debt investments of this portfolio company have been pledged as collateral under the Wells Facility.
- (5) Non-U.S. company or the company's principal place of business is outside the United States.
- (6) Affiliate investment that is defined under the Investment Company Act of 1940 as companies in which HTGC owns at least 5% but not more than 25% of the voting securities of the company.

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- (7) Control investment that is defined under the Investment Company Act of 1940 as companies in which HTGC owns at least 25% of the voting securities of the company, or has greater than 50% representation on its board.
- (8) Debt is on non-accrual status at September 30, 2011, and is therefore considered non-income producing.

See notes to Consolidated Financial Statements (unaudited)

Table of Contents**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS****December 31, 2010****(dollars in thousands)**

Portfolio Company	Industry	Type of Investment⁽¹⁾	Principal Amount	Cost⁽²⁾	Value⁽³⁾
Acceleron Pharmaceuticals, Inc.	Drug Discovery	Preferred Stock Warrants		\$ 69	\$ 922
		Preferred Stock Warrants		35	189
		Preferred Stock Warrants		39	99
		Preferred Stock		1,341	2,316
Total Acceleron Pharmaceuticals, Inc.				1,484	3,526
Aveo Pharmaceuticals, Inc.	Drug Discovery	Senior Debt			
		Matures September 2013			
		Interest rate Prime + 7.15% or			
		Floor rate of 11.9%	\$ 25,000	26,108	26,108
		Preferred Stock Warrants		190	686
		Preferred Stock Warrants		104	165
		Preferred Stock Warrants		24	58
		Preferred Stock Warrants		288	770
Total Aveo Pharmaceuticals, Inc.				26,950	28,417
Dicerna Pharmaceuticals, Inc.	Drug Discovery	Senior Debt			
		Matures July 2012			
		Interest rate Prime + 9.20% or			
		Floor rate of 12.95%	\$ 4,699	4,678	4,706
		Preferred Stock Warrants		205	182
		Preferred Stock Warrants		30	33
Total Dicerna Pharmaceuticals, Inc.				5,444	5,449
EpiCept Corporation	Drug Discovery	Common Stock Warrants		4	112
		Common Stock Warrants		40	10
Total EpiCept Corporation				44	122
Horizon Therapeutics, Inc.	Drug Discovery	Preferred Stock Warrants		231	
Total Horizon Therapeutics, Inc.				231	
Inotek Pharmaceuticals Corp.	Drug Discovery	Preferred Stock		1,500	
Total Inotek Pharmaceuticals Corp.				1,500	

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Merrimack Pharmaceuticals, Inc.	Drug Discovery	Preferred Stock Warrants	155	170
		Preferred Stock	2,000	1,547
Total Merrimack Pharmaceuticals, Inc.			2,155	1,717
Paratek Pharmaceuticals, Inc.	Drug Discovery	Preferred Stock Warrants	137	155
		Preferred Stock	1,000	999
Total Paratek Pharmaceuticals, Inc.			1,137	1,154
PolyMedix, Inc.	Drug Discovery	Senior Debt		
		Matures September 2013		
		Interest rate Prime + 7.1% or		
		Floor rate of 12.35%	\$ 10,000	9,605
		Preferred Stock Warrants	480	248
Total PolyMedix, Inc.			10,085	9,853
	See notes to consolidated financial statements.			

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Portfolio Company	Industry	Type of Investment⁽¹⁾	Principal Amount	Cost⁽²⁾	Value⁽³⁾
Portola Pharmaceuticals, Inc.	Drug Discovery	Senior Debt Matures April 2011 Interest rate Prime + 2.16%	\$ 1,666	\$ 2,033	\$ 2,033
		Preferred Stock Warrants		152	506
Total Portola Pharmaceuticals, Inc.				2,185	2,539
Total Drug Discovery (12.79%)*				51,215	52,777
Affinity Videonet, Inc.	Communications & Networking	Preferred Stock Warrants		102	180
Total Affinity Videonet, Inc.				102	180
E-band Communications, Corp. ⁽⁶⁾	Communications & Networking	Preferred Stock		2,880	3,069
Total E-Band Communications, Corp.				2,880	3,069
IKANO Communications, Inc.	Communications & Networking	Senior Debt Matures August 2011 Interest rate 12.00%	\$ 1,654	1,953	1,953
		Preferred Stock Warrants		45	
		Preferred Stock Warrants		72	
Total IKANO Communications, Inc.				2,070	1,953
Intelepeer, Inc.	Communications & Networking	Senior Debt Matures May 2013 Interest rate Prime + 8.125%	\$ 7,624	7,468	7,459
		Preferred Stock Warrants		102	111
Total Intelepeer, Inc.				7,570	7,570
Neonova Holding Company	Communications & Networking	Preferred Stock Warrants		94	12
		Preferred Stock		250	140
Total Neonova Holding Company				344	152
Opsource, Inc. ⁽⁴⁾	Communications & Networking	Senior Debt Matures June 2013 Interest rate Prime + 7.75% or Floor rate of 11.00%	\$ 5,000	4,888	4,888
		Senior Debt Matures October 2013 Interest rate Prime + 7.25% or Floor rate of 10.50%	\$ 2,000	1,944	1,905

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	Revolving Line of Credit			
	Matures June 2011			
	Interest rate Prime + 5.25% or			
	Floor rate of 8.50%	\$ 1,500	1,458	1,458
	Preferred Stock Warrants		223	105
Total Opsource, Inc.			8,513	8,356

See notes to consolidated financial statements.

Table of Contents**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)****December 31, 2010****(dollars in thousands)**

Portfolio Company	Industry	Type of Investment⁽¹⁾	Principal Amount	Cost⁽²⁾	Value⁽³⁾
Pac-West Telecomm, Inc.	Communications	Senior Debt			
	& Networking	Matures April 2014			
		Interest rate Prime + 7.5% or			
		Floor rate of 12.0%	\$ 10,000	\$ 9,634	\$ 9,634
		Preferred Stock Warrants		121	147
Total Pac-West Telecomm, Inc.				9,755	9,781
PeerApp, Inc.	Communications	Senior Debt			
	& Networking	Matures April 2013			
		Interest rate Prime + 7.5% or			
		Floor rate of 11.50%	\$ 2,911	2,855	2,792
		Preferred Stock Warrants		61	65
Total PeerApp, Inc.				2,916	2,857
Peerless Network, Inc.	Communications				
	& Networking	Preferred Stock Warrants		95	138
		Preferred Stock		1,000	1,930
Total Peerless Network, Inc.				1,095	2,068
Ping Identity Corporation	Communications				
	& Networking	Preferred Stock Warrants		52	6
Total Ping Identity Corporation				52	6
Purcell Systems, Inc.	Communications				
	& Networking	Preferred Stock Warrants		123	330
Total Purcell Systems, Inc.				123	330
Seven Networks, Inc.	Communications				
	& Networking	Preferred Stock Warrants		174	40

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Total Seven Networks, Inc.				174	40
Stoke, Inc. ⁽⁴⁾		Senior Debt			
		Matures May 2013			
	Communications	Interest rate Prime + 7.0% or			
	& Networking	Floor rate of 10.25%	\$ 4,000	3,883	3,883
		Preferred Stock Warrants		53	210
		Preferred Stock Warrants		65	133
		Preferred Stock		500	500
Total Stoke, Inc.				4,501	4,726
Tectura Corporation		Senior Debt			
	Communications	Matures December 2012			
	& Networking	Interest rate 11%	\$ 5,625	5,512	5,512
		Revolving Line of Credit			
		Matures July 2011			
		Interest rate 11%	\$ 17,477	18,488	18,488
		Preferred Stock Warrants		50	10
Total Tectura Corporation				24,050	24,010
Total Communications & Networking (15.78%)*				64,145	65,098

See notes to consolidated financial statements.

Table of Contents**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)****December 31, 2010****(dollars in thousands)**

Portfolio Company	Industry	Type of Investment⁽¹⁾	Principal Amount	Cost⁽²⁾	Value⁽³⁾
Atrenta, Inc.	Software	Preferred Stock Warrants		\$ 102	\$ 46
		Preferred Stock Warrants		34	15
		Preferred Stock Warrants		95	22
		Preferred Stock		250	143
Total Atrenta, Inc.			481	226	
Blurb, Inc.	Software	Senior Debt			
		Matures June 2011			
		Interest rate Prime + 3.50% or			
		Floor rate of 8.5%	\$ 1,162	1,392	1,392
		Preferred Stock Warrants		25	349
		Preferred Stock Warrants		299	228
Total Blurb, Inc.				1,716	1,969
Braxton Technologies, LLC.	Software	Preferred Stock Warrants		188	
Total Braxton Technologies, LLC.				188	
Bullhorn, Inc.	Software	Preferred Stock Warrants		43	234
Total Bullhorn, Inc.				43	234
Clickfox, Inc.	Software	Senior Debt			
		Matures July 2013			
		Interest rate Prime + 6.00% or			
		Floor rate of 11.25%	\$ 6,000	5,801	5,801
		Revolving Line of Credit			
		Matures July 2011			
Interest rate Prime + 5.00% or					
		Floor rate of 12.00%	\$ 2,000	1,997	1,996
		Preferred Stock Warrants		177	643
		Preferred Stock Warrants		152	643

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Total Clickfox, Inc.			8,127	9,083
Forescout Technologies, Inc.	Software	Preferred Stock Warrants	99	14
Total Forescout Technologies, Inc.			99	14
GameLogic, Inc.	Software	Preferred Stock Warrants	92	
Total GameLogic, Inc.			92	
HighJump Acquisition, LLC.	Software	Senior Debt		
		Matures May 2013		
		Interest rate Libor + 9.25% or		
		Floor rate of 12.50%	\$ 17,500	17,386
				17,386
Total HighJump Acquisition, LLC.			17,386	17,386
HighRoads, Inc.	Software	Preferred Stock Warrants	44	65
Total HighRoads, Inc.			44	65

See notes to consolidated financial statements.

Table of Contents**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)****December 31, 2010****(dollars in thousands)**

Portfolio Company	Industry	Type of Investment⁽¹⁾	Principal Amount	Cost⁽²⁾	Value⁽³⁾
Infologix, Inc. ⁽⁷⁾	Software	Senior Debt Matures November 2013 Interest rate 18.00%	\$ 5,500	\$ 5,162	\$ 5,162
		Convertible Senior Debt Matures November 2014 Interest rate 12.00%		1,111	1,127
		Revolving Line of Credit Matures May 2011 Interest rate 12.00%	\$ 12,317	12,317	12,317
		Senior Debt Matures December 2010 Interest rate 18.00%	\$ 2,178	2,178	2,178
		Senior Debt Matures April 2013 Interest rate 8.00%	\$ 1,350	1,350	1,350
		Senior Debt Matures September 2011 Interest rate 10.00%	\$ 500	509	509
		Preferred Stock Warrants		725	1,394
		Common Stock		5,000	9,620
		Common Stock		36	69
		Common Stock		3,355	6,455
Total Infologix, Inc.				31,743	40,181
PSS Systems, Inc.	Software	Preferred Stock Warrants		51	17
Total PSS Systems, Inc.				51	17
Rockyou, Inc.	Software	Preferred Stock Warrants		117	186
Total Rockyou, Inc.				117	186
Sportvision, Inc.	Software	Preferred Stock Warrants		39	
Total Sportvision, Inc.				39	
Unify Corporation	Software	Senior Debt Matures June 2015 Interest rate Libor + 8.50% or Floor rate of 10.50%	\$ 24,000	22,248	22,968
		Revolving Line of Credit Matures June 2015 Interest rate Libor + 7.50% or Floor rate of 9.50%	\$ 3,750	3,731	3,476
		Preferred Stock Warrants		1,434	693
Total Unify Corporation				27,413	27,137

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WildTangent, Inc.	Software	Preferred Stock Warrants		238	10
Total WildTangent, Inc.				238	10
Total Software (23.39%)*				87,777	96,508
Luminus Devices, Inc.	Electronics &	Senior Debt			
		Matures December 2011			
	Computer Hardware	Interest rate 11.875%	\$ 540	540	540
		Preferred Stock Warrants		183	
		Preferred Stock Warrants		84	
		Preferred Stock Warrants		334	
Total Luminus Devices, Inc.				1,141	540

See notes to consolidated financial statements.

Table of Contents**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)****December 31, 2010****(dollars in thousands)**

Portfolio Company	Industry	Type of Investment⁽¹⁾	Principal Amount	Cost⁽²⁾	Value⁽³⁾
Maxvision Holding, LLC.	Electronics & Computer Hardware	Senior Debt			
		Matures October 2012			
	Interest rate Prime + 7.25% or				
	Floor rate of 10.75%	\$ 5,000	\$ 5,377	\$ 377	
	Senior Debt				
	Matures April 2012				
		Interest rate Prime + 5.0% or			
		Floor rate of 8.5%	\$ 3,409	3,382	3,382
	Revolving Line of Credit				
	Matures April 2012				
	Interest rate Prime + 5.0% or				
	Floor rate of 8.5%	\$ 3,100	3,163	3,163	
		Common Stock		81	
Total Maxvision Holding, LLC.				12,003	6,922
Shocking Technologies, Inc.	Electronics &				
	Computer Hardware	Preferred Stock Warrants		63	90
Total Shocking Technologies, Inc.				63	90
Spatial Photonics, Inc.	Electronics &				
	Computer Hardware	Preferred Stock Warrants		129	
		Preferred Stock		767	267
Total Spatial Photonics, Inc.				896	267
VeriWave, Inc.	Electronics &				
	Computer Hardware	Preferred Stock Warrants		54	
		Preferred Stock Warrants		46	

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Total VeriWave, Inc.			100		
Total Electronics & Computer Hardware (1.90%)*			14,203	7,819	
Aegerion Pharmaceuticals, Inc.					
	Specialty				
	Pharmaceuticals	Preferred Stock Warrants	69	761	
		Preferred Stock	1,475	2,206	
Total Aegerion Pharmaceuticals, Inc.			1,544	2,967	
Althea Technologies, Inc.					
	Specialty	Senior Debt			
	Pharmaceuticals	Matures October 2013			
		Interest rate Prime + 7.70% or			
		Floor rate of 10.95%	\$ 12,000	11,661	11,661
		Preferred Stock Warrants		309	276
Total Althea Technologies, Inc.			11,970	11,937	
Chroma Therapeutics, Ltd. ⁽⁵⁾					
	Specialty	Senior Debt			
	Pharmaceuticals	Matures September 2013			
		Interest rate Prime + 7.75% or			
		Floor rate of 12.00%	\$ 10,000	9,797	10,021
		Preferred Stock Warrants		490	632
Total Chroma Therapeutics, Ltd.			10,287	10,653	

See notes to consolidated financial statements.

Table of Contents**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)****December 31, 2010****(dollars in thousands)**

Portfolio Company	Industry	Type of Investment⁽¹⁾	Principal Amount	Cost⁽²⁾	Value⁽³⁾
Pacira Pharmaceuticals, Inc. ⁽⁴⁾	Specialty	Senior Debt			
	Pharmaceuticals	Matures May 2014			
		Interest rate Prime + 6.25% or			
		Floor rate of 10.25%	\$ 11,250	\$ 11,105	\$ 11,105
		Senior Debt			
		Matures May 2014			
		Interest rate Prime + 8.65% or			
		Floor rate of 12.65%	\$ 15,000	13,749	13,749
		Preferred Stock Warrants		1,086	1,255
Total Pacira Pharmaceuticals, Inc.				25,940	26,109
QuatRx Pharmaceuticals Company	Specialty	Senior Debt			
	Pharmaceuticals	Matures October 2011			
		Interest rate Prime + 8.90% or			
		Floor rate of 12.15%	\$ 9,306	9,474	9,474
		Convertible Senior Debt			
		Interest Rate of 8.0%			
		Matures March 2012	\$ 1,888	1,888	2,467
		Preferred Stock Warrants		220	
		Preferred Stock Warrants		307	
		Preferred Stock		751	
Total QuatRx Pharmaceuticals Company				12,640	11,941
Total Specialty Pharmaceuticals (15.42%)*				62,381	63,607
Annie s, Inc.	Consumer &				
	Business Products	Preferred Stock Warrants		321	75
Total Annie s, Inc.				321	75

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IPA Holdings, LLC. ⁽⁴⁾	Consumer &	Senior Debt			
	Business Products	Matures November 2012			
		Interest rate Prime + 6.75% or			
		Floor rate of 11.0%	\$ 8,250	8,505	8,160
		Senior Debt			
		Matures May 2013			
		Interest rate Prime + 9.75% or			
		Floor rate of 14.0%	\$ 6,500	7,019	6,995
		Revolving Line of Credit			
		Matures November 2012			
		Interest rate Prime + 6.25% or			
		Floor rate of 10.50%	\$ 856	761	761
		Preferred Stock Warrants		275	
		Common Stock		500	
Total IPA Holdings, LLC.				17,060	15,916
Market Force Information, Inc.	Consumer &				
	Business Products	Preferred Stock Warrants		24	60
		Preferred Stock		500	439
Total Market Force Information, Inc.				524	499
Trading Machines, Inc. ⁽⁸⁾	Consumer &	Senior Debt			
	Business Products	Matures January 2014			
		Interest rate Prime + 10.25% or			
		Floor rate of 13.50%	\$ 9,812	8,644	4,000
		Preferred Stock Warrants		878	
		Preferred Stock		50	
Total Trading Machines, Inc.				9,572	4,000

See notes to consolidated financial statements.

Table of Contents**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)****December 31, 2010****(dollars in thousands)**

Portfolio Company	Industry	Type of Investment⁽¹⁾	Principal Amount	Cost⁽²⁾	Value⁽³⁾
Velocity Technology Solutions, Inc.	Consumer &	Senior Debt			
	Business Products	Matures February 2015			
		Interest rate LIBOR + 8% or			
		Floor rate of 11.00%	\$ 15,417	\$ 15,072	\$ 14,574
		Senior Debt			
		Matures February 2015			
		Interest rate LIBOR + 10% or			
		Floor rate of 13.00%	\$ 8,333	8,317	8,526
Total Velocity Technology Solutions, Inc.				23,389	23,100
Wageworks, Inc.	Consumer &				
	Business Products	Preferred Stock Warrants		253	1,443
		Preferred Stock		250	283
Total Wageworks, Inc.				503	1,726
Total Consumer & Business Products (10.98%)*				51,369	45,316
Enpirion, Inc.	Semiconductors	Preferred Stock Warrants		157	1
Total Enpirion, Inc.				157	1
iWatt, Inc.	Semiconductors	Preferred Stock Warrants		46	1
		Preferred Stock Warrants		51	33
		Preferred Stock Warrants		73	44
		Preferred Stock Warrants		458	391
		Preferred Stock		490	940
Total iWatt, Inc.				1,118	1,409
NEXX Systems, Inc.	Semiconductors	Preferred Stock Warrants		297	1,113
		Preferred Stock		277	704
Total NEXX Systems, Inc.				574	1,817
Quartics, Inc.	Semiconductors	Preferred Stock Warrants		53	
Total Quartics, Inc.				53	

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Solarflare Communications, Inc.	Semiconductors	Preferred Stock Warrants		83	
		Common Stock		642	
Total Solarflare Communications, Inc.				725	
Total Semiconductors (0.78%)*				2,627	3,227
Alexza Pharmaceuticals, Inc. ⁽⁴⁾	Drug Delivery	Senior Debt			
		Matures October 2013			
		Interest rate Prime + 6.5% or			
		Floor rate of 10.75%	\$ 15,000	14,526	14,472
		Preferred Stock Warrants		645	193
Total Alexza Pharmaceuticals, Inc.				15,171	14,665
Labopharm USA, Inc. ⁽⁵⁾	Drug Delivery	Senior Debt			
		Matures December 2012			
		Interest rate 10.95%	\$ 20,000	19,872	19,872
		Common Stock Warrants		635	329
Total Labopharm USA, Inc.				20,507	20,201

See notes to consolidated financial statements.

Table of Contents**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)****December 31, 2010****(dollars in thousands)**

Portfolio Company	Industry	Type of Investment⁽¹⁾	Principal Amount	Cost⁽²⁾	Value⁽³⁾
Transcept Pharmaceuticals, Inc.	Drug Delivery	Common Stock Warrants		\$ 36	\$ 60
		Common Stock Warrants		51	16
		Common Stock		500	308
Total Transcept Pharmaceuticals, Inc.				587	384
Total Drug Delivery (8.54%)*				36,265	35,250
BARRX Medical, Inc.	Therapeutic	Senior Debt			
		Mature December 2011			
		Interest rate 11.00%	\$ 2,901	3,350	3,350
		Preferred Stock Warrants		76	70
		Preferred Stock		1,500	1,890
Total BARRX Medical, Inc.				4,926	5,310
EKOS Corporation	Therapeutic	Preferred Stock Warrants		174	
		Preferred Stock Warrants		153	
Total EKOS Corporation				327	
Gelesis, Inc. ⁽⁸⁾	Therapeutic	Senior Debt			
		Matures May 2012			
		Interest rate Prime + 7.5% or			
		Floor rate of 10.75%	\$ 2,771	2,800	45
Total Gelesis, Inc.				2,800	45
Gynesonics, Inc.	Therapeutic	Senior Debt			
		Mature October 2013			
		Interest rate Prime + 8.25% or			
		Floor rate of 11.50%	\$ 6,500	6,277	6,277
		Preferred Stock Warrants		228	221
			532	456	
Total Gynesonics, Inc.				7,037	6,954

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Light Science Oncology, Inc.	Therapeutic	Preferred Stock Warrants		99	26
Total Light Science Oncology, Inc.				99	26
Novasys Medical, Inc.	Therapeutic	Preferred Stock Warrants		71	1
		Preferred Stock Warrants		54	7
		Preferred Stock		1,000	1,159
Total Novasys Medical, Inc.				1,125	1,167
Pacific Child & Family Associates, LLC.	Therapeutic	Senior Debt			
		Matures January 2015			
		Interest rate LIBOR + 8.0% or			
		Floor rate of 10.50%	\$ 6,539	6,392	5,802
		Senior Debt			
		Matures January 2015			
Pacific Child & Family Associates, LLC.	Therapeutic	Interest rate LIBOR + 10.50% or			
		Floor rate of 13.0%	\$ 5,900	5,996	5,996
		Senior Debt			
Total Pacific Child & Family Associates, LLC.				12,388	11,798
Total Therapeutic (6.13%)*				28,702	25,300

See notes to consolidated financial statements.

Table of Contents**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)****December 31, 2010****(dollars in thousands)**

Portfolio Company	Industry	Type of Investment⁽¹⁾	Principal Amount	Cost⁽²⁾	Value⁽³⁾
Cozi Group, Inc.	Internet Consumer & Business Services	Preferred Stock Warrants Preferred Stock		\$ 147 177	\$ 292
Total Cozi Group, Inc.				324	292
Invoke Solutions, Inc.	Internet Consumer & Business Services	Preferred Stock Warrants Preferred Stock Warrants		56 26	74 18
Total Invoke Solutions, Inc.				82	92
Prism Education Group, Inc.	Internet Consumer & Business Services	Preferred Stock Warrants		43	50
Total Prism Education Group, Inc.				43	50
RazorGator Interactive Group, Inc. ⁽⁴⁾	Internet Consumer & Business Services	Revolving Line of Credit Matures October 2011 Interest rate Prime + 9.50% or Floor rate of 14.00% Preferred Stock Warrants Preferred Stock Warrants Preferred Stock Warrants Preferred Stock	\$ 2,108	1,855 13 28 1,183 1,000	1,855
Total RazorGator Interactive Group, Inc.				4,079	1,855
Reply! Inc. ⁽⁴⁾	Internet Consumer & Business Services	Senior Debt Matures June 2013 Interest rate Prime + 6.5% or Floor rate of 9.75% Preferred Stock Warrants	\$ 5,000	4,646 320	4,646 320
Total Reply! Inc.				4,966	4,966
Total Internet Consumer & Business Services (1.76%)*				9,494	7,255
Lilliputian Systems, Inc.	Energy	Preferred Stock Warrants Common Stock Warrants		106 49	3

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Total Lilliputian Systems, Inc.		155	3
Total Energy (0.00%)*		155	3
Box.net, Inc.	Information Services	Senior Debt	
		Matures May 2011	
		Interest rate Prime + 1.50% or	
		Floor rate of 7.50%	
		Senior Debt	
			\$ 213 270 270
		Matures September 2011	
		Interest rate Prime + 0.50% or	
		Floor rate of 6.50%	
		Preferred Stock Warrants	\$ 127 139 139
		Preferred Stock Warrants	73 184
		Preferred Stock	117 117
			500 500
Total Box.net, Inc.			1,099 1,210

See notes to consolidated financial statements.

Table of Contents**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)****December 31, 2010****(dollars in thousands)**

Portfolio Company	Industry	Type of Investment⁽¹⁾	Principal Amount	Cost⁽²⁾	Value⁽³⁾
Buzznet, Inc.	Information Services	Preferred Stock Warrants		\$ 9	\$ 37
		Preferred Stock		250	
Total Buzznet, Inc.				259	37
XL Education Corp.	Information Services	Common Stock		880	880
Total XL Education Corp.				880	880
hi5 Networks, Inc.	Information Services	Preferred Stock Warrants		213	
		Preferred Stock		250	247
Total hi5 Networks, Inc.				463	247
Jab Wireless, Inc.	Information Services	Preferred Stock Warrants		265	122
Total Jab Wireless, Inc.				265	122
Solutionary, Inc.	Information Services	Preferred Stock Warrants		94	
		Preferred Stock Warrants		2	
		Preferred Stock		250	50
Total Solutionary, Inc.				346	50
Intelligent Beauty, Inc.	Information Services	Senior Debt			
		Matures March 2013			
		Interest rate Prime + 8.0% or			
		Floor rate of 11.25%	\$ 5,812	5,563	5,557
		Senior Debt			
		Matures October 2013			
		Interest rate Prime + 8.0% or			
		Floor rate of 11.25%	\$ 2,000	1,942	1,942
		Preferred Stock Warrants		230	230
Total Intelligent Beauty, Inc.				7,735	7,729
Good Technologies, Inc.	Information Services	Common Stock		603	150
Total Good Technologies, Inc.				603	150
Coveroo, Inc.	Information Services	Preferred Stock Warrants		7	
Total Coveroo, Inc.				7	

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Zeta Interactive Corporation	Information Services	Preferred Stock Warrants	172	57
		Preferred Stock	500	375
Total Zeta Interactive Corporation			672	432
Total Information Services (2.63%)*			12,329	10,857
Novadaq Technologies, Inc. ⁽⁵⁾	Diagnostic	Common Stock	1,415	675
Total Novadaq Technologies, Inc.			1,415	675

See notes to consolidated financial statements.

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2010

(dollars in thousands)

Portfolio Company	Industry	Type of Investment ⁽¹⁾	Principal Amount	Cost ⁽²⁾	Value ⁽³⁾
Optiscan Biomedical Corp.	Diagnostic	Senior Debt			
		Matures December 2013			
		Interest rate Prime + 7.0% or			
		Floor rate of 10.25%	\$ 10,750	\$ 10,392	\$ 10,392
		Preferred Stock Warrants		1,069	637
		Preferred Stock		3,656	3,207
Total Optiscan Biomedical Corp.				15,117	14,236
Total Diagnostic (3.61%)*				16,532	14,911
Kamada, LTD. ⁽⁵⁾	Biotechnology Tools	Preferred Stock Warrants		159	164
		Common Stock		752	1,754
Total Kamada, LTD.				911	1,918
Labcyte, Inc.		Senior Debt			
		Matures May 2013			
		Interest rate Prime + 8.6% or			
		Biotechnology Tools	\$ 3,885	3,761	3,821
		Common Stock Warrants		192	
Total Labcyte, Inc.				3,953	3,821
NuGEN Technologies, Inc.	Biotechnology Tools	Preferred Stock Warrants		45	44
		Preferred Stock Warrants		33	1
		Preferred Stock		500	203
Total NuGEN Technologies, Inc.				578	248
Total Biotechnology Tools (1.45%)*				5,442	5,987
Crux Biomedical, Inc.	Surgical Devices	Preferred Stock Warrants		37	
		Preferred Stock		250	
Total Crux Biomedical, Inc.				287	
Transmedics, Inc. ⁽⁴⁾	Surgical Devices	Senior Debt	\$ 8,375	8,913	8,913
		Matures February 2014			

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Interest rate Prime + 9.70% or

Floor rate of 12.95%

			224	159
			1,100	1,100
Total Transmedics, Inc.			10,237	10,172
Total Surgical Devices (2.47%)*			10,524	10,172
Glam Media, Inc.	Media/Content/ Info	Preferred Stock Warrants	482	283
Total Glam Media, Inc.			482	283
Everyday Health, Inc.	Media/Content/ Info	Preferred Stock Warrants	60	630
		Preferred Stock	1,000	1,310
Total Everyday Health, Inc.			1,060	1,940
Total Media/Content/Info (0.54%)*			1,542	2,223

See notes to consolidated financial statements.

Table of Contents**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)****December 31, 2010****(dollars in thousands)**

Portfolio Company	Industry	Type of Investment⁽¹⁾	Principal Amount	Cost⁽²⁾	Value⁽³⁾
BrightSource Energy, Inc. ⁽⁴⁾	Clean Tech	Senior Debt			
		Matures December 2011			
		Interest rate Prime + 7.75% or			
		Floor rate of 11.0%	\$ 3,750	\$ 3,265	\$ 3,265
		Senior Debt			
		Matures June 2012			
		Interest rate Prime + 9.55% or			
		Floor rate of 12.80%	\$ 4,583	4,156	4,156
		Preferred Stock Warrants		675	674
Total BrightSource Energy, Inc.				8,096	8,095
Calera, Inc.	Clean Tech	Senior Debt			
		Matures July 2013			
		Interest rate Prime + 7.0% or			
		Floor rate of 10.25%	\$ 3,621	3,109	3,109
		Preferred Stock Warrants		513	527
Total Calera, Inc.				3,622	3,636
GreatPoint Energy, Inc.	Clean Tech	Senior Debt			
		Matures October 2013			
		Interest rate Prime + 8.2% or			
		Floor rate of 11.45%	\$ 5,000	4,322	4,322
		Preferred Stock Warrants		548	627
Total GreatPoint Energy, Inc.				4,870	4,949
Propel Biofuels, Inc.	Clean Tech	Senior Debt			
		Matures September 2013			
		Interest rate 11.0%	\$ 2,118	1,880	1,850
		Preferred Stock Warrants		211	192

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Total Propel Biofuels, Inc.			2,091	2,042
Solexel, Inc.	Clean Tech	Senior Debt		
		Matures June 2013		
		Interest rate Prime + 8.25% or		
		Floor rate of 11.50%	\$ 1,109	1,010
		Senior Debt		1,010
		Matures June 2013		
		Interest rate Prime + 7.25% or		
		Floor rate of 10.50%	\$ 6,000	5,519
		Preferred Stock Warrants		335
				292
Total Solexel, Inc.			6,864	6,821
Trilliant, Inc.	Clean Tech	Preferred Stock Warrants	88	99
		Preferred Stock Warrants	72	80
Total Trilliant, Inc.			160	179
Total Clean Tech (6.24%)*			25,703	25,722
Total Investments			\$ 480,405	\$ 472,032

* Value as a percent of net assets

- (1) Preferred and common stock, warrants, and equity interests are generally non-income producing.
- (2) Gross unrealized appreciation, gross unrealized depreciation, and net depreciation for federal income tax purposes totaled \$22,458, \$32,232 and \$9,774 respectively. The tax cost of investments is \$481,432.
- (3) Except for warrants in ten publicly traded companies and common stock in five publicly traded companies, all investments are restricted at December 31, 2010 and were valued at fair value as determined in good faith by the Board of Directors. No unrestricted securities of the same issuer are outstanding. The Company uses the Standard Industrial Code for classifying the industry grouping of its portfolio companies.
- (4) Debt investments of this portfolio company have been pledged as collateral under the Wells Facility.
- (5) Non-U.S. company or the company's principal place of business is outside the United States.
- (6) Affiliate investment that is defined under the Investment Company Act of 1940 as companies in which HTGC owns at least 5% but not more than 25% of the voting securities of the company.
- (7) Control investment that is defined under the Investment Company Act of 1940 as companies in which HTGC owns at least 25% of the voting securities of the company, or has greater than 50% representation on its board.
- (8) Debt is on non-accrual status at December 31, 2010, and is therefore considered non-income producing.

See notes to consolidated financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Investment income:				
Interest Income				
Non Control/Non Affiliate investments	\$ 16,405	\$ 13,356	\$ 50,146	\$ 35,649
Affiliate investments	5		9	
Control investments		766	777	2,487
Total interest income	\$ 16,410	\$ 14,122	\$ 50,932	\$ 38,136
Fees				
Non Control/Non Affiliate investments	2,264	1,524	7,639	4,285
Control investments	10		84	246
Total fees	2,274	1,524	7,723	4,531
Total investment income	18,684	15,646	58,655	42,667
Operating expenses:				
Interest	3,408	2,139	8,803	6,237
Loan fees	881	333	2,493	936
General and administrative	1,659	1,680	6,196	5,220
Employee Compensation:				
Compensation and benefits	3,273	2,594	9,888	7,691
Stock-based compensation	870	752	2,518	1,959
Total employee compensation	4,143	3,346	12,406	9,650
Total operating expenses	10,091	7,498	29,898	22,043
Net investment income	8,593	8,148	28,757	20,624
Net realized gain (loss) on investments	(1,601)	(18,865)	3,429	(15,144)
Net increase (decrease) in unrealized appreciation on investments	(769)	2,894	(2,823)	(12,218)
Net realized and unrealized gain (loss)	(2,370)	(15,971)	606	(27,362)
Net increase (decrease) in net assets resulting from operations	\$ 6,223	\$ (7,823)	\$ 29,363	\$ (6,738)
Net investment income before investment gains and losses per common share:				
Basic	\$ 0.20	\$ 0.23	\$ 0.67	\$ 0.57
Change in net assets per common share:				
Basic	\$ 0.14	\$ (0.23)	\$ 0.67	\$ (0.20)

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Diluted	\$	0.14	\$	(0.23)	\$	0.67	\$	(0.20)
Weighted average shares outstanding:								
Basic		43,071		35,208		42,920		35,227
Diluted		43,337		35,208		43,251		35,227

See notes to consolidated financial statements (unaudited).

Table of Contents**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.****CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS**

(unaudited)

(dollars and shares in thousands)

	Common Stock		Capital in excess of par value	Unrealized Appreciation on Investments	Accumulated Realized Gains(Losses) on Investments	Distributions in Excess of Investment Income	Provision for Income Taxes Investment Gains	Net Assets
	Shares	Par Value						
Balance at December 31, 2009	35,634	\$ 35	\$ 409,036	\$ (10,029)	\$ (28,129)	\$ (4,056)	\$ (342)	\$ 366,515
Net increase in net assets resulting from operations				(12,218)	(15,144)	20,624		(6,738)
Issuance of common stock	413		1,856					1,856
Issuance of common stock under restricted stock plan	488	1						1
Acquisition of common stock under repurchase plan	(403)		(3,699)					(3,699)
Issuance of common stock as stock dividend	140		1,332					1,332
Retired shares from net issuance	(114)		(1,160)					(1,160)
Dividends declared						(21,582)		(21,582)
Stock-based compensation			2,024					2,024
Balance at September 30, 2010	36,158	\$ 36	\$ 409,389	\$ (22,247)	\$ (43,273)	\$ (5,014)	\$ (342)	\$ 338,549
Balance at December 31, 2010	43,444	\$ 43	\$ 477,549	\$ (8,038)	\$ (51,033)	\$ (5,647)	\$ (342)	\$ 412,532
Net increase in net assets resulting from operations		\$	\$	(2,823)	3,429	28,757	\$	\$ 29,363
Issuance of common stock	167		893					893
Issuance of common stock under restricted stock plan	253							
Issuance of common stock as stock dividend	123		1,245					1,245
Retired shares from net issuance	(79)		(887)					(887)
Issuance of the Convertible Senior Notes (see Note 4)			5,190					5,190
Dividends declared						(28,853)		(28,853)
Stock-based compensation			2,567					2,567
Balance at September 30, 2011	43,908	\$ 43	\$ 486,557	\$ (10,861)	\$ (47,604)	\$ (5,743)	\$ (342)	\$ 422,050

See notes to consolidated financial statements (unaudited).

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

	Nine Months Ended September 30,	
	2011	2010
Cash flows from operating activities:		
Net increase (decrease) in net assets resulting from operations	\$ 29,363	\$ (6,738)
Adjustments to reconcile net increase in net assets resulting from operations to net cash used in and provided by		
Purchase of investments	(337,631)	(242,360)
Principal payments received on investments	223,193	180,754
Proceeds from sale of investments	17,053	7,295
Net unrealized appreciation (depreciation) on investments	2,823	12,218
Net realized (gain) loss on investments	(3,429)	15,144
Accretion of paid-in-kind principal	(1,651)	(2,366)
Accretion of loan discounts	(5,752)	(3,026)
Accretion of loan discount on Convertible Senior Notes	496	
Accretion of loan exit fees		(956)
Depreciation	268	298
Stock-based compensation	480	553
Amortization of restricted stock grants	2,088	1,471
Amortization of deferred loan origination revenue	(1,755)	(2,137)
Change in operating assets and liabilities:		
Interest receivable	(147)	(347)
Prepaid expenses and other assets	3,279	541
Accounts payable	(810)	(103)
Income tax payable		8
Accrued liabilities	(429)	(5,891)
Net cash used in by operating activities	(72,561)	(45,642)
Cash flows from investing activities:		
Purchases of capital equipment	(122)	(218)
Other long-term assets		(137)
Net cash used in investing activities	(122)	(355)
Cash flows from financing activities:		
Proceeds from issuance of common stock, net	6	1,856
Stock repurchase program		(3,699)
Forfeiture of Stock due to Employee Option Exercises		(1,160)
Dividends paid	(27,607)	(20,250)
Borrowings of credit facilities	43,750	29,400
Repayments of credit facilities	(25,000)	
Issuance of Convertible Senior Notes	75,000	
Cash paid for issuance costs for Convertible Senior Notes	(3,110)	
Fees paid for credit facilities and debentures	(1,061)	(1,967)
Net cash provided by financing activities	61,978	4,180

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Net decrease in cash	(10,705)	(41,817)
Cash and cash equivalents at beginning of period	107,014	124,828
Cash and cash equivalents at end of period	\$ 96,309	\$ 83,011

See notes to Consolidated Financial Statements (unaudited).

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

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

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

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

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

In aggregate, HT II and HT III hold approximately \$334.9 million in assets and accounted for approximately 35.5% of our total assets prior to consolidation at September 30, 2011.

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

The consolidated financial statements include the accounts of the Company and its subsidiaries. All inter-company accounts and transactions have been eliminated in consolidation. In accordance with Article 6 of Regulation S-X under the Securities Act of 1933 and the Securities and Exchange Act of 1934, the Company does not consolidate portfolio company investments. The accompanying consolidated interim financial statements are presented in conformity with U.S. generally accepted accounting principles (U.S. GAAP) for interim financial information, and pursuant to the requirements for reporting on Form 10-Q and Article 10 of Regulation S-X under the Securities Act of 1933 and the Securities Exchange Act of 1934. Accordingly, certain disclosures accompanying annual consolidated financial statements prepared in accordance with U.S. GAAP are omitted. In the opinion of management, all adjustments consisting solely of normal recurring accruals considered necessary for the fair presentation of consolidated financial statements for the interim periods have been included. The current period's results of operations are not necessarily indicative of results that ultimately may be achieved for the year. Therefore, the interim unaudited consolidated financial statements and notes should be read in conjunction with the audited consolidated financial statements and notes thereto for the period ended December 31, 2010. The year-end consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by U.S. GAAP. Financial statements prepared on a U.S. GAAP basis require management to make estimates and assumptions that affect the amounts and disclosures reported in the consolidated financial statements and accompanying notes. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed herein.

Certain prior period information has been reclassified to conform to the current period presentation.

Table of Contents**2. Valuation of Investments**

The Company's investments are carried at fair value in accordance with the 1940 Act and Accounting Standards Codification (ASC) topic 820 Fair Value Measurements and Disclosures, (formerly known as SFAS No. 157, Fair Value Measurements). At September 30, 2011, 83.7% of the Company's total assets represented investments in portfolio companies that are valued at fair value by the Board of Directors. Value, as defined in Section 2(a)(41) of the 1940 Act, is (i) the market price for those securities for which a market quotation is readily available and (ii) for all other securities and assets, fair value is as determined in good faith by the Board of Directors. The Company's debt securities are primarily invested in equity sponsored technology-related companies including life science, clean technology and select lower middle market technology companies. Given the nature of lending to these types of businesses, the Company's investments in these portfolio companies are considered Level 3 assets under ASC 820 because there is no known or accessible market or market indexes for these investment securities to be traded or exchanged. As such, the Company values substantially all of its investments at fair value as determined in good faith pursuant to a consistent valuation policy and the Company's Board of Directors in accordance with the provisions of ASC 820 and the 1940 Act. Due to the inherent uncertainty in determining the fair value of investments that do not have a readily available market value, the fair value of the Company's investments determined in good faith by its Board may differ significantly from the value that would have been used had a readily available market existed for such investments, and the differences could be material.

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

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

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

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

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

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

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

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

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Debt Investments

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

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

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

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

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

Equity-Related Securities and Warrants

Securities that are traded in the over-the-counter markets or on a stock exchange will be valued at the prevailing bid price at period end. We have a limited number of equity securities in public companies. In accordance with the 1940 Act, unrestricted publicly traded securities for which market quotations are readily available are valued at the closing market quote on the valuation date.

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

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Investments measured at fair value on a recurring basis are categorized in the tables below based upon the lowest level of significant input to the valuations as of September 30, 2011 (unaudited) and as of December 31, 2010:

(in thousands)	Investments at Fair Value as of September 30, 2011			
		Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Description	9/30/2011			
Senior secured debt	\$ 513,367	\$	\$	\$ 513,367
Preferred stock	28,928			28,928
Common stock	6,864	5,889		975
Warrants	27,318		3,023	24,295
	\$ 576,477	\$ 5,889	\$ 3,023	\$ 567,565

(in thousands)	Investments at Fair Value as of December 31, 2010			
		Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Description	12/31/2010			
Senior secured debt	\$ 394,198	\$	\$	\$ 394,198
Subordinated debt	7,420			7,420
Preferred stock	24,607			24,607
Common stock	22,117	4,943	16,144	1,030
Warrants	23,690		6,289	17,401
	\$ 472,032	\$ 4,943	\$ 22,433	\$ 444,656

The table below presents reconciliation for all financial assets and liabilities measured at fair value on a recurring basis, excluding accrued interest components, using significant unobservable inputs (Level 3) for the nine months ended September 30, 2011 (unaudited) and for the year ended December 31, 2010.

(in thousands)	Balance, January 1, 2011	Net Realized Gains (losses) ⁽¹⁾	Net change in unrealized appreciation or depreciation ⁽²⁾	Purchases	Sales	Repayments	Exit	Gross Transfers into Level 3 ⁽³⁾	Gross Transfers out of Level 3 ⁽³⁾	Balances, September 30, 2011
Senior Debt	\$ 394,198	\$ (4,302)	\$ 3,404	\$ 362,866	\$	\$ (239,299)	\$	\$	\$ (3,500)	\$ 513,367
Subordinated Debt	7,420					(7,420)				
Preferred Stock	24,607	(941)	193	1,569				3,500		28,928
Common Stock	1,030		(55)							975
Warrants	17,401	(978)	5,034	4,505			(402)		(1,265)	24,295
Total	\$ 444,656	\$ (6,221)	\$ 8,576	\$ 368,940	\$	\$ (246,719)	\$ (402)	\$ 3,500	\$ (4,765)	\$ 567,565

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(in thousands)	Balance, January 1, 2010	Net Realized Gains (losses) ⁽¹⁾	Net change in unrealized appreciation or depreciation ⁽²⁾	Purchases, sales, repayments, and exit, net	Transfer in & out of Level 3	Balances, December 31, 2010
Senior Debt	\$ 319,129	\$ (12,835)	\$ (3,076)	\$ 98,058	\$ (7,078)	\$ 394,198
Subordinated Debt				7,420		7,420
Senior Debt-Second Lien	6,005			(6,005)		
Preferred Stock	22,875	(1,250)	(995)	2,603	1,374	24,607
Common Stock	1,773	(15,037)	(743)	15,037		1,030
Warrants	11,076	(1,225)	568	8,650	(1,668)	17,401
Total	\$ 360,858	\$ (30,347)	\$ (4,246)	\$ 125,763	\$ (7,372)	\$ 444,656

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

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

(3) Transfers in/out of Level 3 relate to the conversion of MaxVision Holding, LLC. debt to equity during the second quarter and the initial public offering of Pacira Pharmaceuticals, Inc.

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For the nine months ended September 30, 2011, approximately \$3.4 million and \$3.8 million in unrealized appreciation was recorded for debt and warrant Level 3 investments, respectively, relating to assets still held at the reporting date. For the same period, approximately \$747,000 in unrealized depreciation was recorded for equity Level 3 investments relating to assets still held at the reporting date.

For the year ended December 31, 2010, approximately \$3.1 million, \$3.0 million and \$461,000 in unrealized depreciation was recorded for debt, equity and warrant Level 3 investments, respectively, relating to assets still held at the reporting date.

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

The following table summarizes our realized and unrealized gain and loss and changes in our unrealized appreciation and depreciation on control and affiliate investments for the three and nine months ended September 30, 2011 and September 30, 2010:

(in thousands) Portfolio Company		Three months ended September 30, 2011				Nine months ended September 30, 2011			
		Fair Value at September 30, 2011	Investment Income	Unrealized (Depreciation) /Appreciation	Realized Gain / (Loss)	Investment Income	Unrealized (Depreciation) /Appreciation	Unrealized Reversal of (Depreciation) /Appreciation	Realized Gain/ (Loss)
Type									
MaxVision Holding, LLC.	Control	\$ 2,983	\$ 10	\$ 14	\$ 861	\$ (3,546)		\$	
E-Band Communiations, Corp.	Non-Controlled Affiliate		5	(53)	9	(3,425)			
Total		\$ 2,983	\$ 15	\$ (39)	\$ 870	\$ (6,971)		\$	

(in thousands) Portfolio Company		Three months ended September 30, 2010				Nine months ended September 30, 2010			
		Fair Value at September 30, 2011	Investment Income	Unrealized (Depreciation) /Appreciation	Realized Gain / (Loss)	Investment Income	Unrealized (Depreciation) /Appreciation	Unrealized Reversal of (Depreciation) /Appreciation	Realized Gain / (Loss)
Type									
InfoLogix, Inc.	Control	\$ 33,935	\$ 796	\$ (4,266)	\$ 2,448	\$ (1,419)	\$ 128	\$ 2,491	
E-Band Communiations, Corp.	Non-Controlled Affiliate	2,846		(371)		572			
Total		\$ 36,781	\$ 796	\$ (4,637)	\$ 2,448	\$ (847)	\$ 128	\$ 2,491	

The Company's investment in InfoLogix, Inc., a company that was a Control Investment as of December 31, 2010, was sold to Stanley Black & Decker (NYSE:SWK) in January 2011. Approximately \$8.3 million of realized gains and \$8.4 million of net change in unrealized depreciation was recognized on this control investment during the three-month period ended March 31, 2011.

A summary of the composition of the Company's investment portfolio as of September 30, 2011 (unaudited) and December 31, 2010 at fair value is shown as follows:

September 30, 2011

December 31, 2010

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(in thousands)	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
Senior secured debt with warrants	\$ 414,723	71.9%	\$ 357,963	75.8%
Senior secured debt	125,962	21.9%	59,251	12.6%
Preferred stock	28,928	5.0%	26,813	5.7%
Subordinated Debt		0.0%	8,094	1.7%
Common Stock	6,864	1.2%	19,911	4.2%
	\$ 576,477	100.0%	\$ 472,032	100.0%

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A summary of the Company's investment portfolio, at value, by geographic location as of September 30, 2011 (unaudited) and as of December 31, 2010 is shown as follows:

(in thousands)	September 30, 2011		December 31, 2010	
	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
United States	\$ 562,296	97.5%	\$ 438,585	92.9%
Canada	808	0.1%	20,876	4.4%
England	9,082	1.6%	10,653	2.3%
Ireland	3,893	0.7%		0.0%
Israel	398	0.1%	1,918	0.4%
	\$ 576,477	100.0%	\$ 472,032	100.0%

The following table shows the fair value of our portfolio by industry sector at September 30, 2011 (unaudited) and December 31, 2010:

(in thousands)	September 30, 2011		December 31, 2010	
	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
Drug Discovery	\$ 81,264	14.1%	\$ 52,777	11.2%
Drug Delivery	66,734	11.6%	35,250	7.5%
Internet Consumer & Business Services	65,975	11.4%	7,255	1.5%
Specialty Pharmaceuticals	61,603	10.7%	63,607	13.5%
Clean Tech	59,793	10.4%	25,722	5.4%
Communications & Networking	56,119	9.7%	65,098	13.8%
Information Services	38,812	6.7%	10,857	2.3%
Therapeutic	32,562	5.7%	25,300	5.4%
Media/Content/Info	30,852	5.4%	2,223	0.5%
Biotechnology Tools	23,796	4.1%	5,987	1.3%
Software	22,094	3.8%	96,508	20.4%
Diagnostic	14,889	2.6%	14,911	3.2%
Surgical Devices	7,683	1.3%	10,172	2.1%
Semiconductors	6,916	1.2%	3,227	0.7%
Consumer & Business Products	4,345	0.8%	45,316	9.6%
Electronics & Computer Hardware	3,040	0.5%	7,819	1.6%
Energy		0.0%	3	0.0%
	\$ 576,477	100.0%	\$ 472,032	100.0%

During the three and nine-month periods ended September 30, 2011 the Company made investments in debt securities, including restructured loans, totaling approximately \$146.1 million and \$351.3 million, respectively. During the three and nine-month periods ended September 30, 2011 the Company funded equity investments of approximately \$1.1 million and \$1.6 million, respectively. During the three and nine-month periods ended September 30, 2010, the Company made investments in debt securities, including restructured loans, totaling approximately \$55.7 million and \$286.0 million, respectively, and funded equity investments, including restructured loans, of approximately \$187,000 and \$18.0 million for the three and nine-month periods ended September 30, 2010.

During the three-months ended September 30, 2011, the Company recognized no realized gains or losses and for the nine-months ended September 30, 2011 the Company recognized net realized gains of approximately \$10.1 million from the sale of common stock in its public portfolio companies. During the three and nine-months ended September 30, 2011, the Company recognized realized losses of approximately \$1.6 million and \$6.7 million from equity, loan, and warrant investments in portfolio companies that have been liquidated. During the nine months ended September 30, 2010, we recognized net realized gains of approximately \$3.6 million from the sale of common stock in public portfolio companies, approximately \$465,000 from mergers of private portfolio companies and realized losses of approximately \$19.2 million from equity and warrant investments in portfolio companies that have been liquidated. During the three months ended September 30, 2010 we

recognized realized losses of approximately \$18.9 million from equity and loan investments in portfolio companies that have been liquidated.

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Loan origination and commitment fees received in full at the inception of a loan are deferred and amortized into fee income as an enhancement to the related loan's yield over the contractual life of the loan. Loan exit fees to be paid at the termination of the loan are accreted into interest income over the contractual life of the loan. The Company had approximately \$9.8 million and \$6.6 million of unamortized fees at September 30, 2011 and December 31, 2010, respectively, and approximately \$7.2 million and \$5.1 million in exit fees receivable at September 30, 2011 and December 31, 2010, respectively.

The Company has loans in its portfolio that contain a payment-in-kind (PIK) provision. The PIK interest, computed at the contractual rate specified in each loan agreement, is added to the principal balance of the loan and recorded as interest income. To maintain the Company's status as a RIC, this non-cash source of income must be paid out to stockholders in the form of dividends even though the Company has not yet collected the cash. Amounts necessary to pay these dividends may come from available cash or the liquidation of certain investments. The Company recorded approximately \$285,000 and \$1.4 million in PIK income in the three and nine-month periods ended September 30, 2011, respectively. The Company recorded approximately \$552,000 and \$1.7 million in PIK income in the same periods ended September 30, 2010, respectively.

In certain investment transactions, the Company may provide advisory services. For services that are separately identifiable and external evidence exists to substantiate fair value, income is recognized as earned, which is generally when the investment transaction closes. The Company had no income from advisory services in the three and nine-month periods ended September 30, 2011.

In some cases, the Company collateralizes its investments by obtaining a first priority security interest in a portfolio company's assets, which may include their intellectual property. In other cases, the Company may obtain a negative pledge covering a company's intellectual property. At September 30, 2011, approximately 60.9% of the Company's portfolio company loans were secured by a first priority security in all of the assets of the portfolio company, 38.3% of the loans were to portfolio companies that were prohibited from pledging or encumbering their intellectual property and 0.8% of portfolio company loans had an equipment only lien.

3. Fair Value of Financial Instruments

Fair value estimates are made at discrete points in time based on relevant information. These estimates may be subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. The Company believes that the carrying amounts of its financial instruments, consisting of cash and cash equivalents, receivables, accounts payable and accrued liabilities approximate the fair values of such items due to the short maturity of such instruments. The Convertible Senior Notes and the SBIC debentures as sources of liquidity remain a strategic advantage due to their flexible structure, long-term duration, and low fixed interest rates. Based on market quotations on or around September 30, 2011 the Convertible Senior Notes were trading for \$0.875 per dollar at par value. Calculated based on the net present value of payments over the term of the notes using estimated market rates for similar notes and remaining terms, the fair value of its SBIC debentures would be approximately \$211.6 million, compared to the carrying amount of \$188.8 million as of September 30, 2011.

See the accompanying Consolidated Schedule of Investments for the fair value of the Company's investments. The methodology for the determination of the fair value of the Company's investments is discussed in Note 1.

4. Borrowings***Long-term SBA Debentures***

On September 27, 2006, HT II received a license to operate as a SBIC under the SBIC program and is able to borrow funds from the SBA against eligible investments and regulatory capital. Under the Small Business Investment Company Act and current SBA policy applicable to SBICs, a SBIC can have outstanding at any time SBA guaranteed debentures up to twice the amount of its regulatory capital. As of September 30, 2011, the maximum statutory limit on the dollar amount of outstanding SBA guaranteed debentures issued by a single SBIC is \$150.0 million, subject to periodic adjustments by the SBA. The Company's net investment of \$75.0 million in HT II as of September 30, 2011 fully funds the required regulatory capital for HT II. HT II has a total of \$125.0 million of SBA guaranteed debentures outstanding as of September 30, 2011 and has paid the SBA commitment fees of approximately \$1.5 million. As of September 30, 2011, the Company held investments in HT II in 84 companies with a fair value of approximately \$180.8 million, accounting for approximately 31.4% of the Company's total portfolio.

On May 26, 2010, HT III received a license to operate as a SBIC under the SBIC program and is able to borrow funds from the SBA against eligible investments and additional contributions to regulatory capital. With the Company's net investment of \$50.0 million in HT III as of September 30, 2011, HT III has the capacity to issue a total of \$100.0 million of SBA guaranteed debentures, subject to SBA approval, of which \$63.75 million was outstanding as of September 30, 2011. As of September 30, 2011, HT III has paid commitment fees of approximately

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\$750,000. As of September 30, 2011, the Company held investments in HT III in 20 companies with a fair value of approximately \$92.4 million, accounting for approximately 16.0% of the Company's total portfolio. See Note 12.

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There is no assurance that HT II or HT III will be able to draw to the maximum limit available under the SBIC program.

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

HT II and HT III are periodically examined and audited by the SBA's staff to determine their compliance with SBA regulations. If HT II or HT III fails to comply with applicable SBA regulations, the SBA could, depending on the severity of the violation, limit or prohibit HT II's or HT III's use of debentures, declare outstanding debentures immediately due and payable, and/or limit HT II or HT III from making new investments. In addition, HT II or HT III may also be limited in their ability to make distributions to the Company if they do not have sufficient capital in accordance with SBA regulations. Such actions by the SBA would, in turn, negatively affect the Company because HT II and III are the Company's wholly owned subsidiaries. HT II and HT III were in compliance with the terms of the SBIC's leverage as of September 30, 2011 as a result of having sufficient capital as defined under the SBA regulations. As of September 30, 2011, HT III could draw up to \$36.25 million of additional leverage from SBA.

The rates of borrowings under various draws from the SBA beginning in April 2007 are set semiannually in March and September and range from 2.88% to 5.73%. Interest payments on SBA debentures are payable semi-annually. There are no principal payments required on these issues prior to maturity and no prepayment penalties. Debentures under the SBA generally mature ten years after being borrowed. Based on the initial draw down date of April 2007, the initial maturity of SBA debentures will occur in April 2017. In addition, the SBA charges a fee that is set annually, depending on the Federal fiscal year the leverage commitment was delegated by the SBA, regardless of the date that the leverage was drawn by the SBIC. The annual fees related to HT II debentures that pooled on September 22, 2010 were 0.406% and 0.285%, depending upon the year the underlying commitment was closed in. The annual fee related to HT III debentures that pooled on September 21, 2011 was 0.285%. The annual fees on other debentures have been set at 0.906%. The average amount of debentures outstanding for the quarter ended September 30, 2011 for HT II was approximately \$125.0 million with an average interest rate of approximately 5.0%. The average amount of debentures outstanding for the quarter ended September 30, 2011 for HT III was approximately \$63.75 million with an average interest rate of approximately 3.5%.

In aggregate, HT II and HT III hold approximately \$334.9 million in assets, and accounted for approximately 35.5% of our total assets prior to consolidation at September 30, 2011.

The Company reported the following SBA debentures outstanding on its Consolidated Balance Sheet as of September 30, 2011 (unaudited) and December 31, 2010:

(in thousands)

Issuance/Pooling Date	Maturity Date	Interest Rate ⁽¹⁾	September 30, 2011	December 31, 2010
SBA Debentures:				
September 26, 2007	September 1, 2017	6.43%	\$ 12,000	\$ 12,000
March 26, 2008	March 1, 2018	6.38%	\$ 58,050	\$ 58,050
September 24, 2008	September 1, 2018	6.63%	\$ 13,750	\$ 38,750
March 25, 2009	March 1, 2019	5.53%	\$ 18,400	\$ 18,400
September 23, 2009	September 1, 2019	4.64%	\$ 3,400	\$ 3,400
September 22, 2010	September 1, 2020	3.62%	\$ 6,500	\$ 6,500
September 22, 2010	September 1, 2020	3.50%	\$ 22,900	\$ 32,900
March 29, 2011	March 1, 2021	4.37%	\$ 28,750	\$
September 21, 2011	September 1, 2021	3.16%	\$ 25,000	\$
Total SBA Debentures			\$ 188,750	\$ 170,000

(1) Interest rate includes annual charge

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At September 30, 2011 (unaudited) and December 31, 2010, the Company had the following borrowing capacity and outstanding borrowings:

	September 30, 2011		December 31, 2010	
	Total Available	Carrying Value ⁽¹⁾	Total Available	Carrying Value ⁽¹⁾
Union Bank Facility	\$ 20,000	\$	\$ 20,000	\$