HERCULES TECHNOLOGY GROWTH CAPITAL INC
Form 497
October 01, 2012
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Filed Pursuant to Rule 497
Registration Statement No. 333-179431

PROSPECTUS SUPPLEMENT

(To prospectus dated March 29, 2012)

3,100,000 Shares

Common Stock

We are offering 3,100,000 shares of our common stock. Our common stock is listed on the New York Stock Exchange, or NYSE, under the trading symbol HTGC. The last sale price, as reported on NYSE on September 27, 2012, was $11.42 per share. The net asset value per share of our common stock at June 30, 2012 (the last date prior to the date of this prospectus supplement on which we determined net asset value) was $9.54.

We are an internally-managed, non-diversified closed-end management investment company that has elected to be regulated as a business development company under the Investment Company Act of 1940, as amended. Our investment objective is to maximize our portfolio total return by generating current income from our debt investments and capital appreciation from our equity-related investments.

The underwriter has agreed to purchase our shares of common stock from us at a price of $10.85 per share which will result in approximately $33.3 million of net proceeds, after deducting estimated offering expenses, to us. We expect that our expenses for this offering will be approximately $300,000. The underwriter may offer our shares of common stock on the NYSE, in the over-the-counter market or through negotiated transactions at market prices or at negotiated prices. See Underwriting.

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

An investment in our common stock involves risks, including the risk of a total loss of investment. In addition, the companies in which we invest are subject to special risks. See "Supplementary Risk Factors" beginning on page S-15 in this prospectus supplement and the "Risk Factors" section beginning on page 16 of the accompanying prospectus to read about risks that you should consider before investing in our common stock, including the risk of leverage.

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

Delivery of the shares of common stock will be made on or about October 3, 2012.

Credit Suisse

The date of this prospectus supplement is September 27, 2012.

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You should rely only on the information contained in this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information contained in this prospectus supplement and the accompanying prospectus is accurate only as of the date on the front cover of this prospectus supplement or such prospectus, as applicable. Our business, financial condition, results of operations and prospects may have changed since that date.

This document is in two parts. The first part is this prospectus supplement, which describes the terms of this offering and also adds to and updates information contained in the accompanying prospectus. The second part is the accompanying prospectus, which gives more general information and disclosure. To the extent the information contained in this prospectus supplement differs from the information contained in the accompanying prospectus, the information in this prospectus supplement shall control. You should read this prospectus supplement and the accompanying prospectus together with the additional information described under the heading, Available Information before investing in our common stock.

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FEES AND EXPENSES

The following table is intended to assist you in understanding the various costs and expenses that an investor in our common stock will bear directly or indirectly. However, we caution you that some of the percentages indicated in the table below are estimates and may vary. Except where the context suggests otherwise, whenever this prospectus contains a reference to fees or expenses paid by you or us or that we will pay fees or expenses, stockholders will indirectly bear such fees or expenses as investors in Hercules Technology Growth Capital, Inc.

Stockholder Transaction Expenses (as a percentage of the public offering price):	
Sales load (as a percentage of offering price)(1)	5.00%
Offering expenses	0.85%(2)
Dividend reinvestment plan fees	(3)
Total stockholder transaction expenses (as a percentage of the public offering price)	5.85%
Annual Expenses (as a percentage of net assets attributable to common stock):(10)	
Operating expenses	5.2%(4)(5)
Interest payments on borrowed funds	3.5%(6)
Fees paid in connection with borrowed funds	0.8%(7)
Acquired fund fees and expenses(8)	0.0%
Total annual expenses	9.5%(9)

(1) The sales load (underwriting discounts and commissions) with respect to our common stock sold in this offering, which is a one time fee, is the only sales load paid in connection with this offering. For the purpose of calculating sales load, we assume the underwriter will sell to the public at a stock price of $11.42 per share, our closing stock price on September 27, 2012.

(2) The percentage reflects estimated offering expenses of approximately $300,000. For the purpose of calculating offering expenses, we assume the underwriter will sell to the public at a stock price of $11.42 per share, our closing stock price on September 27, 2012.

(3) The expenses associated with the administration of our dividend reinvestment plan are included in Operating expenses. We pay all brokerage commissions incurred with respect to open market purchases, if any, made by the administrator under the plan. For more details about the plan, see Dividend Reinvestment Plan in the accompanying prospectus.

(4) Operating expenses represent our estimated operating expenses estimated by annualizing our operating expenses incurred for the six months ended June 30, 2012, including income tax expense (benefit) including excise tax, excluding interests and fees on indebtedness. This percentage for the year ended December 31, 2011 was 5.8%. See Management s Discussion and Analysis and Results of Operations, Management, and Compensation of Executive Officers and Directors in the accompanying prospectus.

(5) We do not have an investment adviser and are internally managed by our executive officers under the supervision of our Board of Directors. As a result, we do not pay investment advisory fees, but instead we pay the operating costs associated with employing investment management professionals.

(6) Interest payments on borrowed funds represents estimated interest payments on borrowed funds estimated by annualizing our actual interest and credit facility expenses incurred for the six months ended June 30, 2012, including our Wells Facility, Union Bank Facility, the Convertible Senior Notes, the April 2019 Notes, the Citigroup Warrant Participation Agreement and the SBA debentures, each of which is defined herein. This percentage for the year ended December 31, 2011 was 3.2%. See Prospectus Supplement Summary Recent Developments in this prospectus supplement and Management s Discussion and Analysis of Financial Condition and Results of Operations in this prospectus supplement and the accompanying prospectus for additional information regarding the issuance of the April 2019 Notes and the September 2019 Notes, as defined herein.

(7) Fees paid in connection with borrowed funds represents estimated fees paid in connection with borrowed funds estimated by annualizing actual fees paid in connection with borrowed funds for the six months ended June 30, 2012, including our Wells Facility, Union Bank Facility, Convertible Senior Notes, the April 2019 Notes, Citigroup Warrant Participation Agreement and the SBA debentures. This percentage for the year ended December 31, 2011 was approximately 0.6%.

(8) As of June 30, 2012 and for the year ended December 31, 2011, we did not have any investments in shares of Acquired Funds that are not consolidated and, as a result, we did not directly or indirectly incur any fees from Acquired Funds.

(9) Total annual expenses is the sum of operating expenses, interest payments on borrowed funds and fees paid in connection with borrowed funds.

(10) Net assets attributable to common stock equals net assets as of June 30, 2012, which is approximately $477.4 million.

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Example

The following example demonstrates the projected dollar amount of total cumulative expenses that would be incurred over various periods with respect to a $1,000 hypothetical investment in our common stock, assuming (1) a 5.00% sales load (underwriting discounts and commissions) and offering expenses totaling 0.85%, (2) total net annual expenses of 10.40% of net assets attributable to common shares as set forth in the table above and (3) a 5% annual return. These amounts assume no additional leverage.

	1 Year	3 Years	5 Years	10 Years
You would pay the following expenses on a $1,000 investment, assuming a 5% annual return	$ 154	$ 330	$ 488	$ 815

The example and the expenses in the tables above should not be considered a representation of our future expenses, and actual expenses may be greater or lesser than those shown. Moreover, while the example assumes, as required by the applicable rules of the SEC, a 5% annual return, our performance will vary and may result in a return greater or lesser than 5%. In addition, while the example assumes reinvestment of all dividends and distributions at net asset value, participants in our dividend reinvestment plan may receive shares valued at the market price in effect at that time. This price may be at, above or below net asset value. See Dividend Reinvestment Plan in the accompanying prospectus for additional information regarding our dividend reinvestment plan.

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FORWARD-LOOKING STATEMENTS

The matters discussed in this prospectus supplement and the accompanying prospectus, as well as in future oral and written statements by management of Hercules Technology Growth Capital, that are forward-looking statements are based on current management expectations that involve substantial risks and uncertainties which could cause actual results to differ materially from the results expressed in, or implied by, these forward-looking statements. Forward-looking statements relate to future events or our future financial performance. We generally identify forward-looking statements by terminology such as may, will, should, expects, plans, anticipates, could, intends, target, project believes, estimates, predicts, potential or continue or the negative of these terms or other similar words. Important assumptions include our ability to originate new investments, achieve certain margins and levels of profitability, the availability of additional capital, and the ability to maintain certain debt to asset ratios. In light of these and other uncertainties, the inclusion of a projection or forward-looking statement in this prospectus should not be regarded as a representation by us that our plans or objectives will be achieved. The forward-looking statements contained in this prospectus supplement and the accompanying prospectus include statements as to:

- our future operating results;
- our business prospects and the prospects of our prospective portfolio companies;
- the impact of investments that we expect to make;
- the impact of a protracted decline in the liquidity of credit markets on our business;
- our informal relationships with third parties including in the venture capital industry;
- the expected market for venture capital investments and our addressable market;
- the dependence of our future success on the general economy and its impact on the industries in which we invest;
- our ability to access debt markets and equity markets;
- the ability of our portfolio companies to achieve their objectives;
- our expected financings and investments;
- our regulatory structure and tax status;
- our ability to operate as a business development company, a small business investment company and a regulated investment company, or RIC;

- the adequacy of our cash resources and working capital;
- the timing of cash flows, if any, from the operations of our portfolio companies;
- the timing, form and amount of any dividend distributions;
- the impact of fluctuations in interest rates on our business;
- the valuation of any investments in portfolio companies, particularly those having no liquid trading market; and
- our ability to recover unrealized losses.

For a discussion of factors that could cause our actual results to differ from forward-looking statements contained in this prospectus supplement and the accompanying prospectus, please see the discussion under Supplemental Risk Factors in this prospectus supplement and Risk Factors in the accompanying prospectus. You should not place undue reliance on these forward-looking statements. The forward-looking statements made in this prospectus relate only to events as of the date on which the statements are made and are excluded from the safe harbor protection provided by Section 27A of the Securities Act of 1933.

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Industry and Market Data

This prospectus supplement and the accompanying prospectus contain third-party estimates and data regarding valuations of venture capital-backed companies. This data was reported by Dow Jones VentureSource, an independent venture capital industry research company which we refer to as VentureSource. VentureSource is commonly relied upon as an information source in the venture capital industry. Although we have not independently verified any such data, we believe that the industry information contained in such releases and data tables and included in this prospectus supplement and the accompanying prospectus is reliable.

We have compiled certain industry estimates presented in this prospectus supplement and the accompanying prospectus from internally generated information and data. While we believe our estimates are reliable, they have not been verified by any independent sources. The estimates are based on a number of assumptions, including increasing investment in venture capital and private equity-backed companies. Actual results may differ from projections and estimates, and this market may not grow at the rates projected, or at all. If this market fails to grow at projected rates, our business and the market price of our securities, including our common stock, could be materially adversely affected.

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PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights some of the information in this prospectus supplement and may not contain all of the information that is important to you. For a more complete understanding of this offering, we encourage you to read this entire prospectus supplement and the accompanying prospectus and the documents that are referenced in this prospectus supplement and the accompanying prospectus, together with any accompanying supplements. In this prospectus supplement and the accompanying prospectus, unless the context otherwise requires, the Company, Hercules Technology Growth Capital, we, us and our refer to Hercules Technology Growth Capital, Inc. and our wholly-owned subsidiaries.

Our Company

We are a specialty finance company focused on providing senior secured loans to entrepreneurial venture capital and private equity-back companies in technology-related markets at all stages of development, including technology, biotechnology, life science, healthcare services and cleantech industries. Our investment objective is to maximize our portfolio total return by generating current income from our debt investments and capital appreciation from our equity-related investments. We are an internally-managed, non-diversified closed-end investment company that has elected to be treated as a business development company under the Investment Company Act of 1940, or the 1940 Act.

As of June 30, 2012, our total assets were approximately $802.0 million, of which, our investments comprised $722.8 million at fair value and $743.7 million at cost. Our investments at fair value were comprised of our debt investments, warrant portfolio and equity investments valued at approximately $647.1 million, $28.1 million and $47.6 million, respectively, or 89.5%, 3.9% and 6.6% of total investments, respectively. At June 30, 2012, total investments at fair value in foreign companies were approximately $11.6 million or 1.6% of total assets. During the six month period ended June 30, 2012 we made debt and equity commitments to new and existing portfolio companies, including restructured loans, totaling $240.3 million. Debt commitments for the six month period ended June 30, 2012 included commitments of approximately $134.7 million to seventeen new portfolio companies and $88.7 million to eleven existing companies. Equity commitments for the six month period ended June 30, 2012 included commitments of approximately $14.6 million to two new portfolio companies and $2.3 million to two existing portfolio companies. Since inception through June 30, 2012, we have made debt and equity commitments of approximately $2.9 billion to our portfolio companies.

We also make investments in qualifying small businesses through two wholly-owned, small business investment company (SBIC) subsidiaries, Hercules Technology II, L.P. (HT II) and Hercules Technology III, L.P. (HT III). As SBICs, HT II and HT III are subject to a variety of regulations concerning, among other things, the size and nature of the companies in which they may invest and the structure of those investments. As of June 30, 2012, we held investments in HT II in 52 companies with a fair value of approximately $179.7 million. HT II s portfolio companies accounted for approximately 24.9% of our total portfolio at June 30, 2012. As of June 30, 2012, we held investments in HT III in 27 companies with a fair value of approximately $140.3 million. HT III s portfolio accounted for approximately 19.4% of our total portfolio at June 30, 2012.

We primarily finance privately-held companies backed by leading venture capital and private equity firms and also may finance certain select publicly-traded companies that lack access to public capital or are sensitive to equity ownership dilution. As of June 30, 2012, our proprietary structured query language (SQL)-based database system included over 29,000 technology-related companies and approximately 7,500 venture capital, private equity sponsors/investors, as well as various other industry contacts. Our principal executive office is located in Silicon Valley, and we have additional offices in Boston, MA, Boulder, CO and McLean, VA. Our goal is to be the leading structured debt financing provider of choice for venture capital and private equity backed

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

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

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

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

As of June 30, 2012, our investment professionals, including Manuel A. Henriquez, our co-founder, Chairman, President and Chief Executive Officer, are currently comprised of 28 professionals who have, on average, more than 15 years of experience in venture capital, structured finance, commercial lending or acquisition finance with the types of technology-related companies that we are targeting. We believe that we can leverage the experience and relationships of our management team to successfully identify attractive investment opportunities, underwrite prospective portfolio companies and structure customized financing solutions.

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Our Market Opportunity

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

- Technology-related companies have generally been underserved by traditional lending sources;
- Unfulfilled demand exists for structured debt financing to technology-related companies as the number of lenders has declined due to the recent financial market turmoil; and
- Structured debt with warrants products are less dilutive and complement equity financing from venture capital and private equity funds.

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

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

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

Unfulfilled Demand for Structured Debt Financing to Technology-Related Companies. Private debt capital in the form of structured debt financing from specialty finance companies continues to be an important source of funding for technology-related companies. We believe that the level of demand for structured debt financing is a function of the level of annual venture equity investment activity. In the first six months of 2012, venture capital-backed companies received, in approximately 1,595 transactions, equity financing in an aggregate amount of approximately $15.3 billion, as reported by Dow Jones VentureSource. In addition, overall, the median round size during the six month period ended June 30, 2012 was approximately $5.0 million. We believe the number of venture-backed companies receiving financing provides us an opportunity to provide debt financing to these companies. Overall, seed- and first-round deals made up 46% of the deal flow in the six months ended June 30, 2012 and later-stage deals made up roughly 54% of the deal activity in the quarter.

We believe that demand for structured debt financing is currently underserved, in part because of the credit market collapse in 2008 and the resulting exit of debt capital providers to technology-related companies. The venture capital market for the technology-related companies in which we invest has been active and is continuing to show signs of increased investment activity. Therefore, to the extent we have capital available, we believe this is an opportune time to be active in the structured lending market for technology-related companies.

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

Our Business Strategy

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

Leverage the Experience and Industry Relationships of Our Management Team and Investment Professionals. We have assembled a team of experienced investment professionals with extensive experience as venture capitalists, commercial lenders, and originators of structured debt and equity investments in technology-related companies. Our investment professionals have, on average, more than 15 years of experience as equity investors in, and/or lenders to, technology-related companies.

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

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

Invest at Various Stages of Development. We provide growth capital to technology-related companies at all stages of development, from emerging-growth companies, to expansion-stage companies, including select publicly listed companies and select lower middle market companies and established-stage companies.

Benefit from Our Efficient Organizational Structure. We believe that the perpetual nature of our corporate structure enables us to be a long-term partner for our portfolio companies in contrast to traditional mezzanine and investment funds, which typically have a limited life. In addition, because of our access to the equity markets, we believe that we may benefit from a lower cost of capital than that available to private investment funds.

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Deal Sourcing Through Our Proprietary Database. We have developed a proprietary and comprehensive SQL-based database system to track various aspects of our investment process including sourcing, originations, transaction monitoring and post-investment performance. As of June 30, 2012, our proprietary SQL-based database system included over 29,000 technology-related companies and over 7,500 venture capital, private equity sponsors/investors, as well as various other industry contacts. This proprietary SQL system allows us to maintain, cultivate and grow our industry relationships while providing us with comprehensive details on companies in the technology-related industries and their financial sponsors.

Recent Developments

New Investments Since June 30, 2012

As of September 10, 2012, we have originated commitments of approximately $93.0 million to new and existing portfolio companies, including approximately $24.5 million in commitments to existing portfolio companies. See Management s Discussion and Analysis of Financial Condition and Results of Operations in this prospectus supplement for more information relating to our commitments. Our new investments included:

- $10.5 million commitment to Oraya Therapeutics, Inc., a company that develops innovative and non-invasive therapies.

- $8.0 million commitment to Clickfox, Inc., a company that delivers Customer Behavior Intelligence software to large and mid-sized businesses.

- $5.3 million commitment to SCIenergy, Inc., a leading provider of energy efficiency and system optimization solutions for the $5 billion commercial building market.

- $500,000 commitment to Box.net, Inc., an online storage and sharing service that gives users access to their files from anywhere.

- $71,000 commitment to Gynesonics, Inc., a medical device company committed to improving women s health.

- $22,000 commitment to Novasys Medical, Inc., dedicated to the development of innovative therapies in women s health.

- $30.5 million commitment to EducationDynamics, LLC, higher education s leading marketing information and technology services company dedicated to helping institutions find, enroll and retain students.

- $20.0 million commitment to Fulcrum BioEnergy, Inc., a leader in the development of next-generation ethanol production in the United States.

- $15.0 million commitment to Coronado Biosciences, Inc., (Nasdaq: CND) a company focused on the development of novel immunotherapy agents for the treatment of autoimmune diseases and cancer.

- $3.0 million commitment to EndPlay, Inc., a leading provider of SaaS content management, engagement and monetization solutions delivered in the cloud.

$100,000 commitment to Loku, Inc., a company that enables users to tap into the local scene.

Principal Repayments

As of September 10, 2012, we received approximately $40.0 million in principal repayments, of which approximately $5.6 million were unscheduled early repayments. In addition, in July 2012 we received a payment of $2.0 million for our total debt investments in MaxVision Holding, L.L.C. As of June 30, 2012, we valued these debt investments, which had a total cost basis of approximately $7.1 million, at a fair value of approximately $169,000. These investments were accounted for on a non-accrual basis. In the third quarter of

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2012, we will record a realized loss of $5.1 million and a reversal of previously recorded unrealized depreciation of $6.9 million for the MaxVision debt investments.

Unfunded Commitments

As of September 10, 2012, we had unfunded debt commitments of approximately $69.8 million. Since these commitments may expire without being drawn upon, unfunded commitments do not necessarily represent future cash requirements or future earning assets. Approximately $35.0 million of these unfunded commitments are dependent upon the portfolio company reaching certain milestones before our debt commitment would become available.

Signed Term Sheets

As of September 10, 2012, we had approximately $141.5 million of signed non-binding term sheets subject to completion of definitive documentation with prospective portfolio companies, which generally convert to contractual commitments within approximately 45 to 60 days. Non-binding term sheets are subject to completion of our due diligence, investment committee approval, legal review, and negotiation of definitive documentation. Not all signed non-binding term sheets are expected to close and do not necessarily represent any future cash requirements.

Filed IPOs

As of September 10, 2012, we had warrants or equity positions in three portfolio companies which had filed Form S-1 Registration Statements with the SEC in contemplation of a potential IPO. There can be no assurances that these companies will complete their respective IPOs in a timely manner or at all.

On September 19, 2012, Trulia, Inc. completed its initial public offering of 6,000,000 shares of common stock at a price to the public of $17.00 per share.

Portfolio Company Developments

In August 2012, we received a milestone payment of approximately $825,000 from Covidien PLC s acquisition of our portfolio company, BÂRRX Medical, Inc. in the first quarter of 2012, which will result in the recognition of approximately $825,000 of realized gains in the third quarter of 2012. Under the terms of the acquisition agreement, additional milestone payments may be received within sixty days of the eighteen month and second anniversaries of the closing. These milestone payments are subject to performance factors and, therefore, their future receipt cannot be reasonably assured at this time.

New BDC Legislation

On June 8, 2012, legislation was introduced in the U.S. House of Representatives intended to revise certain regulations applicable to business development companies, or BDCs. The legislation provides for (i) increasing the amount of funds BDCs may borrow by reducing asset to debt limitations from 2:1 to 3:2, (ii) permitting BDCs to file registration statements with the U.S. Securities and Exchange Commission that incorporate information from already-filed reports by reference, (iii) utilizing other streamlined registration processes afforded to operating companies, and (iv) allowing BDCs to own investment adviser subsidiaries.

There are no assurances as to when the legislation will be enacted by Congress, if at all, or, if enacted, what final form the legislation would take.

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Liquidity and Capital Resources

September 2019 Notes

On September 24, 2012, we issued approximately $75.0 million in aggregate principal amount of our 7.00% Senior Notes due 2019 (the September 2019 Notes) pursuant to an underwriting agreement among us and Stifel, Nicolaus & Company, Incorporated, as representative of the several underwriters named therein, relating to the issuance, offer and sale of the September 2019 Notes. We granted the underwriters an option to purchase up to an additional amount of approximately $11.3 million of the September 2019 Notes. The sale of the September 2019 Notes generated net proceeds to us, before expenses, of approximately $72.8 million.

On September 24, 2012, we and U.S. Bank National Association, as Trustee (the Trustee) entered into a Second Supplemental Indenture (the Second Supplemental Indenture) to the Indenture (the Base Indenture, and together with the First Supplemental Indenture, dated as of April 17, 2012, and the Second Supplemental Indenture, the Indenture), between us and U.S. Bank National Association, as Trustee (the Trustee), dated as of March 6, 2012, relating to the issuance, offer and sale of the September 2019 Notes.

The September 2019 Notes will mature on September 30, 2019 and may be redeemed in whole or in part at our option at any time or from time to time on or after September 30, 2015, upon not less than 30 days nor more than 60 days written notice by mail prior to the date fixed for redemption thereof, at a redemption price of 100% of the outstanding principal amount thereof plus accrued and unpaid interest payments otherwise payable for the then-current quarterly interest period accrued to but not including the date fixed for redemption. The September 2019 Notes bear interest at a rate of 7.00% per year payable quarterly on March 30, June 30, September 30 and December 30 of each year, commencing on December 30, 2012.

The September 2019 Notes will be our direct unsecured obligations and will rank: (i) *pari passu* with our other outstanding and future senior unsecured indebtedness, including without limitation the $75.0 million Convertible Senior Notes and April 2019 Notes (as defined herein); (ii) senior to any of our future indebtedness that expressly provides it is subordinated to the September 2019 Notes (iii) effectively subordinated to all of our existing and future secured indebtedness (including indebtedness that is initially unsecured to which we subsequently grant security), to the extent of the value of the assets securing such indebtedness, including without limitation, borrowings under our credit facilities; (iv) structurally subordinated to all existing and future indebtedness and other obligations of any of our subsidiaries, including without limitation, the indebtedness of Hercules Technology II, L.P. and Hercules Technology III, L.P. and borrowings under our revolving senior secured credit facility with Wells Fargo Capital Finance.

The Indenture, contains certain covenants including covenants requiring us to comply with (regardless of whether it is subject to) the asset coverage requirements set forth in Section 18(a)(1)(A) as modified by Section 61(a)(1) of the Investment Company Act of 1940, as amended, to comply with the restrictions on dividends, distributions and purchase of capital stock set forth in Section 18(a)(1)(B) as modified by Section 61(a)(1) of the Investment Company Act of 1940, as amended, and to provide financial information to the holders of the September 2019 Notes and the Trustee if the Company should no longer be subject to the reporting requirements under the Securities Exchange Act of 1934. These covenants are subject to important limitations and exceptions that are described in the Base Indenture, as supplemented by the First Supplemental Indenture and Second Supplemental Indenture. The Base Indenture provides for customary events of default and further provides that the Trustee or the holders of 25% in aggregate principal amount of the outstanding September 2019 Notes in a series may declare such September 2019 Notes immediately due and payable upon the occurrence of any event of default after expiration of any applicable grace period.

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April 2019 Notes

On July 6, 2012 we re-opened our 7.00% Senior Notes due 2019 (the April 2019 Notes) and issued approximately $38.8 million in aggregate principal amount of additional April 2019 Notes pursuant to an underwriting agreement among us and Stifel, Nicolaus & Company, Incorporated, as representative of the several underwriters named therein, relating to the issuance, offer and sale of the additional April 2019 Notes. We granted the underwriters an option to purchase up to an additional $5.8 million in aggregate principal amount of the April 2019 Notes to cover overallotments, if any. Pursuant to this option, approximately $2.7 million in aggregate principal amount of the additional April 2019 Notes were issued and sold on July 12, 2012. The sale of the additional April 2019 Notes generated net proceeds to us, before expenses and excluding accrued interest, of approximately $40.2 million.

The additional April 2019 Notes are a further issuance of, rank equally in right of payment with, and form a single series for all purposes under the Indenture (as defined below) including, without limitation, waivers, amendments, consents, redemptions and other offers to purchase and voting, with the $43.0 million aggregate principal amount of the April 2019 Notes initially issued by us on April 17, 2012.

On April 17, 2012, we and U.S. Bank National Association, as Trustee (the Trustee) entered into the First Supplemental Indenture (the First Supplemental Indenture) to the Indenture (the Base Indenture, and together with the First Supplemental Indenture, the Indenture), between us and U.S. Bank National Association, as Trustee (the Trustee), dated March 6, 2012, relating to the issuance, offer and sale of the April 2019 Notes. The additional April 2019 Notes were offered under the same Indenture.

The additional April 2019 Notes will mature on April 30, 2019 and may be redeemed in whole or in part at our option at any time or from time to time on or after April 30, 2015, upon not less than 30 days nor more than 60 days written notice by mail prior to the date fixed for redemption thereof, at a redemption price of 100% of the outstanding principal amount thereof plus accrued and unpaid interest payments otherwise payable for the then-current quarterly interest period accrued to but not including the date fixed for redemption. The additional April 2019 Notes bear interest at a rate of 7.00% per year payable quarterly on January 30, April 30, July 30 and October 30 of each year, commencing on July 30, 2012.

The additional April 2019 Notes will be our direct unsecured obligations and will rank: (i) *pari passu* with our other outstanding and future senior unsecured indebtedness, including without limitation, the $75.0 million of Convertible Senior Notes, the September 2019 Notes and the April 2019 Notes; (ii) senior to any of our future indebtedness that expressly provides that it is subordinated to the April 2019 Notes; (iii) effectively subordinated to all of our existing and future secured indebtedness (including indebtedness that is initially unsecured to which we subsequently grant security), to the extent of the value of the assets securing such indebtedness, including without limitation, borrowings under our credit facilities; (iv) structurally subordinated to all existing and future indebtedness and other obligations of any of our subsidiaries, including without limitation, the indebtedness of Hercules Technology II, L.P. and Hercules Technology III, L.P. and borrowings under the Wells Facility.

The Indenture, as supplemented by the First Supplemental Indenture, contains certain covenants including covenants that requires us to comply with (regardless of whether it is subject to) the asset coverage requirements set forth in Section 18(a)(1)(A) as modified by Section 61(a)(1) of the Investment Company Act of 1940, as amended, to comply with the restrictions on dividends, distributions and purchase of capital stock set forth in Section 18(a)(1)(B) as modified by Section 61(a)(1) of the Investment Company Act of 1940, as amended, and to provide financial information to the holders of the April 2019 Notes and the Trustee if we should no longer be subject to the reporting requirements under the Securities Exchange Act of 1934, as amended. These covenants are subject to important limitations and exceptions that are described in the Indenture, as supplemented by the First Supplemental Indenture. The Indenture provides for customary events of default and further provides that the Trustee or the holders of 25% in aggregate principal amount of the outstanding April 2019 Notes in a series may declare such April 2019 Notes immediately due and payable upon the occurrence of any event of default after expiration of any applicable grace period.

Wells Facility

In August 2012, we amended the Wells Facility with Wells Fargo Capital Finance, LLC (WFCF) under which WFCF has committed $75.0 million in initial credit capacity under a $300.0 million accordion credit facility. We can increase the credit line up to an aggregate of $300.0 million, funded by additional lenders who may join the facility and with the agreement of WFCF and subject to other customary conditions. There can be no assurances that additional lenders will join the Wells Facility.

The Wells Facility has an advance rate equal to 50% of eligible loans placed in the collateral pool. The Wells Facility generally requires payment of interest on a monthly basis. We paid an amendment fee of $375,000.

Borrowings under the Wells Facility will continue to be at an interest rate per annum equal to LIBOR plus 3.50%, consistent with prior facilities while the floor has been lowered from 5.00% to 4.25%, a 75 basis point reduction. Additionally, an amortization period of 12 months was added to pay down the principal balance as of the maturity date, the maturity date was extended by one year to August 2015, and the unused line fee was reduced. The amendment also increased the minimum tangible net worth when added to outstanding subordinated indebtedness from in excess of $314.0 million plus 90% of the cumulative amount of equity raised after March 31, 2011 to in excess of $362.0 million plus 90% of the cumulative amount of equity raised after June 30, 2012. The amendment was effective as of August 1, 2012.

The Wells Facility provides for customary events of default, including, but not limited to, payment defaults, breach of representations or covenants, bankruptcy events and change of control. The Wells Facility also includes various financial and operating covenants applicable to us and our subsidiaries. The covenants require, among other things, that we maintain certain financial ratios and a minimum tangible net worth.

Union Bank Facility

On September 17, 2012, we entered into an amendment to the Union Bank Facility. Pursuant to the terms of the amendment, the Company is permitted to increase its unsecured indebtedness by an aggregate original principal amount not to exceed $200.0 million incurred after March 30, 2012 in one or more issuances, provided certain conditions are satisfied for each issuance.

Dividend Declaration

On July 30, 2012, our Board of Directors declared a cash dividend of $0.24 per share that will be payable on August 24, 2012 to shareholders of record as of August 17, 2012. This dividend represents our twenty-eighth consecutive dividend declaration since our initial public offering, bringing the total cumulative dividend declared to date to $7.40 per share.

Renewal of Stock Repurchase Plan

On July 25, 2012, we approved the extension of the stock repurchase plan as previously approved under the same terms and conditions that allows us to repurchase up to $35.0 million of our common stock. Unless renewed, the stock repurchase plan will expire on February 26, 2013.

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Chief Financial Officer

Effective March 27, 2012, our board of directors appointed Jessica T. Baron as our permanent Chief Financial Officer. In connection with such appointment, Ms. Baron will receive an annual base salary of $235,000 subject to review and adjustment at least annually by our Board of Directors or compensation committee. Ms. Baron also will be awarded 25,000 shares of restricted common stock, $0.001 par value per share (the Common Stock), under our 2004 Equity Incentive Plan pursuant to which such restricted stock awards vest subject to continued employment one-fourth on the one year anniversary of the date of grant and ratably over the succeeding 36 months.

Ms. Baron, age 37, joined the Company in October 2006 as Corporate Controller and was promoted to Vice President of Finance in October 2010. Effective June 1, 2011, the Board of Directors appointed Ms. Baron as Vice President of Finance and Interim Chief Financial Officer. See Management Directors, Executive Officers and Key Employees Non-director executive officers in the accompanying prospectus for additional information regarding Ms. Baron.

Chief Compliance Officer and Secretary

Effective August 20, 2012, H. Scott Harvey s employment as our Chief Legal Officer, Chief Compliance Officer and Secretary ended, and K. Nicholas Martitsch was appointed as our Associate General Counsel, Chief Compliance Officer and Secretary.

Re-Election of Director

On May 30, 2012, at the Company s 2012 Annual Meeting of Stockholders, Allyn C. Woodward Jr. was re-elected to serve as a member of the Company s Board of Directors until the 2015 Annual Meeting of Stockholders.

General Information

Our principal executive offices are located at 400 Hamilton Avenue, Suite 310, Palo Alto, California 94301, and our telephone number is (650) 289-3060. We also have offices in Boston, Massachusetts, Boulder, Colorado and McLean, Virginia. We maintain a website on the Internet at www.herculestech.com. Information contained in our website is not incorporated by reference into this prospectus, and you should not consider that information to be part of this prospectus.

We file annual, quarterly and current periodic reports, proxy statements and other information with the SEC under the Securities Exchange Act of 1934, which we refer to as the Exchange Act. This information is available at the SEC s public reference room at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information about the operation of the SEC s public reference room by calling the SEC at (202) 551-8090. In addition, the SEC maintains an Internet website, at www.sec.gov, that contains reports, proxy and information statements, and other information regarding issuers, including us, who file documents electronically with the SEC.

SUPPLEMENTARY RISK FACTORS

Investing in our common stock involves a number of significant risks. Before you invest in our securities, you should be aware of various risks, including those described below in this prospectus supplement and those set forth in the accompanying prospectus. You should carefully consider these risk factors, together with all of the other information included in this prospectus supplement and the accompanying prospectus, before you decide whether to make an investment in our common stock. The risks set out below and in the accompanying prospectus are not the only risks we face. Additional risks and uncertainties not presently known to us or not presently deemed material by us may also impair our operations and performance. If any of the following events occur, our business, financial condition, results of operations and cash flows could be materially and adversely affected. In such case, our net asset value and the trading price of our common stock could decline and you may lose all or part of your investment. The risk factors described below, together with those set forth in the accompanying prospectus, are the principal risk factors associated with an investment in our common stock, as well as those factors generally associated with an investment company with investment objectives, investment policies, capital structure or trading markets similar to ours.

It is likely that the terms of any current or future long-term or revolving credit or warehouse facility we may enter into in the future could constrain our ability to grow our business.

Under our borrowings and credit facilities, including the Union Bank Facility and the Wells Facility, current lenders have, and any future lender or lenders may have, fixed dollar claims on our assets that are senior to the claims of our stockholders and, thus, will have a preference over our stockholders with respect to our assets in the collateral pool. Our current credit facilities and borrowings also subject us to various financial and operating covenants, including, but not limited to, maintaining certain financial ratios and minimum tangible net worth amounts. Future credit facilities and borrowings will likely subject us to similar or additional covenants. In addition, we may grant a securities interest in our assets in connection with any such credit facilities and borrowings.

Our current credit facilities generally contain customary default provisions such as a minimum net worth amount, a profitability test, and a restriction on changing our business and loan quality standards. In addition, such credit facilities require or are expected to require the repayment of all outstanding debt on the maturity which may disrupt our business and potentially the business of our portfolio companies that are financed through the facilities. An event of default under these facilities would likely result, among other things, in termination of the availability of further funds under the facilities and accelerated maturity dates for all amounts outstanding under the facilities, which would likely disrupt our business and, potentially, the business of the portfolio companies whose loans we finance through the facilities. This could reduce our revenues and, by delaying any cash payment allowed to us under our facilities until the lender has been paid in full, reduce our liquidity and cash flow and impair our ability to grow our business and maintain our status as a RIC.

The terms of future available financing may place limits on our financial and operation flexibility. If we are unable to obtain sufficient capital in the future, we may be forced to reduce or discontinue our operations, not be able to make new investments, or otherwise respond to changing business conditions or competitive pressures.

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

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 additional contributions to regulatory capital. As of June 30, 2012, HT II had the potential to borrow up to $125.0 million of SBA-guaranteed debentures under the SBIC program. With our net investment of $75.0 million in HT II as of June 30, 2012, HT II has the capacity to issue a total of $125.0 million of SBA guaranteed debentures, subject to SBA approval, of which $100.7 million is outstanding as of June 30, 2012.

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. As of

June 30, 2012, HT III had the potential to borrow up to $100.0 million of SBA-guaranteed debentures under the SBIC program. With our net investment of $50.0 million in HT III as of June 30, 2012, HT III has the capacity to issue a total of $100.0 million of SBA guaranteed debentures, subject to SBA approval, of which $100.0 million was outstanding as of June 30, 2012.

As of June 30, 2012, there was $200.7 million principal amount of indebtedness outstanding incurred by our SBIC subsidiaries. Access to the remaining leverage is subject to SBA approval and compliance with SBA regulations.

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

Pending legislation may allow us to incur additional leverage.

As a business development company, under the 1940 Act generally we are not permitted to incur indebtedness unless immediately after such borrowing we have an asset coverage for total borrowings of at least 200% (i.e., the amount of debt may not exceed 50% of the value of our assets). Recent legislation introduced in the U.S. House of Representatives, if passed, would modify this section of the 1940 Act and increase the amount of debt that business development companies may incur by modifying the percentage from 200% to 150%. See Prospectus Supplement Summary Recent Developments New BDC Legislation for more information with respect to this legislation. As a result, we may be able to incur additional indebtedness in the future and therefore your risk of an investment in our common stock may increase.

In addition to regulatory restrictions that restrict our ability to raise capital, the Wells Facility, the Union Bank Facility and the Convertible Senior Notes, the April 2019 Notes and September 2019 Notes contain various covenants which, if not complied with, could accelerate repayment under the facility or require us to repurchase the Convertible Senior Notes, the April 2019 Notes or the September 2019 Notes, thereby materially and adversely affecting our liquidity, financial condition, results of operations and ability to pay dividends.

The credit agreements governing the Wells Facility, Union Bank Facility, the Convertible Senior Notes, the April 2019 Notes and the September 2019 Notes require us to comply with certain financial and operational covenants. These covenants require us to, among other things, maintain certain financial ratios, including asset coverage, debt to equity and interest coverage. Our ability to continue to comply with these covenants in the future depends on many factors, some of which are beyond our control. There are no assurances that we will be able to comply with these covenants. Failure to comply with these covenants would result in a default which, if we were unable to obtain a waiver from the lenders under the Wells Facility and the Union Bank Facility or the trustee or holders under the Convertible Senior Notes, the April 2019 Notes and the September 2019 Notes, could accelerate repayment under the facilities or the Convertible Senior Notes, the April 2019 Notes or the September 2019 Notes and thereby have a material adverse impact on our liquidity, financial condition, results of operations and ability to pay dividends. In addition, holders of the Convertible Senior Notes will have the right to require us to repurchase the Convertible Senior Notes upon the occurrence of a fundamental change at a repurchase price equal to 100% of their principal amount, plus accrued and unpaid interest, if any. We may not have enough available cash or be able to obtain financing at the time we are required to make repurchases. See Management s Discussion and Analysis of Results of Operations and Financial Condition Borrowings.

Depending on funding requirements, we may need to raise additional capital to meet our unfunded commitments either through equity offerings or through additional borrowings.

As of June 30, 2012, we had unfunded commitments of approximately $92.7 million. Approximately $32.6 million of these unfunded debt commitments are dependent upon the portfolio company reaching certain milestones before the debt commitment becomes available. These commitments will be subject to the same underwriting and ongoing portfolio maintenance. Since these commitments may expire without being drawn

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upon, the total commitment amount does not necessarily represent future cash requirements. Closed commitments generally fund 70-80% of the committed amount in aggregate over the life of the commitment. We intend to use cash flow from normal and early principal repayments, SBA debentures, our Wells Facility, our Union Bank Facility and proceeds from the Convertible Senior Notes, the April 2019 Notes and the September 2019 Notes to fund these commitments. However, there can be no assurance that we will have sufficient capital available to fund these commitments as they come due.

Our financial results could be negatively affected if a significant portfolio investment fails to perform as expected.

Our total investment in companies may be significant individually or in the aggregate. As a result, if a significant investment in one or more companies fails to perform as expected, our financial results could be more negatively affected and the magnitude of the loss could be more significant than if we had made smaller investments in more companies. The following table shows the fair value of the totals of investments held in portfolio companies at June 30, 2012 that represent greater than 5% of net assets:

	June 30, 2012	
(in thousands)	**Fair Value**	**Percentage of Net Assets**
Box.net, Inc.	$ 43,093	9.1%
BrightSource Energy, Inc.	$ 35,487	7.5%
Aveo Pharmaceuticals, Inc.	$ 29,071	6.1%
Women s Marketing, Inc.	$ 27,447	5.8%
Tectura Corporation	$ 26,451	5.6%
Anthera Pharmaceuticals, Inc.	$ 24,099	5.1%

Box.net Inc. is an online storage and sharing service that gives users access to their files from anywhere.

Brightsource Energy, Inc. designs, develops and sells solar thermal power systems that deliver reliable, clean energy to utilities and industrial companies.

Aveo Pharmaceuticals, Inc. is a biopharmaceutical company dedicated to the discovery and development of new, targeted cancer therapeutics.

Women s Marketing, Inc. is a media solutions company, delivering premium media at value pricing across all platforms.

Tectura Corporation is an IT services firm that specializes in Microsoft Business Solutions applications.

Anthera Pharmaceuticals, Inc. is a biopharmaceutical company focused on developing and commercializing products to treat serious diseases, including cardiovascular and autoimmune diseases.

Our financial results could be negatively affected if these portfolio companies or any of our other significant portfolio companies encounter financial difficulty and fail to repay their obligations or to perform as expected.

Our quarterly and annual operating results are subject to fluctuation as a result of the nature of our business, and if we fail to achieve our investment objective, the net asset value of our common stock may decline.

We could experience fluctuations in our quarterly and annual operating results due to a number of factors, some of which are beyond our control, including, but not limited to, the interest rate payable on the debt securities that we acquire, the default rate on such securities, the level of our expenses, variations in and the timing of the recognition of realized and unrealized gains or losses, changes in our portfolio composition, the degree to which we encounter competition in our markets, market volatility in our publicly traded securities and the securities of our portfolio companies, and general economic conditions. As a result of these factors, results for any period should not be relied upon as being indicative of performance in future periods. In addition, any of these factors could negatively impact our ability to achieve our investment objectives, which may cause our net asset value of our common stock to decline.

Our investments may be in portfolio companies which may have limited operating histories and financial resources.

We expect that our portfolio will continue to consist of investments that may have relatively limited operating histories. These companies may be particularly vulnerable to U.S. and foreign economic downturns such as the current recession and European financial crisis may have more limited access to capital and higher funding costs, may have a weaker financial position and may need more capital to expand or compete. These businesses also may experience substantial variations in operating results. They may face intense competition, including from companies with greater financial, technical and marketing resources. Furthermore, some of these companies do business in regulated industries and could be affected by changes in government regulation. Accordingly, these factors could impair their cash flow or result in other events, such as bankruptcy, which could limit their ability to repay their obligations to us, and may adversely affect the return on, or the recovery of, our investment in these companies. We cannot assure you that any of our investments in our portfolio companies will be successful. Our portfolio companies compete with larger, more established companies with greater access to, and resources for, further development in these new technologies. We may lose our entire investment in any or all of our portfolio companies.

Our investment strategy focuses on technology-related companies, which are subject to many risks, including volatility, intense competition, shortened product life cycles and changes in regulatory and governmental programs, periodic downturns, and you could lose all or part of your investment.

We have invested and will continue investing primarily in technology-related companies, many of which may have narrow product lines and small market shares, which tend to render them more vulnerable to competitors   actions and market conditions, as well as to general economic downturns. The revenues, income (or losses), and valuations of technology-related companies can and often do fluctuate suddenly and dramatically. In addition, technology-related markets are generally characterized by abrupt business cycles and intense competition. Overcapacity in technology-related industries, together with cyclical economic downturns, may result in substantial decreases in the market capitalization of many technology-related companies. While such valuations have recovered to some extent, such decreases in market capitalization may occur again, and any future decreases in technology-related company valuations may be substantial and may not be temporary in nature. Therefore, our portfolio companies may face considerably more risk of loss than do companies in other industry sectors.

Because of rapid technological change, the average selling prices of products and some services provided by technology-related companies have historically decreased over their productive lives. As a result, the average selling prices of products and services offered by technology-related companies may decrease over time, which could adversely affect their operating results, their ability to meet obligations under their debt securities and the value of their equity securities. This could, in turn, materially adversely affect our business, financial condition and results of operations.

A natural disaster may also impact the operations of our portfolio companies, including our technology- related portfolio companies. The nature and level of natural disasters cannot be predicted and may be exacerbated by global climate change. A portion of our technology-related portfolio companies rely on items assembled or produced in areas susceptible to natural disasters, and may sell finished goods into markets susceptible to natural disasters. A major disaster, such as an earthquake, tsunami, flood or other catastrophic event could result in disruption to the business and operations of our technology-related portfolio companies.

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We will invest in technology-related companies that are reliant on U.S. and foreign regulatory and governmental programs. Any material changes or discontinuation, due to change in administration or U.S. Congress or otherwise could have a material adverse effect on the operations of a portfolio company in these industries and, in turn, impair our ability to timely collect principal and interest payments owed to us to the extent applicable.

Cleantech companies are subject to extensive government regulation and certain other risks particular to the sectors in which they operate and our business and growth strategy could be adversely affected if government regulations, priorities and resources impacting such sectors change or if our portfolio companies fail to comply with such regulations.

As part of our investment strategy, we plan to invest in portfolio companies in Cleantech sectors that may be subject to extensive regulation by foreign, U.S. federal, state and/or local agencies. Changes in existing laws, rules or regulations, or judicial or administrative interpretations thereof, or new laws, rules or regulations could have an adverse impact on the business and industries of our portfolio companies. In addition, changes in government priorities or limitations on government resources could also adversely impact our portfolio companies. We are unable to predict whether any such changes in laws, rules or regulations will occur and, if they do occur, the impact of these changes on our portfolio companies and our investment returns. Furthermore, if any of our portfolio companies fail to comply with applicable regulations, they could be subject to significant penalties and claims that could materially and adversely affect their operations. Our portfolio companies may be subject to the expense, delay and uncertainty of the regulatory approval process for their products and, even if approved, these products may not be accepted in the marketplace.

In addition, there is considerable uncertainty about whether foreign, U.S., state and/or local governmental entities will enact or maintain legislation or regulatory programs that mandate reductions in greenhouse gas emissions or provide incentives for Cleantech companies. Without such regulatory policies, investments in Cleantech companies may not be economical and financing for Cleantech companies may become unavailable, which could materially adversely affect the ability of our portfolio companies to repay the debt they owe to us. Any of these factors could materially and adversely affect the operations and financial condition of a portfolio company and, in turn, the ability of the portfolio company to repay the debt they owe to us.

Our investments in the life science industry are subject to extensive government regulation, litigation risk and certain other risks particular to that industry.

We have invested and plan to continue investing in companies in the life science industry that are subject to extensive regulation by the Food and Drug Administration (the FDA) and to a lesser extent, other federal, state and other foreign agencies. If any of these portfolio companies fail to comply with applicable regulations, they could be subject to significant penalties and claims that could materially and adversely affect their operations. Portfolio companies that produce medical devices or drugs are subject to the expense, delay and uncertainty of the regulatory approval process for their products and, even if approved, these products may not be accepted in the marketplace. In addition, governmental budgetary constraints effecting the regulatory approval process, new laws, regulations or judicial interpretations of existing laws and regulations might adversely affect a portfolio company in this industry. Portfolio companies in the life science industry may also have a limited number of suppliers of necessary components or a limited number of manufacturers for their products, and therefore face a risk of disruption to their manufacturing process if they are unable to find alternative suppliers when needed. Any of these factors could materially and adversely affect the operations of a portfolio company in this industry and, in turn, impair our ability to timely collect principal and interest payments owed to us.

Our investments in the drug discovery industry are subject to numerous risks, including competition, extensive government regulation, product liability and commercial difficulties.

Our investments in the drug discovery industry are subject to numerous risks. The successful and timely implementation of the business model of our drug discovery portfolio companies depends on their ability to adapt

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to changing technologies and introduce new products. As competitors continue to introduce competitive products, the development and acquisition of innovative products and technologies that improve efficacy, safety, patient s and clinician s ease of use and cost-effectiveness are important to the success of such portfolio companies. The success of new product offerings will depend on many factors, including the ability to properly anticipate and satisfy customer needs, obtain regulatory approvals on a timely basis, develop and manufacture products in an economic and timely manner, obtain or maintain advantageous positions with respect to intellectual property, and differentiate products from those of competitors. Failure by our portfolio companies to introduce planned products or other new products or to introduce products on schedule could have a material adverse effect on our business, financial condition and results of operations.

Further, the development of products by drug discovery companies requires significant research and development, clinical trials and regulatory approvals. The results of product development efforts may be affected by a number of factors, including the ability to innovate, develop and manufacture new products, complete clinical trials, obtain regulatory approvals and reimbursement in the US and abroad, or gain and maintain market approval of products. In addition, regulatory review processes by U.S. and foreign agencies may extend longer than anticipated as a result of decreased funding and tighter fiscal budgets. Further, patents attained by others can preclude or delay the commercialization of a product. There can be no assurance that any products now in development will achieve technological feasibility, obtain regulatory approval, or gain market acceptance. Failure can occur at any point in the development process, including after significant funds have been invested. Products may fail to reach the market or may have only limited commercial success because of efficacy or safety concerns, failure to achieve positive clinical outcomes, inability to obtain necessary regulatory approvals, failure to achieve market adoption, limited scope of approved uses, excessive costs to manufacture, the failure to establish or maintain intellectual property rights, or the infringement of intellectual property rights of others.

Future legislation, and/or regulations and policies adopted by the FDA or other U.S. or foreign regulatory authorities may increase the time and cost required by some of our portfolio companies to conduct and complete clinical trials for the product candidates that they develop, and there is no assurance that these companies will obtain regulatory approval to market and commercialize their products in the U.S. and in foreign countries

The FDA has established regulations, guidelines and policies to govern the drug development and approval process, as have foreign regulatory authorities, which affect some of our portfolio companies. Any change in regulatory requirements due to the adoption by the FDA and/or foreign regulatory authorities of new legislation, regulations, or policies may require some of our portfolio companies to amend existing clinical trial protocols or add new clinical trials to comply with these changes. Such amendments to existing protocols and/or clinical trial applications or the need for new ones, may significantly impact the cost, timing and completion of the clinical trials.

In addition, increased scrutiny by the U.S. Congress of the FDA s and other authorities approval processes may significantly delay or prevent regulatory approval, as well as impose more stringent product labeling and post-marketing testing and other requirements. Foreign regulatory authorities may also increase their scrutiny of approval processes resulting in similar delays. Increased scrutiny and approvals processes may limit the ability of our portfolio companies to market and commercialize their products in the U.S. and in foreign countries.

Changes in healthcare laws and other regulations applicable to some of our portfolio companies businesses may constrain their ability to offer their products and services.

Changes in healthcare or other laws and regulations applicable to the businesses of some of our portfolio companies may occur that could increase their compliance and other costs of doing business, require significant systems enhancements, or render their products or services less profitable or obsolete, any of which could have a material adverse effect on their results of operations. There has also been an increased political and regulatory focus on healthcare laws in recent years, and new legislation could have a material effect on the business and operations of some of our portfolio companies.

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Economic recessions or slowdowns could impair the ability of our portfolio companies to repay loans, which, in turn, could increase our non-performing assets, decrease the value of our portfolio, reduce our volume of new loans and have a material adverse effect on our results of operations.

Many of our portfolio companies may be susceptible to economic slowdowns or recessions in both the U.S. and foreign countries and may be unable to repay our loans during such periods. In such periods, our non-performing assets are likely to increase and the value of our portfolio is likely to decrease. Adverse economic conditions also may decrease the value of collateral securing some of our loans and the value of our equity investments. Economic slowdowns or recessions could lead to financial losses in our portfolio and a decrease in revenues, net income and assets. Unfavorable economic conditions also could increase our funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to us.

A portfolio company s failure to satisfy financial or operating covenants imposed by us or other lenders could lead to defaults and, potentially, termination of the portfolio company s loans and foreclosure on its secured assets, which could trigger cross-defaults under other agreements and jeopardize the portfolio company s ability to meet its obligations under the debt securities that we hold. We may incur expenses to the extent necessary to seek recovery upon default or to negotiate new terms with a defaulting portfolio company. In addition, if a portfolio company goes bankrupt, even though we may have structured our investment as senior debt or secured debt, depending on the facts and circumstances, including the extent to which we actually provided significant managerial assistance, if any, to that portfolio company, a bankruptcy court might re-characterize our debt holding and subordinate all or a portion of our claim to that of other creditors. These events could materially adversely affect our financial condition and operating results.

Generally, we do not control our portfolio companies. These portfolio companies may face intense competition, including competition from companies with greater financial resources, more extensive research and development, manufacturing, marketing and service capabilities and greater number of qualified and experienced managerial and technical personnel. They may need additional financing which they are unable to secure and which we are unable or unwilling to provide, or they may be subject to adverse developments unrelated to the technologies they acquire.

The business, financial condition and results of operations of our portfolio companies could be adversely affected by worldwide economic conditions, as well as political and economic conditions in the countries in which they conduct business.

The business and operating results of our portfolio companies may be impacted by worldwide economic conditions. Although the U.S. economy has in recent quarters shown signs of recovery from the 2008 2009 global recession, the strength and duration of any economic recovery will be impacted by worldwide economic growth. For instance, a number of recent reports indicate that growth in China and other emerging markets may be slowing relative to historical growth rates. The significant debt in U.S. and European countries is expected to hinder growth in those countries for the foreseeable future. Multiple factors relating to the international operations of some of our portfolio companies and to particular countries in which they operate could negatively impact their business, financial condition and results of operations.

Some of the products of our portfolio companies are developed, manufactured, assembled, tested or marketed outside the U.S. Any conflict or uncertainty in these countries, including due to natural disasters, public health concerns, political unrest or safety concerns, could harm their business, financial condition and results of operations. In addition, if the government of any country in which their products are developed, manufactured or sold sets technical or regulatory standards for products developed or manufactured in or imported into their country that are not widely shared, it may lead some of their customers to suspend imports of their products into that country, require manufacturers or developers in that country to manufacture or develop products with different technical or regulatory standards and disrupt cross-border manufacturing, marketing or business relationships which, in each case, could harm their businesses.

Some of our portfolio companies may need additional capital, which may not be readily available and may be needed if necessary regulatory review processes are extended or approvals not obtained.

Our portfolio companies will often require substantial additional equity financing to satisfy their continuing working capital and other requirements, and in most instances to service the interest and principal payments on our investments. Each round of venture financing is typically intended to provide a company with only enough capital to reach the next stage of development. We cannot predict the circumstances or market conditions under which our portfolio companies will seek additional capital. It is possible that one or more of our portfolio companies will not be able to raise additional financing or may be able to do so only at a price or on terms unfavorable to us, either of which would negatively impact our investment returns. Some of these companies may be unable to obtain sufficient financing from private investors, public capital markets or traditional lenders. This may have a significant impact if the companies are unable to obtain certain federal, state or foreign agency approval for their products or the marketing thereof, of if regulatory review processes extend longer than anticipated, and the companies need continued funding for their operations during these times. Accordingly, financing these types of companies may entail a higher risk of loss than would financing companies that are able to utilize traditional credit sources.

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USE OF PROCEEDS

Our net proceeds from the sale of the 3,100,000 shares of common stock we are offering will be approximately $33.3 million, after deducting the underwriting discounts and commissions and estimated offering expenses payable by us.

We expect to use the net proceeds from this offering to fund investments in debt and equity securities in accordance with our investment objective and for other general corporate purposes.

We intend to seek to invest the net proceeds received in this offering as promptly as practicable after receipt thereof consistent with our investment objective. We anticipate that substantially all of the net proceeds from any offering of our securities will be used as described above within three to six months, depending on market conditions. We anticipate that the remainder will be used for working capital and general corporate purposes, including potential payments or distributions to shareholders. Pending such use, we will invest a portion of the net proceeds of this offering in short-term investments, such as cash and cash equivalents, which we expect will earn yields substantially lower than the interest income that we anticipate receiving in respect of investments in accordance with our investment objective.

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CAPITALIZATION

The following table sets forth our capitalization as of June 30, 2012:

(i) on an actual basis,

(ii) on an as adjusted basis to give effect to (a) the issuance of approximately $41.5 million in aggregate principal amount of the April 2019 Notes in July 2012 and the application of the proceeds therefrom and (b) the issuance of $75.0 million in aggregate principal amount of the September 2019 Notes in September 2012 and the application of the proceeds therefrom; and

(iii) on an as further adjusted basis to give effect to the sale of 3,100,000 shares of common stock in this offering at a price of $10.85 per share and the application of the proceeds therefrom.

You should read this table together with the Use of Proceeds section and our statement of assets and liabilities included elsewhere in this prospectus supplement.

	As of June 30, 2012		
	Actual (i)	As Adjusted (ii)	As Further Adjusted (iii)
		(in thousands)	
Investments at fair value	$ 722,813	$ 722,813	$ 722,813
Cash and cash equivalents	$ 56,140	$ 168,185	$ 201,520
Debt:			
Wells Facility[1]	3,130	3,130	3,130
Union Bank Facility			
Long-term SBA debentures	200,750	200,750	200,750
Convertible Senior Notes	70,894	70,894	70,894
April 2019 Notes	43,000	84,490	84,490
September 2019 Notes		75,000	75,000
Total debt[2]	$ 317,774	$ 434,264	$ 434,264
Stockholders equity:			
Common stock, par value $0.001 per share; 100,000,000 shares authorized; 49,742,983 shares issued and outstanding	$ 50	$ 50	$ 53
Capital in excess of par value	534,165	534,165	567,497
Unrealized appreciation (depreciation) on investments	(21,102)	(21,102)	(21,102)
Accumulated realized gains (losses) on investments	(31,902)	(31,902)	(31,902)
Distributions in excess of investment income	(6,430)	(6,430)	(6,430)
Total stockholders equity	$ 474,781	$ 474,781	$ 508,116
Total capitalization	$ 792,555	$ 909,045	$ 942,380

(1) As of September 10, 2012, there were no borrowings outstanding under the Wells Facility.

(2) See Management s Discussion and Analysis of Financial Condition and Results of Operations Subsequent Events in this prospectus supplement for more information with respect to the April 2019 Notes, and Prospectus Supplement Summary Recent Developments in this prospectus supplement for more information regarding the September 2019 Notes and April 2019 Notes.

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MANAGEMENT S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with our consolidated financial statements and related notes and other financial information appearing elsewhere in this prospectus supplement. In addition to historical information, the following discussion and other parts of this prospectus supplement contain forward-looking information that involves risks and uncertainties. Our actual results could differ materially from those anticipated by such forward-looking information due to the factors discussed under Supplemental Risk Factors, Risk Factors and Forward-Looking Statements appearing elsewhere herein.

Overview

We are a specialty finance firm focused on providing senior secured loans to entrepreneurial venture capital and private equity-back companies in technology-related markets at all stages of development, including technology, biotechnology, life science, healthcare services and cleantech industries. We primarily finance privately-held companies backed by leading venture capital and private equity firms, and also may finance certain publicly-traded companies that lack access to public capital or are sensitive to equity ownership dilution. We source our investments through our principal office located in Silicon Valley, as well as through additional offices in Boston, MA, Boulder, CO, and McLean, VA.

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

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

We are an internally managed, non-diversified closed-end investment company that has elected to be regulated as a business development company under the 1940 Act. As a business development company, we are required to comply with certain regulatory requirements. For instance, we generally have to invest at least 70% of our total assets in qualifying assets, including securities of private U.S. companies, cash, cash equivalents, and high-quality debt investments that mature in one year or less.

From incorporation through December 31, 2005, we were taxed as a corporation under Subchapter C of the Internal Revenue Code, or the Code. As of January 1, 2006, we have elected to be treated for federal income tax purposes as a regulated investment company, or a RIC, under Subchapter M of the Code. Pursuant to this election, we generally will not have to pay corporate-level taxes on any income that we distribute to our stockholders. However, such an election and qualification to be treated as a RIC requires that we comply with certain requirements contained in Subchapter M of the Code. For example, a RIC must meet certain requirements, including source-of income, asset diversification and income distribution requirements. The income source requirement mandates that we receive 90% or more of our income from qualified earnings, typically referred to as good income. Qualified earnings may exclude such income as management fees received in connection with our SBIC or other potential outside managed funds and certain other fees.

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

We regularly engage in discussions with third parties in respect of various potential transactions. We may acquire an investment or a portfolio of investments or an entire company or sell a portion of our portfolio on an opportunistic basis. We or our subsidiaries may also agree to manage certain other funds that invest in debt, equity or provide other financing or services to companies in a variety of industries for which we may earn management or other fees for our services. We may also invest in the equity of these funds, along with other third parties, from which we would seek to earn a return and/or future incentive allocations. Some of these transactions could be material to our business. Consummation of any such transaction will be subject to completion of due diligence, finalization of key business and financial terms (including price) and negotiation of final definitive documentation as well as a number of other factors and conditions including, without limitation, the approval of our board of directors and required regulatory or third party consents and, in certain cases, the approval of our stockholders. Accordingly, there can be no assurance that any such transaction would be consummated. Any of these transactions or funds may require significant management resources either during the transaction phase or on an ongoing basis depending on the terms of the transaction.

Portfolio and Investment Activity

The total value of our investment portfolio was $722.8 million at June 30, 2012 as compared to $652.9 million at December 31, 2011.

During the six-month period ended June 30, 2012 we made debt and equity commitments to new and existing portfolio companies, including restructured loans, totaling $223.4 million and $16.9 million, respectively. Debt commitments for the six-month period ended June 30, 2012 included commitments of approximately $134.7 million to 17 new portfolio companies and $88.7 million, including restructured loans, to 11 existing companies. Equity commitments for the six-month period ended June 30, 2012 included commitments of approximately $14.6 million to two new portfolio companies and $2.3 million to two existing companies.

During the three and six-month periods ended June 30, 2012, we funded investments in debt securities, totaling approximately $106.9 million and $169.8 million, respectively. During the three and six-month periods ended June 30, 2012, we funded equity investments of approximately $5.0 million and $7.1 million, respectively. During the six-month period ended June 30, 2012, the Company converted approximately $356,000 of debt to equity in one portfolio company, and the investment in Facebook, Inc. of approximately $9.6 million was transferred from Other Assets to Investments.

At June 30, 2012, we had unfunded contractual commitments of approximately $92.7 million to 22 new and existing companies. Approximately $32.6 million of these unfunded origination activity commitments are dependent upon the portfolio company reaching certain milestones before the Hercules debt commitment becomes available.

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These commitments will be subject to the same underwriting and ongoing portfolio maintenance as the on-balance sheet financial instruments that we hold. Since these commitments may expire without being drawn, unfunded commitments do not necessarily represent future cash requirements. In addition, we have approximately $48.0 million of non-binding term sheets outstanding to six new and existing companies at June 30, 2012. Non-binding outstanding term sheets are subject to completion of our due diligence and final approval process, as well as the negotiation of definitive documentation with the prospective portfolio companies. Not all non-binding term sheets are expected to close and do not necessarily represent future cash requirements.

The fair value of the loan portfolio at June 30, 2012 was approximately $647.1 million, compared to a fair value of approximately $411.6 million at June 30, 2011. The fair value of the equity portfolio at June 30, 2012 and 2011 was approximately $47.6 million and $31.1 million, respectively. The fair value of our warrant portfolio at June 30, 2012 and 2011 was approximately $28.1 million and $32.5 million, respectively.

We receive payments in our loan portfolio based on scheduled amortization of the outstanding balances. In addition, we receive repayments of some of our loans prior to their scheduled maturity date. The frequency or volume of these repayments may fluctuate significantly from period to period. During the six month period ended June 30, 2012, we received approximately $99.6 million of principal repayments, including normal principal amortization repayments of approximately $37.1 million, and early repayments of approximately $62.5 million. During the six month period ended June 30, 2012, we restructured our debt investments in two portfolio companies for approximately $49.1 million and converted $356,000 of debt to equity.

During the three-month period ended June 30, 2012, two of our portfolio companies completed initial public offerings. On May 10, 2012, WageWorks, Inc. completed its initial public offering of 6,500,000 shares of common stock at a price to the public of $9.00 per share, and on May 18, 2012, Facebook Inc. completed its initial public offering of 421,233,615 shares of common stock at a price to the public of $38.00 per share.

As of June 30, 2012, we held warrants or equity positions in three companies which filed registration statements on Form S-1 with the SEC in contemplation of potential initial public offerings, including Glori Energy, Inc., iWatt, Inc., and one company that filed a registration statement confidentially under the JOBS Act. During the second quarter of 2012, BrightSource Energy, Inc. withdrew its registration statement for its initial public offering. There can be no assurance that these companies will complete their initial public offerings in a timely manner or at all.

Total portfolio investment activity as of June 30, 2012 (unaudited) and for the year ended December 31, 2011 is as follows:

(in millions)	June 30, 2012	December 31, 2011
Beginning Portfolio	$ 652.9	$ 472.0
Purchase of debt investments	169.8	433.4
Equity Investments	7.1	2.1
Sale of Investments	(5.6)	(18.6)
Principal payments received on investments	(37.1)	(65.2)
Early pay-offs and recoveries	(62.5)	(182.1)
Accretion of loan discounts and paid-in-kind principal	6.2	6.6
Net change in unrealized depreciation in investments	(17.7)	4.7
Net change in unrealized appreciation (depreciation) in Citigroup participation	0.1	(0.2)
Conversion of Other Assets to Equity	9.6	0.2
Restructure fundings		16.1
Restructure payoffs		(16.1)
Ending Portfolio	$ 722.8	$ 652.9

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The following table shows the fair value of our portfolio of investments by asset class as of June 30, 2012 (unaudited) and December 31, 2011 (excluding unearned income).

	June 30, 2012		December 31, 2011	
(in thousands)	**Investments at Fair Value**	**Percentage of Total Portfolio**	**Investments at Fair Value**	**Percentage of Total Portfolio**
Senior secured debt with warrants	$ 570,551	78.9%	$ 482,268	73.9%
Senior secured debt	104,633	14.5%	133,544	20.4%
Preferred stock	29,507	4.1%	30,181	4.6%
Common Stock	18,122	2.5%	6,877	1.1%
	$ 722,813	100.0%	$ 652,870	100.0%

A summary of our investment portfolio at value by geographic location is as follows:

	June 30, 2012		December 31, 2011	
(in thousands)	**Investments at Fair Value**	**Percentage of Total Portfolio**	**Investments at Fair Value**	**Percentage of Total Portfolio**
United States	$ 711,181	98.4%	$ 634,736	97.2%
England	6,819	0.9%	8,266	1.3%
Iceland	4,708	0.7%	4,970	0.7%
Ireland	105	0.0%	3,842	0.6%
Canada		0.0%	672	0.1%
Israel		0.0%	384	0.1%
	$ 722,813	100.0%	$ 652,870	100.0%

Our portfolio companies are primarily privately held expansion-and established-stage companies in the drug discovery, internet consumer and business services, clean technology, drug delivery, media/content/info, software, specialty pharmaceuticals, healthcare services, communications and networking, information services, consumer and business products, therapeutic, medical device and equipment, semiconductors, surgical devices, biotechnology tools, diagnostic, and electronics and computer hardware industry sectors. These sectors are characterized by high margins, high growth rates, consolidation and product and market extension opportunities. Value is often vested in intangible assets and intellectual property.

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The following table shows the fair value of our portfolio by industry sector at June 30, 2012 (unaudited) and December 31, 2011:

	June 30, 2012		December 31, 2011	
(in thousands)	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
Drug Discovery & Development	$ 136,872	18.9%	$ 131,428	20.1%
Software	87,953	12.2%	27,850	4.3%
Clean Tech	83,807	11.6%	64,587	9.9%
Drug Delivery	70,186	9.7%	62,665	9.6%
Internet Consumer & Business Services	68,521	9.5%	117,542	18.0%
Media/Content/Info	47,750	6.6%	38,476	5.9%
Communications & Networking	41,271	5.7%	28,618	4.4%
Healthcare Services, Other	38,484	5.3%		0.0%
Information Services	34,058	4.7%	45,850	7.0%
Therapeutic	19,236	2.7%	35,911	5.5%
Diagnostic	17,287	2.4%	15,158	2.3%
Medical Device & Equipment	13,292	1.9%		0.0%
Specialty Pharma	13,188	1.8%	39,384	6.0%
Consumer & Business Products	13,175	1.8%	4,186	0.6%
Surgical Devices	12,285	1.7%	11,566	1.8%
Biotechnology Tools	12,228	1.7%	18,693	2.9%
Semiconductors	8,017	1.1%	9,733	1.5%
Electronics & Computer Hardware	5,203	0.7%	1,223	0.2%
Energy		0.0%		0.0%
	$ 722,813	100.0%	$ 652,870	100.0%

The largest portfolio companies vary as new loans are recorded and loans pay off. Loan revenue, consisting of interest, fees, and recognition of gains on equity interests, can fluctuate dramatically when a loan is paid off or a related equity interest is sold. Revenue recognition in any given year can be highly concentrated among several portfolio companies. As of June 30, 2012 and December 31, 2011, our ten largest portfolio companies represented approximately 37.1% and 37.9%, respectively, of the total fair value of our investments in portfolio companies. At June 30, 2012 and December 31, 2011, we had six and seven investments, respectively, that represented 5% or more of our net assets. At June 30, 2012, we had five equity investments representing approximately 61.7% of the total fair value of our equity investments, and each represented 5% or more of the total fair value of our equity investments. At December 31, 2011, we had seven equity investments which represented approximately 63.8% of the total fair value of our equity investments, and each represented 5% or more of the total fair value of such investments.

As of June 30, 2012, approximately 61.9% of the fair value of our portfolio was composed of investments in five industries: 18.9% was composed of investments in the drug discovery and development industry, 12.2% was composed of investments in the software industry, 11.6% was composed of investments in the clean technology industry, 9.7% was composed of investments in the internet drug delivery industry; and 9.5% was composed of investments in the internet consumer and business services industry.

As of June 30, 2012, over 99.0% of our debt investments were in a senior secured first lien position, and more than 94.9% of the debt investment portfolio was priced at floating interest rates or floating interest rates with a Prime or LIBOR based interest rate floor. Our investments in senior secured debt with warrants have equity enhancement features, typically in the form of warrants or other equity-related securities designed to provide us with an opportunity for capital appreciation. Our warrant coverage generally ranges from 3% to 20%

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of the principal amount invested in a portfolio company, with a strike price equal to the most recent equity financing round at the time of issuance. As of June 30, 2012, we held warrants in 115 portfolio companies, with a fair value of approximately $28.1 million. The fair value of the warrant portfolio has decreased by approximately 6.3% as compared to the fair value of $30.0 million at December 31, 2011. The decrease was primarily driven by the realized gain and exit from two of our portfolio companies during the second quarter of 2012. These warrant holdings would require us to invest approximately $74.6 million to exercise such warrants.

Warrants may appreciate or depreciate in value depending largely upon the underlying portfolio company s performance and overall market conditions. Of the warrants which have monetized since inception, we have realized warrant and equity gain multiples in the range of approximately 1.04x to 10.17x based on the historical rate of return on our investments. However, our current warrants may not appreciate in value and, in fact, may decline in value. Accordingly, we may not be able to realize gains from our warrant interests. The value of our senior secured debt (without warrants) at June 30, 2012 was approximately $104.6 million compared to approximately $133.5 million at December 31, 2011. The increase in 2011 was primarily attributable to two new investments in lower middle market technology companies, which typically do not have equity enhancement features.

As required by the 1940 Act, we classify our investments by level of control. Control investments are defined in the 1940 Act as investments in those companies that we are deemed to control. Generally, under the 1940 Act, we are deemed to control a company in which we have invested if we own 25% or more of the voting securities of such company or have greater than 50% representation on its board. Affiliate investments are investments in those companies that are affiliated companies of us, as defined in the 1940 Act, which are not control investments. We are deemed to be an affiliate of a company in which we have invested if we own 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 six-months ended June 30, 2012 and June 30, 2011:

(in thousands)		**Three months ended June 30, 2012**					**Six months ended June 30, 2012**			
Portfolio Company	**Type**	**Fair Value at June 30, 2012**	**Investment Income**	**Unrealized (Depreciation)/ Appreciation**	**Reversal of Unrealized (Depreciation)/ Appreciation**	**Realized Gain/ (Loss)**	**Investment Income**	**Unrealized (Depreciation)/ Appreciation**	**Reversal of Unrealized (Depreciation)/ Appreciation**	**Realized Gain/ (Loss)**
MaxVision Holding, LLC.	Control	$ 169	$ 13	$ (313)	$	$	$ 26	$ (287)	$	$
E-Band Communications, Corp.	Non-Controlled Affiliate	1,504		411			5	1,486		
Gelesis	Non-Controlled Affiliate	5,693	205	672			445	891		
Total		$ 7,366	$ 218	$ 770	$	$	$ 476	$ 2,090	$	$

(in thousands)		**Three months ended June 30, 2011**					**Six months ended June 30, 2011**			
Portfolio Company	**Type**	**Fair Value at June 30, 2011**	**Investment Income**	**Unrealized (Depreciation)/ Appreciation**	**Reversal of Unrealized (Depreciation)/ Appreciation**	**Realized Gain/ (Loss)**	**Investment Income**	**Unrealized (Depreciation)/ Appreciation**	**Reversal of Unrealized (Depreciation)/ Appreciation**	**Realized Gain/ (Loss)**
MaxVision Holding, LLC.	Control	$ 3,037	$ 446	$ (2,060)	$	$	$ 852	$ (3,560)	$	$
E-Band Communications, Corp.	Non-Controlled Affiliate	53	3	(2,334)			3	(3,372)		
Total		$ 3,090	$ 449	$ (4,394)	$	$	$ 855	$ (6,932)	$	$

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We use an investment grading system, which grades each debt investment on a scale of 1 to 5, to characterize and monitor our expected level of risk on the debt investments in our portfolio with 1 being the highest quality. The following table shows the distribution of our outstanding debt investments on the 1 to 5 investment grading scale at fair value as of June 30, 2012 (unaudited) and December 31, 2011, respectively.

	June 30, 2012		**December 31, 2011**	
(in thousands)	**Investments at Fair Value**	**Percentage of Total Portfolio**	**Investments at Fair Value**	**Percentage of Total Portfolio**
Investment Grading				
1	$ 119,727	18.5%	$ 104,516	17.8%
2	389,607	60.2%	403,114	68.8%
3	128,396	19.9%	70,388	12.0%
4	9,169	1.4%	6,722	1.2%
5	169	0.0%	1,027	0.2%
	$ 647,068	100.0%	$ 585,767	100.0%

As of June 30, 2012, our investments had a weighted average investment grading of 2.08 as compared to 2.01 at December 31, 2011. The downgrade in investment grading is primarily attributable to eight companies being downgraded from a 2 to a 3, one company being downgraded from a 3 to a 4, one company being downgraded from a 1 to a 3 and one company being downgraded from a 2 to a 4. This overall downgrade was partially offset by four companies being upgraded from a 3 to a 2, four companies being upgraded from a 2 to a 1 and the complete payoffs of one rated 1, four rated 2, one rated 3 and one rated 4 as of June 30, 2012. Our policy is to lower the grading on our portfolio companies as they approach the point in time when they will require additional equity capital. Additionally, we may downgrade our portfolio companies if they are not meeting our financing criteria and their respective business plans. Various companies in our portfolio will require additional funding in the near term or have not met their business plans and have therefore been downgraded until their funding is complete or their operations improve. At June 30, 2012, 46 portfolio companies were graded 2, 18 portfolio companies were graded 3, three portfolio companies were graded 4, and one portfolio company was graded 5 as compared to 43 portfolio companies that were graded 2, 12 portfolio companies that were graded 3, two portfolio companies that were grade 4, and two portfolio companies that were graded 5 at December 31, 2011.

At June 30, 2012, there was one portfolio company on non-accrual status with a fair value of $169,000. There was one portfolio company on non-accrual status as of December 31, 2011 with a fair value of approximately $1.0 million.

We generate revenue in the form of interest income, primarily from our investments in debt securities, and commitment and facility fees. Fees generated in connection with our debt investments are recognized over the life of the loan or, in some cases, recognized as earned. In addition, we generate revenue in the form of capital gains, if any, on warrants or other equity-related securities that we acquire from our portfolio companies. Our investments generally range from $1.0 million to $25.0 million. Our debt investments have a term of between two and seven years and typically bear interest at a rate ranging from Prime to approximately 13.9% as of June 30, 2012. In addition to the cash yields received on our loans, in some instances, our loans may also include any of the following: end-of-term payments, exit fees, balloon payment fees, commitment fees, success fees, PIK provisions or prepayment fees which may be required to be included in income prior to receipt.

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. We recognize nonrecurring fees amortized over the remaining term of the loan commencing in the quarter relating to specific loan modifications. Loan exit fees to be paid at the termination of the loan are accreted into interest income over the contractual life of the loan. We had approximately $2.9 million and $4.5 million of unamortized fees at June 30, 2012 and December 31, 2011, respectively, and approximately $4.8 million and $4.4 million in exit fees receivable at June 30, 2012 and December 31, 2011, respectively. We recognize nonrecurring fees amortized over the remaining term of the loan relating to specific loan modifications. Certain fees may still be recognized as one-time fees, including prepayment penalties, fees related to select covenant default waiver fees and acceleration of previously deferred loan fees and original issue discount (OID) related to early loan pay-off or material modification of the specific debt outstanding.

We have loans in our portfolio that contain a 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 our status as a RIC, this non-cash source of income must be paid out to stockholders in the form of dividends even though we have not yet collected the cash. Amounts necessary to pay these dividends may come from available cash or the liquidation of certain investments. We recorded approximately $569,000 and $1.1 million in PIK income in the six month periods ended June 30, 2012 and 2011. In certain investment transactions, we 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. We had no income from advisory services in the six month period ended June 30, 2012.

In some cases, we collateralize our investments by obtaining a first priority security interest in a portfolio company s assets, which may include their intellectual property. In other cases, we may obtain a negative pledge covering a company s intellectual property. At June 30, 2012, approximately 63.1% our portfolio company loans were secured by a first priority security in all of the assets of the portfolio company (including their intellectual property), 33.8% of portfolio company loans were to portfolio companies that were prohibited from pledging or encumbering their intellectual property, 2.3% of portfolio company loans had a first priority security in only their intellectual property, and 0.8% of portfolio company loans had an equipment only lien.

Interest on debt securities is generally payable monthly, with amortization of principal typically occurring over the term of the security for emerging-growth, expansion-stage and established-stage companies. In addition, certain loans may include an interest-only period ranging from three to eighteen months for emerging-growth and expansion-stage companies and longer for established-stage companies. In limited instances in which we choose to defer amortization of the loan for a period of time from the date of the initial investment, the principal amount of the debt securities and any accrued but unpaid interest become due at the maturity date.

The effective yield on our debt investments for the three-month periods ended June 30, 2012 and 2011 was 15.2% and 18.4%, respectively. This yield was lower period over period due to fewer fee accelerations attributed to early payoffs and one-time events during the current year as compared to the prior year. The effective yield excluding payoffs on our debt investments for the three month periods ended June 30, 2012 and 2011 was 13.3% and 15.7%, respectively. The decline in this rate is due primarily to the repayments of debt investments that had higher effective yields than the debt investments made in the past three to four quarters.

The overall weighted average yield to maturity of our loan investments was approximately 12.6% at both June 30, 2012 and December 31, 2011. The weighted average yield to maturity is computed using the interest rates in effect at the inception of each of the loans, and includes amortization of the loan facility fees, commitment fees and market premiums or discounts over the expected life of the debt investments, weighted by their respective costs when averaged and based on the assumption that all contractual loan commitments have been fully funded and held to maturity.

Results of Operations

Comparison of the three and six month periods ended June 30, 2012 and 2011

Investment Income

Total investment income for the three and six-month periods ended June 30, 2012 totaled approximately $23.9 million and $46.2 million, respectively, compared to $20.8 million and $40.0 million for the three and six-month periods ended June 30, 2011, respectively.

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Interest income for the three and six-month periods ended June 30, 2012 totaled approximately $21.1 million and $41.4 million, respectively, compared to $18.1 million and $34.5 million for the three and six-month periods ended June 30, 2011, respectively. The increase in interest income is attributable to an increase of loan interest income and back end interest income of approximately $4.0 million and $8.5 million for the three and six-month periods ended June 30, 2012, respectively, partially offset by decreases in default interest income, OID interest income and PIK interest income of approximately $849,000 and $1.4 million for the three and six-month periods ended June 30, 2012, respectively.

Income from commitment, facility and loan related fees for the three and six-month periods ended June 30, 2012 totaled approximately $2.7 million and $4.8 million, respectively, compared to $2.8 million and $5.4 million for the three and six-month periods ended June 30, 2011, respectively. The decrease in income from commitment, facility and loan related fees is primarily the result of a decrease in facility fees, one time fees and amendment revenue of approximately $319,000 and $1.0 million for the three and six-month periods ended June 30, 2012, respectively, partially offset by an increase in commitment fees of approximately $216,000 and $327,000 for the three and six-month periods ended June 30, 2012, respectively.

The following table shows the PIK-related activity for the six months ended June 30, 2012 and 2011, at cost:

	Six months ended June 30,	
(in thousands)	**2012**	**2011**
Beginning PIK loan balance	$ 2,041	$ 3,955
PIK interest capitalized during the period	584	1,431
Payments received from PIK loans		(3,222)
PIK converted to other securities		(440)
Realized Loss		
Ending PIK loan balance	$ 2,625	$ 1,724

The decrease in payments received from PIK loans and PIK interest capitalized during the six months ended June 30, 2012 is due to approximately $1.4 million, $894,000, $207,000 and $166,000 of PIK collected in conjunction with the sale of our investment in Infologix, Inc. and the early payoffs of IPA Holdings, LLC., Unify Corporation and Velocity Technology Solutions, Inc., respectively, in the six-months ended June 30, 2011. The decrease in PIK converted to other securities during the six months June 30, 2012 is due to approximately $440,000 related to the conversion of MaxVision Holding, LLC. debt to equity in six months period ended June 30, 2011.

In certain investment transactions, we 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. We had no income from advisory services in the three and six-month periods ended June 30, 2012 and 2011, respectively.

Operating Expenses

Operating expenses, which are comprised of interest and fees on borrowings, general and administrative and employee compensation, totaled approximately $11.5 million and $10.5 million during the three month periods ended June 30, 2012 and 2011, respectively. Operating expenses totaled approximately $22.5 million and $19.8 million during the six month periods ended June 30, 2012 and 2011, respectively.

Interest and fees on borrowings totaled approximately $5.2 million and $10.2 million during the three and six-month periods ended June 30, 2012, respectively, and approximately $3.8 million and $7.0 million during the three and six months periods ended June 30, 2011, respectively. The increase is primarily attributed to interest and fee expenses of $1.1 million and $2.3 million during the three and six-month periods ended June 30, 2012, respectively, related to the $75.0 million of Convertible Senior Notes issued on April 15, 2011 and approximately $668,000 related to the $43.0 million of the 7.00% Senior Notes due 2019 (the 2019 Note) issued on April 17, 2012. Additionally, we incurred approximately $271,000 and $541,000 of non-cash interest expense during the three and six-month periods ended June 30, 2012, respectively, and $225,000 during both the three and six-month periods ended June 30, 2011 attributed to the accretion of the fair value of the conversion feature on the Convertible Senior Notes. Additionally, we recognized an acceleration of approximately $457,000 of unamortized fees in connection with the pay down of $24.3 million SBA debentures in February 2012.

We had a weighted average cost of debt comprised of interest and fees of approximately 6.7% at June 30, 2012, as compared to 6.6% during the second quarter of 2011. The increase was primarily attributed to the weighted average cost of debt on the 2019 Notes of 7.6%, which closed in April 2012, offset by a lower weighted average cost of debt on outstanding SBA debentures of 4.9% in the second quarter of 2012 versus 5.6% in the second quarter of 2011.

General and administrative expenses include legal fees, consulting fees, accounting fees, printer fees, insurance premiums, rent, workout and various other expenses. Expenses decreased to $1.9 million from $2.3 million for the three month periods ended June 30, 2012 and 2011, respectively. These decreases were primarily due to decreases of approximately $222,000, $162,000 and $132,000 in outside services, SEC printing expenses and legal disbursements, respectively, partially offset by an increase in public relations expenses of approximately $118,000 for the three month period ended June 30, 2012.

Expenses decreased to $3.7 million from $4.5 million for the six month periods ended June 30, 2012 and 2011, respectively. These decreases were primarily due to decreases of approximately $241,000, $187,000, $185,000, $141,000 and $134,000 in auditing fees, outside services, legal disbursements, workout related expenses and SEC printing expenses, respectively, partially offset by an increase in public relations expenses of approximately $183,000 for the six month period ended June 30, 2012.

Employee compensation and benefits totaled approximately $3.3 million and $6.6 million during the three and six-month periods ended June 30, 2012, respectively. Employee compensation and benefits totaled approximately $3.4 million and $6.6 million during the three and six-month periods ended June 30, 2011, respectively. Stock-based compensation totaled approximately $1.2 million and $927,000 during the three-month periods ended June 30, 2012 and 2011, respectively, and approximately $2.0 million and $1.6 million during the six-month periods ended June 30, 2012 and 2011, respectively. These increases were due primarily to the expense on restricted stock grants of approximately 672,000 shares issued in the first quarter of 2012. See Financial Condition, Liquidity, and Capital Resources for disclosure of additional expenses.

Net Investment Income Before Investment Gains and Losses

Net investment income per share was $0.25 for the quarter ended June 30, 2012 compared to $0.24 per share in the quarter ended June 30, 2011, based on 48,615,780 and 42,970,747 weighted average shares outstanding, respectively. Net investment income before investment gains and losses for the three and six-month periods ended June 30, 2012 totaled approximately $12.3 million and $23.7 million, respectively, as compared to $10.4 million and $20.2 million in the three and six-month periods ended June 30, 2011, respectively. The changes are made up of the items described above under Investment Income and Operating Expenses.

Net Investment Realized Gains and Losses and Unrealized Appreciation and Depreciation

Realized gains or losses are measured by the difference between the net proceeds from the repayment or sale and the cost basis of the investment without regard to unrealized appreciation or depreciation previously recognized, and includes investments charged off during the period, net of recoveries. Net change in unrealized appreciation or depreciation primarily reflects the change in portfolio investment values during the reporting period, including the reversal of previously recorded unrealized appreciation or depreciation when gains or losses are realized.

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During the three and six month periods ended June 30, 2012, we recognized net realized gains of approximately $8.3 million and $11.1 million on the portfolio, respectively. During the quarter ended June 30, 2012, we recorded approximately $5.3 million, $2.4 million and $862,000 of realized gains from the sale of equity in NEXX Systems, Inc., Annie s, Inc. and Bullhorn, Inc., respectively. These gains were partially offset by realized losses due to the expiration of warrants in three private portfolio companies that had a cost basis of approximately $222,000.

During the three and six-months ended June 30, 2011 we recognized total net realized gains of approximately $497,000 for the sale of equity in Aegerion Pharmaceuticals, Inc. and $10.1 million from the sale of common stock in its public portfolio companies and realized gains of approximately $162,000 and realized losses of approximately $5.1 million from equity, loan, and warrant investments in portfolio companies that have been liquidated.

A summary of realized gains and losses for the three and six month periods ended June 30, 2012 and 2011 is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	**2012**	**2011**	**2012**	**2011**
Realized gains	$ 8,485	$ 665	$ 12,175	$ 10,264
Realized losses	(222)	(6)	(1,035)	(5,235)
Net realized gains (losses)	$ 8,263	$ 659	$ 11,140	$ 5,029

The net unrealized appreciation and depreciation of our investments is based on fair value of each investment determined in good faith by our Board of Directors.

The following table itemizes the change in net unrealized appreciation/depreciation of investments for the three and six-month periods ended June 30, 2012 and 2011:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	**2011**	**2012**	**2011**
(in thousands)	**Amount**	**Amount**	**Amount**	**Amount**
Gross unrealized appreciation on portfolio investments	$ 6,353	$ 23,676	$ 25,534	$ 30,016
Gross unrealized depreciation on portfolio investments	(19,991)	(9,521)	(32,343)	(27,410)
Reversal of prior period net unrealized appreciation upon a realization	(7,081)	(455)	(11,590)	(9,901)
Reversal of prior period net unrealized depreciation upon a realization	190		619	5,606
Citigroup Warrant Participation	4	(402)	108	(365)
Net unrealized appreciation (depreciation) on portfolio investments	$ (20,525)	$ 13,298	$ (17,672)	$ (2,054)

During the three month period ended June 30, 2012, we recorded approximately $20.5 million of net unrealized depreciation from our loans, warrant and equity investments. Approximately $5.0 million and $5.8 million is attributed to net unrealized depreciation on equity and warrants, respectively, of which approximately $5.2 million and $1.7 million is due to the reversal of prior period net unrealized appreciation upon being realized as a gain. Additionally, we recorded approximately $500,000 of unrealized depreciation attributed to reduced expectations of escrow proceeds previously anticipated to be collected.

We recorded approximately $9.2 million net unrealized depreciation on our debt investments related to decreases in fair value adjustments made as a result of an increase in current quarter effective yield.

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The following table itemizes the change in net unrealized appreciation/(depreciation) in the investment portfolio by category for the three month period ended June 30, 2012.

	Three Months Ended June 30, 2012				
(in millions)	Loans	Equity	Warrants	Other Assets	Total
Collateral based impairments	$ (0.6)				$ (0.6)
Reversals due to Loan Payoffs & Warrant/Equity sales	(0.3)	(1.7)	(5.2)	(0.5)	(7.7)
Fair Value Market/Yield Adjustments*					
Level 1 & 2 Assets		(3.9)	0.4		(3.5)
Level 3 Assets	(8.3)	0.6	(1.0)		(8.7)
Total Fair Value Market/Yield Adjustments	(8.3)	(3.3)	(0.6)		(12.2)
Total Unrealized Appreciation/(Depreciation)	$ (9.2)	$ (5.0)	$ (5.8)	$ (0.5)	$ (20.5)

* Level 1 assets are generally equities listed in active markets and level 2 assets are generally warrants held in a public company. Observable market prices are typically the primary input in valuing level 1 and 2 assets. Level 3 asset valuations require inputs that are both significant and unobservable. Generally, level 3 assets are debt investments and warrants and equities held in a private company. See Note 2 to the financial statements discussing ASC 820.

During the six month period ended June 30, 2012, we recorded approximately $17.7 million of net unrealized depreciation from our loans, warrant and equity investments. Approximately $2.3 million and $4.2 million is attributed to net unrealized depreciation on equity and warrants, respectively, of which approximately $6.4 million and $4.6 million is due to the reversal of prior period net unrealized appreciation upon being realized as a gain. Additionally, we recorded approximately $500,000 of unrealized depreciation attributed to reduced expectations of escrow proceeds previously anticipated to be collected.

We recorded approximately $10.7 million net unrealized depreciation on our debt investments related to fluctuations in current market interest rates.

The following table itemizes the change in net unrealized appreciation/(depreciation) in the investment portfolio by category for the six month period ended June 30, 2012.

	Six Months Ended June 30, 2012				
(in millions)	Loans	Equity	Warrants	Other Assets	Total
Collateral based impairments	$ (0.6)				$ (0.6)
Reversals due to Loan Payoffs & Warrant/Equity sales	1.0	(4.6)	(6.4)	(0.5)	(10.5)
Fair Value Market/Yield Adjustments*					
Level 1 & 2 Assets		(4.2)	1.5		(2.7)
Level 3 Assets	(11.1)	6.5	0.7		(3.9)
Total Fair Value Market/Yield Adjustments	(11.1)	2.3	2.2		(6.6)
Total Unrealized Appreciation/(Depreciation)	$ (10.7)	$ (2.3)	$ (4.2)	$ (0.5)	$ (17.7)

* Level 1 assets are generally equities listed in active markets and level 2 assets are generally warrants held in a public company. Observable market prices are typically the primary input in valuing level 1 and 2 assets. Level 3 asset valuations require inputs that are both significant and unobservable. Generally, level 3 assets are debt investments and warrants and equities held in a private company. See Note 2 to the financial statements discussing ASC 820.

As of June 30, 2012, the net unrealized depreciation recognized by us was increased by approximately $108,000 due to the warrant participation agreement with Citigroup. For a more detailed discussion of the warrant participation agreement, see the discussion set forth under Note 4 to the Consolidated Financial Statements.

During the three month period ended June 30, 2011, we recorded approximately $13.3 million of net unrealized appreciation from our loans, warrant and equity investments. During the six month period ended June 30, 2011, we recorded approximately $2.1 million of net unrealized depreciation from our loans, warrant and equity investments.

Income and Excise Taxes

We account for income taxes in accordance with the provisions of ASC 740, Income Taxes, which requires that deferred income taxes be determined based upon the estimated future tax effects of differences between the financial statement and tax basis of assets and liabilities given the provisions of the enacted tax law. Valuation allowances are used to reduce deferred tax assets to the amount likely to be realized.

Net Increase in Net Assets Resulting from Operations and Change in Net Assets per Share

For the three and six months ended June 30, 2012, the net increase in net assets resulting from operations totaled approximately $48,000 and $17.2 million, respectively. For the three and six months ended June 30, 2011, the net decrease in net assets resulting from operations totaled approximately $24.3 million and $23.1 million, respectively. These changes are made up of the items previously described.

There was no net change in net assets per common share for the three month period ended June 30, 2012 and basic and fully diluted net change in net assets per common share for the six-month period ended June 30, 2012 was $0.35. The basic and fully diluted net change in net assets per common share was $0.56 and $0.53, respectively, for the three and six-month periods ended June 30, 2011.

Financial Condition, Liquidity, and Capital Resources

Our liquidity and capital resources are derived from our credit facilities, SBA debentures, Convertible Senior Notes, 2019 Notes and cash flows from operations, including investment sales and repayments, and income earned. Our primary use of funds from operations includes investments in portfolio companies and payments of fees and other operating expenses we incur. We have used, and expect to continue to use, our borrowings and the proceeds from the rotation of our portfolio and from public and private offerings of securities to finance our investment objectives. We may raise additional equity or debt capital through both registered offerings off a shelf registration and private offerings of securities, by securitizing a portion of our investments or borrowing, including from the SBA through our SBIC subsidiaries.

At June 30, 2012, we had $75.0 million of Convertible Senior Notes payable, $43.0 million of 2019 Notes and approximately $200.7 million of SBA debentures payable. We had approximately $3.1 million outstanding to the Wells Facility and no borrowings outstanding under the Union Bank Facility. In July 2012, we re-opened our 2019 Notes, and issued an additional amount of approximately $41.5 million in aggregate principal amount, which includes exercise of an over-allotment option, bringing the total amount of 2019 Notes issued to approximately $84.5 million in aggregate principal amount.

During the six months ended June 30, 2012, our operating activities used $42.7 million of cash and cash equivalents, compared to $20.3 million provided during the six months ended June 30, 2011. The $63.0 million decrease in cash provided by operating activities resulted primarily from a reduction of principal payments received on investments of approximately $78.4 million, partially offset by an increase in net unrealized appreciation of $15.6 million and a decrease in purchase of investments of $12.1 million during the six month period ended June 30, 2012. During the six months ended June 30, 2012, our financing activities provided $34.4 million of cash, compared to $70.9 million provided during the six months ended June 30, 2011. This $36.5 million decrease in cash provided by financing activities was primarily attributed to net proceeds from the issuance of common stock of $46.7 million, offset by the repayments of borrowings of approximately $46.3 million and by cash dividend payments of $22.1 million.

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As of June 30, 2012, net assets totaled $474.8 million, with a net asset value per share of $9.54. We intend to generate additional cash primarily from cash flows from operations, including income earned from investments in our portfolio companies and, to a lesser extent, from the temporary investment of cash in other high-quality debt investments that mature in one year or less as well as from future borrowings as required to meet our lending activities. Our primary use of funds will be investments in portfolio companies and cash distributions to holders of our common stock.

In January 2012, we completed a follow-on public offering of 5.0 million shares of common stock for proceeds of approximately $48.05 million, before deducting offering expenses, to us. Additionally, we expect to raise additional capital to support our future growth through future equity and debt offerings, and/or future borrowings, to the extent permitted by the 1940 Act. To the extent we determine to raise additional equity through an offering of our common stock at a price below net asset value, existing investors will experience dilution. During our 2012 Annual Shareholder Meeting held on May 30, 2012, our stockholders authorized us, with the approval of our Board of Directors, to sell up to 20% of our outstanding common stock at a price below our then current net asset value per share and to offer and issue debt with warrants or debt convertible into shares of our common stock at an exercise or conversion price that will not be less than the fair market value per share but may be below the then current net asset value per share. There can be no assurance that these capital resources will be available.

As required by the 1940 Act, our asset coverage must be at least 200% after each issuance of senior securities. As of June 30, 2012 our asset coverage ratio under our regulatory requirements as a business development company was 654.3%, excluding our SBA debentures as a result of our exemptive order from the SEC which allows us to exclude all SBA leverage from our asset coverage ratio. Total leverage when including our SBA debentures was 246.2% at June 30, 2012. As a result of the SEC exemptive order, our ratio of total assets on a consolidated basis to outstanding indebtedness may be less than 200%, which while providing increased investment flexibility, also may increase our exposure to risks associated with leverage.

At June 30, 2012 (unaudited) and December 31, 2011, we had the following borrowing capacity and outstanding amounts:

	June 30, 2012		**December 31, 2011**	
(in thousands)	**Total Available**	**Carrying Value[(1)]**	**Total Available**	**Carrying Value[(1)]**
Union Bank Facility	$ 55,000	$	$ 55,000	$
Wells Facility	75,000	3,130	75,000	10,187
2019 Notes[(2)]	43,000	43,000		
Convertible Senior Notes[(3)]	75,000	70,894	75,000	70,353
SBA Debentures[(4)]	225,000	200,750	225,000	225,000
Total	$ 473,000	$ 317,774	$ 430,000	$ 305,540

(1) Except for the Convertible Senior Notes, all carrying values are the same as the principal amount outstanding.
(2) In July 2012, we re-opened our 2019 Notes and issued an additional $41.5 million in aggregate principal amount of 2019 Notes, which includes exercise of an over-allotment option, bringing the total amount of 2019 Notes issued to approximately $84.5 million in aggregate principal amount.
(3) Represents the aggregate principal amount outstanding of the Convertible Senior Notes less the unaccreted discount initially recorded upon issuance of the Convertible Senior Notes. The total unaccreted discount for the Convertible Senior Notes was $4,106 at June 30, 2012.
(4) In February 2012, we repaid $24.3 million of SBA debentures under HT II, priced at approximately 6.63%, including annual fees. In June 2012, the SBA approved a $24.3 million dollar commitment for HT III bringing the total available borrowings to $225.0 million, of which $100.7 million was available in HT II and $124.3 million was available in HT III.

On September 27, 2006, HT II received a license and on May 26, 2010 HT III received a license to operate as SBICs under the SBIC program and are able to borrow funds from the SBA against eligible investments. As of

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June 30, 2012, all required contributed capital from the Company has been invested into HT II and HT III. We are the sole limited partner of HT II and HT III and HTM is the general partner. HTM is our wholly-owned subsidiary. If HT II or HT III fails to comply with applicable SBA regulations, the SBA could, depending on the severity of the violation, limit or prohibit HT II s or HT III s use of debentures, declare outstanding debentures immediately due and payable, and/or limit HT II or HT III from making new investments. In addition, HT II or HT III may also be limited in their ability to make distributions to us if they do not have sufficient capital in accordance with SBA regulations. Such actions by the SBA would, in turn, negatively affect us because HT II and HT III are our wholly owned subsidiaries. HT II and HT III were in compliance with the terms of the SBIC s leverage as of June 30, 2012 as a result of having sufficient capital as defined under the SBA regulations. HT II and HT III hold approximately $203.8 million and $185.1 million in assets, respectively, and accounted for approximately 19.1% and 17.3% of our total assets prior to consolidation at June 30, 2012.

With our net investment of $75.0 million in HT II as of June 30, 2012, HT II has the capacity to issue a total of $100.7 million of SBA guaranteed debentures, of which $100.7 million was outstanding at June 30, 2012. As of June 30, 2012, HT II has paid the SBA commitment fees of approximately $1.5 million. As of June 30, 2012, we held investments in HT II in 52 companies with a fair value of approximately $179.7 million, accounting for approximately 24.9% of our total portfolio at June 30, 2012.

As of June 30, 2012, HT III had the potential to borrow up to $124.3 million of SBA-guaranteed debentures under the SBIC program. With our net investment of $62.3 million in HT III as of June 30, 2012, HT III has the capacity to issue a total of $124.3 million of SBA guaranteed debentures, subject to SBA approval, of which $100.0 million was outstanding at June 30, 2012. As of June 30, 2012, HT III has paid the SBA commitment fees of approximately $1.2 million. As of June 30, 2012, we held investments in HT III in 27 companies with a fair value of approximately $140.3 million accounting for approximately 19.4% of our total portfolio at June 30, 2012.

(in thousands) Issuance/Pooling Date	Maturity Date	Interest Rate(1)	June 30, 2012	December 31, 2011
SBA Debentures:				
September 26, 2007	September 1, 2017	6.43%	$ 12,000	$ 12,000
March 26, 2008	March 1, 2018	6.38%	47,550	58,050
September 24, 2008	September 1, 2018	6.63%		13,750
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	22,900
March 29, 2011	March 1, 2021	4.37%	28,750	28,750
September 21, 2011	September 1, 2021	3.16%	25,000	25,000
March 21, 2012	March 1, 2022	3.05%	11,250	11,250
March 21, 2012	March 1, 2022	3.28%	25,000	25,000
Total SBA Debentures			**$ 200,750**	**$ 225,000**

(1) Interest rate includes annual charge

As of June 30, 2012, 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, and a maximum amount of $225.0 million for funds under common control, subject to periodic adjustments by the SBA. In the aggregate, at June 30, 2012 there was $200.7 million principal amount of indebtedness outstanding incurred by our SBIC subsidiaries, and in June 2012 the SBA approved an additional $24.3 million under HT III, bringing us to the maximum statutory limit on the dollar amount of SBA guaranteed debentures under the SBIC program.

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We believe that our current cash and cash equivalents, cash generated from operations, and funds available from the credit facilities will be sufficient to meet our working capital and capital expenditure commitments for at least the next 12 months.

Commitments

In the normal course of business, we are party to financial instruments with off-balance sheet risk. These consist primarily of unfunded commitments to extend credit, in the form of loans, to our portfolio companies. Unfunded commitments to provide funds to portfolio companies are not reflected on our balance sheet. Our unfunded commitments may be significant from time to time. As of June 30, 2012, we had unfunded commitments of approximately $92.7 million. Approximately $32.6 million of these unfunded debt commitments are dependent upon the portfolio company reaching certain milestones before the debt commitment becomes available. These commitments will be subject to the same underwriting and ongoing portfolio maintenance as are the on-balance sheet financial instruments that we hold. Since these commitments may expire without being drawn upon, the total commitment amount does not necessarily represent future cash requirements. Closed commitments generally fund 70-80% of the committed amount in aggregate over the life of the commitment. We intend to use cash flow from normal and early principal repayments, and proceeds from borrowings and notes to fund these commitments. However, there can be no assurance that we will have sufficient capital available to fund these commitments as they come due.

In addition, we had approximately $48.0 million of non-binding term sheets outstanding to six new and existing companies, which generally convert to contractual commitments within approximately 45 to 60 days of signing. Non-binding outstanding term sheets are subject to completion of our due diligence and final approval process, as well as the negotiation of definitive documentation with the prospective portfolio companies. Not all non-binding term sheets are expected to close and do not necessarily represent future cash requirements.

Contractual Obligations

The following table shows our contractual obligations as of June 30, 2012:

		Payments due by period (in thousands)			
Contractual Obligations(1)(2)	**Total**	**Less than 1 year**	**1 - 3 years**	**3 - 5 years**	**After 5 years**
Borrowings(3)(4)	$ 317,774	$	$ 3,130	$ 70,894	$ 243,750
Operating Lease Obligations(5)	7,876	1,214	2,320	2,557	1,785
Total	$ 325,650	$ 1,214	$ 5,450	$ 73,451	$ 245,535

(1) Excludes commitments to extend credit to our portfolio companies.
(2) We also have a warrant participation agreement with Citigroup. See Note 4 to our consolidated financial statements.
(3) Includes $200,750 in borrowings under the SBA debentures, $3.1 million outstanding under the Wells Facility and $43.0 million in aggregate principal amount of the 2019 Notes issued in April 2012. In July 2012, the Company re-opened its 2019 Notes, and issued an additional $41.5 million in aggregate principal amount of 2019 Notes, which included exercise of an over-allotment option, bringing the total amount of 2019 Notes issued to approximately $84.5 million in aggregate principal amount. See Subsequent Events below.
(4) Except for the Convertible Senior Notes, all carrying values are the same as the principal amount outstanding. The aggregate principal amount outstanding of the Convertible Senior Notes less the unaccreted discount initially recorded upon issuance of the Convertible Senior Notes was $4,106 at June 30, 2012.
(5) Long-term facility leases.

We and our executives and directors are covered by Directors and Officers Insurance, with the directors and officers being indemnified by us to the maximum extent permitted by Maryland law subject to the restrictions in the 1940 Act.

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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. HT II has a total of $100.7 million of SBA guaranteed debentures outstanding as of June 30, 2012 and has paid the SBA commitment fees of approximately $1.5 million. As of June 30, 2012, the Company held investments in HT II in 52 companies with a fair value of approximately $179.7 million, accounting for approximately 24.9% of our total portfolio at June 30, 2012.

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 our net investment of $62.3 million in HT III as of June 30, 2012, HT III has the capacity to issue a total of $124.3 million of SBA guaranteed debentures, subject to SBA approval, of which $100.0 million was outstanding as of June 30, 2012. As of June 30, 2012, HT III has paid commitment fees of approximately $1.2 million. As of June 30, 2012, we held investments in HT III in 27 companies with a fair value of approximately $140.3 million accounting for approximately 19.4% of our total portfolio at June 30, 2012.

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

SBICs are designed to stimulate the flow of private equity capital to eligible small businesses. Under present SBA regulations, eligible small businesses include businesses that have a tangible net worth not exceeding $18.0 million and have average annual fully taxed net income not exceeding $6.0 million for the two most recent fiscal years. In addition, SBICs must devote 25.0% of its investment activity to smaller concerns as defined by the SBA. A smaller concern is one that has a tangible net worth not exceeding $6.0 million and has average annual fully taxed net income not exceeding $2.0 million for the two most recent fiscal years. SBA regulations also provide alternative size standard criteria to determine eligibility, which depend on the industry in which the business is engaged and are based on such factors as the number of employees and gross sales. According to SBA regulations, SBICs may make long-term loans to small businesses, invest in the equity securities of such businesses and provide them with consulting and advisory services. Through its wholly-owned subsidiaries HT II and HT III, we plan to provide long-term loans to qualifying small businesses, and in connection therewith, make equity investments.

HT II and HT III are periodically examined and audited by the SBA s staff to determine 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 us if they do not have sufficient capital in accordance with SBA regulations. Such actions by the SBA would, in turn, negatively affect us because HT II and III are our wholly owned subsidiaries. HT II and HT III were in compliance with the terms of the SBIC s leverage as of June 30, 2012 as a result of having sufficient capital as defined under the SBA regulations.

The rates of borrowings under various draws from the SBA beginning in April 2007 are set semiannually in March and September and range from 2.77% 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 in which the underlying commitment was closed. The annual fees related to HT III debentures that pooled on March 21, 2012 were 0.285% and 0.515% depending upon the year in which the underlying commitment was closed. The annual fees on other debentures have been set at 0.906%. The average amount of debentures outstanding for the quarter ended June 30, 2012 for HT II was approximately $100.7 million with an average interest rate of approximately 6.3%. The average amount of debentures outstanding for the quarter ended June 30, 2012 for HT III was approximately $100.0 million with an average interest rate of approximately 3.6%.

In January 2011, we repaid $25.0 million of SBA debentures under HT II, priced at approximately 6.63%, including annual fees. In April 2011, the SBA approved a $25.0 million dollar commitment for HT III bringing the total available borrowings to $225.0 million, of which $125.0 million was available in HT II and $100.0 million was available in HT III.

In February 2012, we repaid $24.3 million of SBA debentures under HT II, priced at 6.63%, including annual fees. In June 2012, the SBA approved a $24.3 million dollar commitment for HT III bringing the total available borrowings to $225.0 million, of which $100.7 million was available in HT II and $124.3 million was available in HT III.

As of June 30, 2012, 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, and a maximum amount of $225.0 million for funds under common control, subject to periodic adjustments by the SBA. In the aggregate, at June 30, 2012 there was $200.7 million principal amount of indebtedness outstanding incurred by our SBIC subsidiaries, and in June 2012 the SBA approved an additional $24.3 million under HT III, bringing us to the maximum statutory limit on the dollar amount of SBA guaranteed debentures under the SBIC program.

Wells Facility

In August 2008, we entered into a $50.0 million two-year revolving senior secured credit facility with Wells Fargo Capital Finance (the Wells Facility). On June 20, 2011, we renewed the Wells Facility. Under this three-year senior secured facility, Wells Fargo Capital Finance has made commitments of $75.0 million. The facility contains an accordion feature, in which we can increase the credit line up to an aggregate of $300.0 million, funded by additional lenders and with the agreement of Wells Fargo Capital Finance and subject to other customary conditions. We expect to continue discussions with various other potential lenders to join the new facility; however, there can be no assurances that additional lenders will join the Wells Facility.

Borrowings under the Wells Facility will generally bear interest at a rate per annum equal to LIBOR plus 3.50%, with a floor of 5.00% and an advance rate of 50% against eligible loans. The Wells Facility is secured by loans in the borrowing base. The Wells Facility requires the monthly payment of a non-use fee of 0.3% for each payment date on or before September 1, 2011. The monthly payment of a non-use fee thereafter shall depend on the average balance that was outstanding on a scale between 0.0% and 0.75%. For the three-month period ended June 30, 2012, this non-use fee was approximately $140,000. On June 20, 2011 we paid an additional $1.1 million in structuring fees in connection with the Wells Facility which is being amortized through June 2014. At June 30, 2012, there was approximately $3.1 million outstanding under the Wells Facility.

The Wells Facility includes various financial and operating covenants applicable to us and our subsidiaries, in addition to those applicable to Hercules Funding II, LLC. These covenants require us to maintain certain financial ratios and a minimum tangible net worth in an amount, when added to outstanding subordinated indebtedness, that is in excess of $314.0 million plus 90% of the cumulative amount of equity raised after March 31, 2011. In addition, the tangible net worth covenant will increase by 90 cents on the dollar for every dollar of equity capital that we subsequently raise. As of June 30, 2012, the minimum tangible net worth

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covenant has increased to $357.2 million as a result of the January 2012 follow-on public offering of 5.0 million shares of common stock for proceeds of approximately $48.05 million. The Wells Facility provides for customary events of default, including, but not limited to, payment defaults, breach of representations or covenants, bankruptcy events and change of control. We were in compliance with all covenants at June 30, 2012. See Subsequent Events for a discussion of an amendment to the Wells Facility.

Union Bank Facility

On February 10, 2010, we entered a $20.0 million one-year revolving senior secured credit facility with Union Bank (the Union Bank Facility). On November 2, 2011, we renewed and amended the Union Bank Facility and added a new lender under the Union Bank Facility. Union Bank and RBC Capital Markets have made commitments of $30.0 million and $25.0 million, respectively. The Union Bank Facility contains an accordion feature, in which we can increase the credit line up to an aggregate of $150.0 million, funded by additional lenders and with the agreement of Union Bank and subject to other customary conditions. We expect to continue discussions with various other potential lenders to join the new facility; however, there can be no assurances that additional lenders will join the Union Bank Facility.

Borrowings under the Union Bank Facility will generally bear interest at a rate per annum equal to LIBOR plus 2.25% with a floor of 4.0%. The Union Bank Facility requires the payment of a non-use fee of 0.50% annually. For the three-month period ended June 30, 2012, this nonuse fee was approximately $70,000. The Union Bank Facility is collateralized by debt investments in our portfolio companies, and includes an advance rate equal to 50.0% of eligible loans placed in the collateral pool. The Union Bank Facility generally requires payment of interest on a monthly basis. All outstanding principal is due upon maturity. At June 30, 2012, there were no borrowings outstanding on this facility.

The Union Bank Facility requires various financial and operating covenants. These covenants require us to maintain certain financial ratios and a minimum tangible net worth in an amount, when added to outstanding subordinated indebtedness, that is in excess of $314.0 million plus 90% of the amount of net cash proceeds received from the sale of common stock after March 31, 2011. As of June 30, 2012, the minimum tangible net worth covenant has increased to $356.5 million as a result of the January 2012 follow-on public offering of 5.0 million shares of common stock for net proceeds of approximately $47.2 million. The Union Bank Facility will mature on November 2, 2014, approximately three years from the date of issuance, revolving through the first 24 months with a term out provision for the remaining 12 months. Union Bank Facility also provides for customary events of default, including, but not limited to, payment defaults, breach of representations or covenants, bankruptcy events and change of control. On March 30, 2012 the Company entered into an amendment to the Union Bank Facility which permitted the Company to issue additional senior notes relating to the offer and sale of the Company s 2019 Notes. We were in compliance with all covenants at June 30, 2012.

Citibank Credit Facility

We, through Hercules Funding Trust I, an affiliated statutory trust, had a securitized credit facility (the Citibank Credit Facility) with Citigroup Global Markets Realty Corp. which expired under normal terms. During the first quarter of 2009, we paid off all principal and interest owed under the Citibank Credit Facility. Citigroup has an equity participation right through a warrant participation agreement on the pool of loans and warrants collateralized under the Citibank Credit Facility. Pursuant to the warrant participation agreement, we granted to Citigroup a 10% participation in all warrants held as collateral. However, no additional warrants were included in collateral subsequent to the facility amendment on May 2, 2007. As a result, Citigroup is entitled to 10% of the realized gains on the warrants until the realized gains paid to Citigroup pursuant to the agreement equal $3,750,000 (the Maximum Participation Limit). The obligations under the warrant participation agreement continue even after the Citibank Credit Facility is terminated until the Maximum Participation Limit has been reached. The value of their participation right on unrealized gains in the related equity investments was approximately $606,000 as of June 30, 2012 and is included in accrued liabilities. There can be no assurances that the unrealized appreciation of the warrants will not be higher or lower in future periods due to fluctuations in the value of the warrants, thereby increasing or reducing the effect on the cost of borrowing. Since inception of the agreement, we have paid Citigroup approximately $1.1 million under the warrant participation agreement thereby reducing our realized gains by this amount. We will continue to pay Citigroup under the warrant participation agreement until the Maximum Participation Limit is reached or the warrants expire. Warrants subject to the Citigroup participation agreement are set to expire between July 2012 and January 2017.

Convertible Senior Notes

In April 2011, we issued $75.0 million in aggregate principal amount of Convertible Senior Notes. As of June 30, 2012, the carrying value of the Convertible Senior Notes, comprised of the aggregate principal amount outstanding less the unaccreted discount initially recorded upon issuance of the Convertible Senior Notes, is approximately $70.9 million.

The Convertible Senior Notes mature on April 15, 2016 (the Maturity Date), unless previously converted or repurchased in accordance with their terms. The Convertible Senior Notes bear interest at a rate of 6.00% per year payable semiannually in arrears on April 15 and October 15 of each year, commencing on October 15, 2011. The Convertible Senior Notes are our senior unsecured obligations and rank senior in right of payment to our existing and future indebtedness that is expressly subordinated in right of payment to the Convertible Senior Notes; equal in right of payment to our existing and future unsecured indebtedness that is not so subordinated; effectively junior in right of payment to any of our secured indebtedness (including unsecured indebtedness that we later secure) to the extent of the value of the assets securing such indebtedness; and structurally junior to all existing and future indebtedness (including trade payables) incurred by our subsidiaries, financing vehicles or similar facilities.

Prior to the close of business on the business day immediately preceding October 15, 2015, holders may convert their Convertible Senior Notes only under certain circumstances set forth in the Indenture. On or after October 15, 2015 until the close of business on the scheduled trading day immediately preceding the Maturity Date, holders may convert their Convertible Senior Notes at any time. Upon conversion, we will pay or deliver, as the case may be, at our election, cash, shares of our common stock or a combination of cash and shares of our common stock. The conversion rate will initially be 84.0972 shares of common stock per $1,000 principal amount of Convertible Senior Notes (equivalent to an initial conversion price of approximately $11.89 per share of common stock). The conversion rate will be subject to adjustment in some events but will not be adjusted for any accrued and unpaid interest. In addition, if certain corporate events occur prior to the Maturity Date, the conversion rate will be increased for converting holders.

We may not redeem the Convertible Senior Notes prior to maturity. No sinking fund is provided for the Convertible Senior Notes. In addition, if certain corporate events occur, holders of the Convertible Senior Notes may require us to repurchase for cash all or part of their Convertible Senior Notes at a repurchase price equal to 100% of the principal amount of the Convertible Senior Notes to be repurchased, plus accrued and unpaid interest through, but excluding, the required repurchase date.

In accounting for the Convertible Senior Notes, we estimated that the values of the debt and the embedded conversion feature of the Convertible Senior Notes were approximately 92.8% and 7.2%, respectively. The original issue discount of 7.2% attributable to the conversion feature of the Convertible Senior Notes has initially been recorded in capital in excess of par value in the consolidated statement of assets and liabilities. As a result, we record interest expense comprised of both stated interest expense as well as accretion of the original issue discount resulting in an estimated effective interest rate of approximately 7.9%.

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As of June 30, 2012, the components of the carrying value of the Convertible Senior Notes were as follows:

(in thousands)	As of June 30, 2012
Principal amount of debt	$ 75,000
Original issue discount, net of accretion	(4,106)
Carrying value of debt	$ 70,894

For the three and six months ended June 30, 2012, the components of interest expense, fees and cash paid for interest expense for the Convertible Senior Notes were as follows:

(in thousands)	Three Months Ended June, 2012	Six Months Ended June, 2012
Stated interest expense	$ 1,125	$ 2,250
Accretion of original issue discount	271	541
Amortization of debt issuance cost	144	289
Total interest expense	$ 1,540	$ 3,080
Cash paid for interest expense	$ 2,250	$ 2,250

As of June 30, 2012, we are in compliance with the terms of the indentures governing the Convertible Senior Notes. See Note to our consolidated financial statements for more detail on the Convertible Senior Notes.

2019 Notes

On April 17, 2012, we and U.S. Bank, N.A. (the Trustee), entered into the First Supplemental Indenture (the First Supplemental Indenture) to the Indenture (the Indenture) between us and the Trustee, dated April 17, 2012, relating to our issuance, offer and sale of $43.0 million aggregate principal amount of 2019 Notes. The sale of the 2019 Notes generated net proceeds, before expenses, of approximately $41.7 million.

The 2019 Notes will mature on April 30, 2019 and may be redeemed in whole or in part at our option at any time or from time to time on or after April 30, 2015, upon not less than 30 days nor more than 60 days written notice by mail prior to the date fixed for redemption thereof, at a redemption price of 100% of the outstanding principal amount thereof plus accrued and unpaid interest payments otherwise payable for the then-current quarterly interest period accrued to but not including the date fixed for redemption. The 2019 Notes bear interest at a rate of 7.00% per year payable quarterly on January 30, April 30, July 30 and October 30 of each year, commencing on July 30, 2012, and trade on the New York Stock Exchange under the trading symbol HTGZ.

The 2019 Notes will be our direct unsecured obligations and will rank: (i) *pari passu* with our other outstanding and future senior unsecured indebtedness, including without limitation, the $75.0 million in aggregate principal amount of the Convertible Senior Notes; (ii) senior to any of our future indebtedness that expressly provides it is subordinated to the 2019 Notes; (iii) effectively subordinated to all our existing and future secured indebtedness (including indebtedness that is initially unsecured to which we subsequently grant security), to the extent of the value of the assets securing such indebtedness, including without limitation, borrowings under our credit facilities; (iv) structurally subordinated to all existing and future indebtedness and other obligations of any of our subsidiaries, including without limitation, the indebtedness of Hercules Technology II, L.P. and Hercules Technology III, L.P. and borrowings under our revolving senior secured credit facility with Wells Fargo Capital Finance, LLC.

The Indenture, as supplemented by the First Supplemental Indenture, contains certain covenants including covenants requiring our compliance with (regardless of whether it is subject to) the asset coverage requirements set forth in Section 18(a)(1)(A) as modified by Section 61(a)(1) of the Investment Company Act of 1940, as

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amended, to comply with the restrictions on dividends, distributions and purchase of capital stock set forth in Section 18(a)(1)(B) as modified by Section 61(a)(1) of the Investment Company Act of 1940, as amended, and to provide financial information to the holders of the 2019 Notes and the Trustee if the Company should no longer be subject to the reporting requirements under the Securities Exchange Act of 1934. These covenants are subject to important limitations and exceptions that are described in the Indenture, as supplemented by the First Supplemental Indenture. The Indenture provides for customary events of default and further provides that the Trustee or the holders of 25% in aggregate principal amount of the outstanding 2019 Notes in a series may declare such 2019 Notes immediately due and payable upon the occurrence of any event of default after expiration of any applicable grace period.

The 2019 Notes were sold pursuant to an underwriting agreement dated April 11, 2012 among us and Stifel, Nicolaus & Company, Incorporated, as representative of the several underwriters named in the underwriting agreement. In July 2012, we re-opened our 2019 Notes and issued an additional $41.5 million in aggregate principal amount of 2019 Notes, which includes exercise of an over-allotment option, bringing the total amount of the 2019 Notes issued to approximately $84.5 million in aggregate principal amount.

For the three months and six months ended June 30, 2012, the components of interest expense and cash paid for interest expense for the 2019 Notes are as follows:

(in thousands)	Three Months Ended June 30, 2012	Six Months Ended June 30, 2012
Stated interest expense	$ 619	$ 619
Amortization of debt issuance cost	49	49
Total interest expense	$ 668	$ 668
Cash paid for interest expense	$	$

As of June 30, 2012, we are in compliance with the terms of the indenture governing the 2019 Notes. See Note 4 to our consolidated financial statements for more detail on the 2019 Notes.

Outstanding Borrowings

At June 30, 2012 (unaudited) and December 31, 2011, we had the following borrowing capacity and outstanding borrowings:

	June 30, 2012		December 31, 2011	
(in thousands)	Total Available	Carrying Value(1)	Total Available	Carrying Value(1)
Union Bank Facility	$ 55,000	$	$ 55,000	$
Wells Facility	75,000	3,130	75,000	10,187
2019 Notes(2)	43,000	43,000		
Convertible Senior Notes(3)	75,000	70,894	75,000	70,353
SBA Debentures(4)	225,000	200,750	225,000	225,000
Total	$ 473,000	$ 317,774	$ 430,000	$ 305,540

(1) Except for the Convertible Senior Notes, all carrying values are the same as the principal amount outstanding.
(2) In July 2012, we re-opened our 2019 Notes and issued an additional $41.5 million in aggregate principal amount, which includes exercise of an over-allotment option, bringing the total amount of 2019 Notes issued to approximately $84.5 million in aggregate principal amount.
(3) Represents the aggregate principal amount outstanding of the Convertible Senior Notes less the unaccreted discount initially recorded upon issuance of the Convertible Senior Notes. The total unaccreted discount for the Convertible Senior Notes was $4,106 at June 30, 2012.
(4) In February 2012, we repaid $24.3 million of SBA debentures under HT II, priced at approximately 6.63%, including annual fees. In June 2012, the SBA approved a $24.3 million dollar commitment for HT III, bringing the total available borrowings to $225.0 million, of which $100.7 million was available in HT II and $124.3 million was available in HT III.

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Dividends

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

Date Declared	Record Date	Payment Date	Amount Per Share
October 27, 2005	November 1, 2005	November 17, 2005	$ 0.03
December 9, 2005	January 6, 2006	January 27, 2006	0.30
April 3, 2006	April 10, 2006	May 5, 2006	0.30
July 19, 2006	July 31, 2006	August 28, 2006	0.30
October 16, 2006	November 6, 2006	December 1, 2006	0.30
February 7, 2007	February 19, 2007	March 19, 2007	0.30
May 3, 2007	May 16, 2007	June 18, 2007	0.30
August 2, 2007	August 16, 2007	September 17, 2007	0.30
November 1, 2007	November 16, 2007	December 17, 2007	0.30
February 7, 2008	February 15, 2008	March 17, 2008	0.30
May 8, 2008	May 16, 2008	June 16, 2008	0.34
August 7, 2008	August 15, 2008	September 19, 2008	0.34
November 6, 2008	November 14, 2008	December 15, 2008	0.34
February 12, 2009	February 23, 2009	March 30, 2009	0.32*
May 7, 2009	May 15, 2009	June 15, 2009	0.30
August 6, 2009	August 14, 2009	September 14, 2009	0.30
October 15, 2009	October 20, 2009	November 23, 2009	0.30
December 16, 2009	December 24, 2009	December 30, 2009	0.04
February 11, 2010	February 19, 2010	March 19, 2010	0.20
May 3, 2010	May 12, 2010	June 18, 2010	0.20
August 2, 2010	August 12, 2010	September 17,2010	0.20
November 4, 2010	November 10, 2010	December 17, 2010	0.20
March 1, 2011	March 10, 2011	March 24, 2011	0.22
May 5, 2011	May 11, 2011	June 23, 2011	0.22
August 4, 2011	August 15, 2011	September 15, 2011	0.22
November 3, 2011	November 14, 2011	November 29, 2011	0.22
February 27, 2012	March 12, 2012	March 15, 2012	0.23
April 30, 2012	May 18, 2012	May 25, 2012	0.24
July 30, 2012	August 17, 2012	August 24, 2012	0.24
			$ 7.40

* Dividend paid in cash and stock.

On July 30, 2012 the Board of Directors declared a cash dividend of $0.24 per share to be paid on August 24, 2012 to shareholders of record as of August 17, 2012. This dividend represents the Company s twenty-eighth consecutive quarterly dividend declaration since its initial public offering, and will bring the total cumulative dividend declared to date to $7.40 per share.

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

Distributions in excess of our current and accumulated earnings and profits would generally be treated first as a return of capital to the extent of the stockholder s tax basis, and any remaining distributions would be treated

as a capital gain. The determination of the tax attributes of our distributions is made annually as of the end of our fiscal year based upon our taxable income for the full year and distributions paid for the full year, therefore a determination made on a quarterly basis may not be representative of the tax attributes of our 2012 distributions to stockholders. If we had determined the tax attributes of our distributions year-to-date as of June 30, 2012, approximately 98% would be from ordinary income and spillover earnings from 2011, and 2% would be a return of capital.

Each year a statement on Form 1099-DIV identifying the source of the distribution (i.e., paid from ordinary income, paid from net capital gains on the sale of securities, and/or a return of paid-in-capital surplus which is a nontaxable distribution) is mailed to our stockholders. To the extent our taxable earnings fall below the total amount of our distributions for that fiscal year, a portion of those distributions may be deemed a tax return of capital to our stockholders.

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

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

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

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

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

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Critical Accounting Policies

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

Valuation of Portfolio Investments.

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

Our investments are carried at fair value in accordance with the 1940 Act and Accounting Standards Codification (ASC) topic 820 Fair Value Measurements and Disclosures (formerly known as SFAS No. 157, Fair Value Measurements). At June 30, 2012, approximately 90.1% of the Company s total assets represented investments in portfolio companies that are valued at fair value by the Board of Directors. Value, as defined in Section 2(a)(41) of the 1940 Act, is (i) the market price for those securities for which a market quotation is readily available and (ii) for all other securities and assets, fair value is as determined in good faith by the Board of Directors. Our debt securities are primarily invested in equity sponsored technology-related companies, including technology, biotechnology, life science, healthcare services and cleantech companies. Given the nature of lending to these types of businesses, our investments in these portfolio companies are generally considered Level 3 assets under ASC 820 because there is no known or accessible market or market indexes for these investment securities to be traded or exchanged. As such, it values substantially all of its investments at fair value as determined in good faith pursuant to a consistent valuation policy and our Board of Directors in accordance with the provisions of ASC 820 and the 1940 Act. Due to the inherent uncertainty in determining the fair value of investments that do not have a readily available market value, the fair value of our investments determined in good faith by our Board may differ significantly from the value that would have been used had a readily available market existed for such investments, and the differences could be material.

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

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

(1) our quarterly valuation process begins with each portfolio company or investment being initially valued by the investment professionals responsible for the portfolio investment;

(2) preliminary valuation conclusions are then documented and business based assumptions are discussed with our investment committee;

(3) the valuation committee of the Board of Directors reviews the preliminary valuation of the investment committee which incorporates the results of the independent valuation firm as appropriate.

(4) the Board of Directors discusses valuations and determines the fair value of each investment in our portfolio in good faith based on the input of, where applicable, the respective independent valuation firm and the valuation committee.

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

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

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

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

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

In accordance with ASU 2011-04, the following table provides quantitative information about our Level 3 fair value measurements of our investments as of June 30, 2012. In addition to the techniques and inputs noted in the table below, according to our valuation policy we may also use other valuation techniques and methodologies when determining our fair value measurements. The below table is not intended to be all-inclusive, but rather provides information on the significant Level 3 inputs as they relate to our fair value measurements.

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Quantitative Information about Level 3 Fair Value Measurements of Debt Investments

Investment Type - Level Three Debt Investments	**Fair Value at June 30, 2012** *(in thousands)*	**Valuation Techniques/ Methodologies**	**Unobservable Input[(a)]**	**Range**
Pharmaceuticals - Debt	$ 218,877	Market Comparable Companies	Hypothetical Market Yield	14.9% -19.6%
			Premium/(Discount)	(2.0%) - 3.0%
		Option Pricing Model[(b)]	Average Industry Volatility[(c)]	61.54%
			Risk Free Interest Rate	0.27%
			Estimated Time to Exit (in months)	21.3
Medical Devices - Debt	40,984	Market Comparable Companies	Hypothetical Market Yield	14.1%
			Premium	0.0% - 1.3%
Technology - Debt	133,737	Market Comparable Companies	Hypothetical Market Yield	14.5% - 17.3%
			Premium/(Discount)	(1.5%) - 1.5%
Clean Tech - Debt	80,830	Market Comparable Companies	Hypothetical Market Yield Premium	15.4% - 19.7%
				0.0% - 1.0%
Lower Middle Market - Debt	172,640	Market Comparable Companies	Hypothetical Market Yield	10.7% - 16.9%
			Premium	0.0% - 5.0%
		Broker Quote[(d)]	Price Quotes	93.5% - 99% of par
		Liquidation	Investment Collateral	$50 - $293
			Other Costs	$63 - $99
Total Level Three Debt Investments	$ 647,068			

(a) The significant unobservable inputs used in the fair value measurement of our debt securities are hypothetical market yields and premiums/(discounts). The hypothetical market yield is defined as the exit price of an investment in a hypothetical market to hypothetical market participants where buyers and sellers are willing participants. The premiums (discounts) relate to company specific characteristics such as underlying investment performance, security liens, and other characteristics of the investment. Significant increases (decreases) in the inputs in isolation would result in a significantly lower (higher) fair value measurement, depending on the materiality of the investment. Debt investments in the industries noted in our Schedule of Investments are included in the industries note above as follows:

Pharmaceuticals, above, is comprised of debt investments in the Therapeutic, Specialty Pharmaceuticals, Drug Discovery and Development, Drug Delivery, and Diagnostics and Biotechnology industries in the Schedule of Investments.

Medical Devices, above, is comprised of debt investments in the Therapeutic, Surgical Devices, Medical Devices and Equipment and Biotechnology Tools industries in the Schedule of Investments.

Technology, above, is comprised of debt investments in the Software, Semiconductors, Internet Consumer and Business Services, Information Services, and Communications and Networking industries in the Schedule of Investments.

Lower Middle Market, above, is comprised of debt investments in the Communications and Networking, Electronics and Computer Hardware, Healthcare Services Other, Information Services, Internet Consumer and Business Services, Media/Content/Info, and Specialty Pharmaceuticals industries in the Schedule of Investments.

Clean Tech, above, aligns with the Clean Tech Industry in the Schedule of Investments.

(b) An option pricing model valuation technique was used to derive the conversion feature of convertible notes.
(c) Represents the range of industry volatility used by market participants when pricing the investment.
(d) A broker quote valuation technique was used to derive the fair value of loans which are part of a syndicated facility.

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Quantitative Information about Level 3 Fair Value Measurements of Warrants and Equity Investments

Investment Type -	Fair Value at June 30, 2012 *(in thousands)*	Valuation Techniques/ Methodologies	Unobservable Input[(a)]	Range
Level Three Warrant and Equity Investments	$52,832	Market Comparable Companies	EBITDA Multiple[(b)]	3.6x - 31.3x
			Revenue Multiple[(b)]	0.58x - 2.97x
			Discount for Lack of Marketability[(c)]	11.5% - 25.0%
Warrant positions additionally subject to:		Option Pricing Model	Average Industry Volatility[(d)]	49.81% - 61.54%
			Risk-Free Interest Rate	0.19% - 0.56%
			Estimated Time to Exit (in months)	12 - 48
Total Level Three Warrant and Equity Investments	$52,832			

(a) The significant unobservable inputs used in the fair value measurement of our warrant and equity-related securities are revenue and/or EBITDA multiples and discounts for lack of marketability. Additional inputs used in the Black Scholes option pricing model include industry volatility, risk free interest rate and estimated time to exit. Significant increases (decreases) in the inputs in isolation would result in a significantly higher (lower) fair value measurement, depending on the materiality of the investment. For some investments, additional consideration may be given to data from the last round of financing or merger/acquisition events near the measurement date.
(b) Represents amounts used when we have determined that market participants would use such multiples when pricing the investments.
(c) Represents amounts used when we have determined market participants would take into account these discounts when pricing the investments.
(d) Represents the range of industry volatility used by market participants when pricing the investment.

Debt Investments

Our debt securities are primarily invested in equity sponsored technology-related companies, including technology, biotechnology, life science, healthcare services and cleantech companies. Given the nature of lending to these types of businesses, our investments in these portfolio companies are considered Level 3 assets under ASC 820 because there is no known or accessible market or market indexes for these investment securities to be traded or exchanged.

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

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

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

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

Equity-Related Securities and Warrants

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

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

Income Recognition.

We record interest income on the accrual basis and we recognize it as earned in accordance with the contractual terms of the loan agreement to the extent that such amounts are expected to be collected. Original Issue Discount (OID) initially represents the value of detachable equity warrants obtained in conjunction with the acquisition of debt securities and is accreted into interest income over the term of the loan as a yield enhancement. When a loan becomes 90 days or more past due, or if management otherwise does not expect the portfolio company to be able to service its debt and other obligations, we will generally place the loan on non-accrual status and cease recognizing interest income on that loan until all principal has been paid. Any uncollected interest related to prior periods is reversed from income in the period that collection of the interest receivable is determined to be doubtful. However, we may make exceptions to this policy if the investment has sufficient collateral value and is in the process of collection. As of June 30, 2012, we had one portfolio company on non-accrual status with an approximate cost of $7.1 million and a fair value of approximately $169,000. There was one portfolio company on non-accrual status with an approximate cost of $7.7 million and a fair value of approximately $1.0 million as of December 31, 2011.

Paid-In-Kind and End of Term Income.

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

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due. In addition, we may also be entitled to an end-of-term payment that we amortize into income over the life of the loan. To maintain our status as a RIC, PIK and end-of-term income must be paid out to stockholders in the form of dividends even though we have not yet collected the cash. Amounts necessary to pay these dividends may come from available cash or the liquidation of certain investments. We recorded approximately $271,000 and $569,000 in PIK income in the three and six-month periods ended June 30, 2012, respectively. We recorded approximately $524,000 and $1.1 million in the same periods ended June 30, 2011, respectively.

Fee Income.

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

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

Equity Offering Expenses

Our offering costs are charged against the proceeds from equity offerings when received.

Debt Issuance Costs

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

Stock-Based Compensation.

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

Federal Income Taxes.

We intend to operate so as to qualify to be taxed as a RIC under Subchapter M of the Code and, as such, will not be subject to federal income tax on the portion of our taxable income and gains distributed to stockholders. To qualify as a RIC, we are required to distribute at least 90% of our investment company taxable income, as defined by the Code. We are subject to a non-deductible federal excise tax if we do not distribute at least 98% of our taxable income and 98.2% of our capital gain net income for each one year period ending on October 31. At December 31, 2011, 2010 and 2009, no excise tax was recorded. Because federal income tax regulations differ from accounting principles generally accepted in the United States, distributions in accordance with tax regulations may differ from net investment income and realized gains recognized for financial reporting purposes. Differences may be permanent or temporary.

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Permanent differences are reclassified among capital accounts in the financial statement to reflect their tax character. Temporary differences arise when certain items of income, expense, gain or loss are recognized at some time in the future. Differences in classification may also result from the treatment of short-term gains as ordinary income for tax purposes.

Recent Accounting Pronouncement

In May 2011, the Financial Accounting Standards Board (FASB) issued *Accounting Standards Update No. 2011-04 Fair Value Measurement: Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS*, or ASU 2011-04. ASU 2011-04 clarifies the application of existing fair value measurement and disclosure requirements, changes the application of some requirements for measuring fair value and requires additional disclosure for fair value measurements. The highest and best use valuation premise is only applicable to non-financial assets. In addition, the disclosure requirements are expanded to include for fair value measurements categorized in Level 3 of the fair value hierarchy: (1) a quantitative disclosure of the unobservable inputs and assumptions used in the measurement; (2) a description of the valuation processes in place; and (3) a narrative description of the sensitivity of the fair value to changes in unobservable inputs and interrelationships between those inputs. ASU 2011-04 is effective for interim and annual periods beginning after December 15, 2011, for public entities and as such we have adopted this ASU beginning with our quarter ended March 31, 2012. We have increased our disclosures related to Level 3 fair value measurement, in addition to other required disclosures. There were no related impacts on our financial position or results of operations.

Subsequent Events

Liquidity and Capital Resources

7.00% Senior Notes Due 2019

On July 6, 2012, we re-opened our 2019 Notes and issued approximately $38.8 million in aggregate principal amount of the 2019 Notes pursuant to an underwriting agreement among us and Stifel, Nicolaus & Company, Incorporated, as representative of the several underwriters named therein, relating to the issuance, offer and sale of the 2019 Notes. We granted the underwriters an option to purchase up to an additional $5.8 million in aggregate principal amount of the 2019 Notes to cover overallotments, if any. Pursuant to this option, approximately $2.7 million in aggregate principal amount of the 2019 Notes were issued and sold on July 12, 2012. The sale of the 2019 Notes generated net proceeds to us, before expenses and excluding accrued interest, of approximately $40.2 million.

The 2019 Notes are a further issuance of, rank equally in right of payment with, and form a single series for all purposes under the Indenture (as defined below) including, without limitation, waivers, amendments, consents, redemptions and other offers to purchase and voting, with the $43.0 million aggregate principal amount initially issued by us on April 17, 2012.

On April 17, 2012, we and U.S. Bank National Association, as Trustee (the Trustee) entered into the First Supplemental Indenture (the First Supplemental Indenture) to the Indenture (the Base Indenture, and together with the First Supplemental Indenture, the Indenture), between us and U.S. Bank National Association, as Trustee (the Trustee), dated March 6, 2012, relating to the issuance, offer and sale of the additional 2019 Notes were offered under the same Indenture.

The 2019 Notes will mature on April 30, 2019 and may be redeemed in whole or in part at our option at any time or from time to time on or after April 30, 2015, upon not less than 30 days nor more than 60 days written notice by mail prior to the date fixed for redemption thereof, at a redemption price of 100% of the outstanding principal amount thereof plus accrued and unpaid interest payments otherwise payable for the then-current quarterly interest period accrued to but not including the date fixed for redemption. The 2019 Notes bear interest

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at a rate of 7.00% per year payable quarterly on January 30, April 30, July 30 and October 30 of each year, commencing on July 30, 2012.

The 2019 Notes will be our direct unsecured obligations and will rank: (i) *pari passu* with our other outstanding and future senior unsecured indebtedness, including without limitation, the $75.0 million Convertible Senior Notes; (ii) senior to any of our future indebtedness that expressly provides it is subordinated to the 2019 Notes (iii) effectively subordinated to all of our existing and future secured indebtedness (including indebtedness that is initially unsecured to which we subsequently grant security), to the extent of the value of the assets securing such indebtedness, including without limitation, borrowings under our credit facilities; (iv) structurally subordinated to all existing and future indebtedness and other obligations of any of our subsidiaries, including without limitation, the indebtedness of Hercules Technology II, L.P. and Hercules Technology III, L.P. and borrowings under our revolving senior secured credit facility with Wells Fargo Capital Finance.

The Base Indenture, as supplemented by the First Supplemental Indenture, contains certain covenants including covenants requiring us to comply with (regardless of whether it is subject to) the asset coverage requirements set forth in Section 18(a)(1)(A) as modified by Section 61(a)(1) of the Investment Company Act of 1940, as amended, to comply with the restrictions on dividends, distributions and purchase of capital stock set forth in Section 18(a)(1)(B) as modified by Section 61(a)(1) of the Investment Company Act of 1940, as amended, and to provide financial information to the holders of the 2019 Notes and the Trustee if the Company should no longer be subject to the reporting requirements under the Securities Exchange Act of 1934. These covenants are subject to important limitations and exceptions that are described in the Base Indenture, as supplemented by the First Supplemental Indenture. The Base Indenture provides for customary events of default and further provides that the Trustee or the holders of 25% in aggregate principal amount of the outstanding 2019 Notes in a series may declare such 2019 Notes immediately due and payable upon the occurrence of any event of default after expiration of any applicable grace period.

Wells Credit Facility

In August 2012, we amended our credit facility with Wells Fargo Capital Finance, LLC (WFCF) under which WFCF has committed $75.0 million in initial credit capacity under a $300.0 million accordion credit facility. We can increase the credit line up to an aggregate of $300.0 million, funded by additional lenders who may join the facility and with the agreement of WFCF and subject to other customary conditions. There can be no assurances that additional lenders will join the new credit facility.

The credit facility has an advance rate equal to 50% of eligible loans placed in the collateral pool. The credit facility generally requires payment of interest on a monthly basis. We paid an amendment fee of $375,000.

Borrowings under the credit facility will continue to be at an interest rate per annum equal to LIBOR plus 3.50%, consistent with prior facilities while the floor has been lowered from 5.00% to 4.25%, a 75 basis point reduction. Additionally, an amortization period of 12 months was added to pay down the principal balance as of the maturity date, the maturity date was extended by one year to August 2015, and the unused line fee was reduced. The amendment also increased the minimum tangible net worth when added to outstanding subordinated indebtedness from in excess of $314.0 million plus 90% of the cumulative amount of equity raised after March 31, 2011 to in excess of $362.0 million plus 90% of the cumulative amount of equity raised after June 30, 2012. The amendment is effective as of August 1, 2012.

The credit facility provides for customary events of default, including, but not limited to, payment defaults, breach of representations or covenants, bankruptcy events and change of control. The credit facility also includes various financial and operating covenants applicable to us and our subsidiaries. The covenants require, among other things, that we maintain certain financial ratios and a minimum tangible net worth.

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Renewal of Stock Repurchase Plan

On July 25, 2012, we approved the extension of the stock repurchase plan as previously approved under the same terms and conditions that allows us to repurchase up to $35.0 million of our common stock. Unless renewed, the stock repurchase plan will expire on February 26, 2013.

Dividend Declaration

On July 30, 2012, our Board of Directors declared a cash dividend of $0.24 per share that will be payable on August 24, 2012 to shareholders of record as of August 17, 2012. This dividend represents our twenty-eighth consecutive dividend declaration since our initial public offering, bringing the total cumulative dividend declared to date to $7.40 per share.

Portfolio Company Developments

In July 2012, we received payment of $2.0 million for our total debt investments in Maxvision Holding, L.L.C. As of June 30, 2012, we valued these debt investments, which had a total cost basis of approximately $7.1 million, at a fair value of approximately $169,000. These investments were accounted for on a non-accrual basis. In the third quarter of 2012, we will record a realized loss of approximately $5.1 million and a reversal of previously recorded unrealized depreciation of $6.9 million for our Maxvision debt investments.

Closed and Pending Commitments

As of August 2, 2012, we had:

a. Closed commitments of approximately $100,000 to new and existing portfolio companies, and funded approximately $3.3 million since the close of the second quarter of 2012.

b. Pending commitments (signed non-binding term sheets) of approximately $129.5 million.

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

Closed Commitments and Pending Commitments (in millions)	
January 1- June 30, 2012 Closed Commitments	$ 240.3
Q3-12 Closed Commitments (as of August 2, 2012)	$ 0.1
Total 2012 Closed Commitments[a]	**$ 240.4**
Pending Commitments (as of August 2, 2012)[b]	$ 129.5
Total	**$ 369.9**

Notes:

a. Not all Closed Commitments result in future cash requirements. Commitments generally fund over the two succeeding quarters from close.

b. Not all pending commitments (signed non-binding term sheets) are expected to close and do not necessarily represent any future cash requirements.

Quantitative and Qualitative Disclosures About Market Risk

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

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As of June 30, 2012, approximately 94.9% of our portfolio loans were at variable rates or variable rates with a floor and 5.1% of our loans were at fixed rates. Over time additional investments may be at variable rates. We do not currently engage in any hedging activities. However, we may, in the future, hedge against interest rate fluctuations by using standard hedging instruments such as futures, options, and forward contracts. While hedging activities may insulate us against changes in interest rates, they may also limit our ability to participate in the benefits of lower interest rates with respect to our borrowed funds and higher interest rates with respect to our portfolio of investments. Interest rates on our borrowings are based primarily on LIBOR. Borrowings under our SBA program are fixed at the ten year treasury rate every March and September for borrowings of the preceding six months. Borrowings under the program are charged interest based on ten year treasury rates plus a spread and the rates are generally set for a pool of debentures issued by the SBA in six-month periods. The rates of borrowings under the various draws from the SBA beginning in April 2007 and set semiannually in March and September range from 2.77% to 5.73%. In addition, the SBA charges a fee that is set annually, depending on the Federal fiscal year the leverage commitment was delegated by the SBA, regardless of the date that the leverage was drawn by the SBIC. The annual fees related to HT II debentures that pooled on September 22, 2010 were 0.406% and 0.285%, depending upon the year in which the underlying commitment was closed. The annual fees related to HT III debentures that pooled on March 21, 2012 were 0.285% and 0.515% depending upon the year in which the underlying commitment was closed. The annual fees on other debentures have been set at 0.906%. The average amount of debentures outstanding for the quarter ended June 30, 2012 for HT II was approximately $100.7 million with an average interest rate of approximately 6.3%. The average amount of debentures outstanding for the quarter ended June 30, 2012 for HT III was approximately $100.0 million with an average interest rate of approximately 3.6%. Interest is payable semiannually and there are no principal payments required on these issues prior to maturity. Debentures under the SBA generally mature ten years after being borrowed. Based on the initial draw down date of April 2007, the initial maturity of SBA debentures will occur in April 2017.

Borrowings under the Wells Facility will generally bear interest at a rate per annum equal to LIBOR plus 3.50%, with a floor of 5.00% and an advance rate of 50% against eligible loans. The Wells Facility is secured by loans in the borrowing base. The Wells Facility requires the monthly payment of a non-use fee of 0.3% for each payment date on or before September 1, 2011. The monthly payment of a non-use fee thereafter shall depend on the average balance that was outstanding on a scale between 0.0% and 0.75%. For the three-month period ended June 30, 2012, this non-use fee was approximately $140,000. On June 20, 2011 we paid an additional $1.1 million in structuring fees in connection with the Wells Facility which is being amortized through June 2014. At June 30, 2012, there was approximately $3.1 million outstanding under the Wells Facility.

Borrowings under the Union Bank Facility will generally bear interest at a rate per annum equal to LIBOR plus 2.25% with a floor of 4.0%. The Union Bank Facility required the payment of an unused fee of 0.50% annually. For the three-month period ended June 30, 2012, this non-use fee was approximately $70,000. The Union Bank Facility is collateralized by debt investments in our portfolio companies, and includes an advance rate equal to 50% of eligible loans placed in the collateral pool. The Union Bank Facility generally requires payment of interest on a monthly basis. All outstanding principal is due upon maturity. There were no outstanding borrowings under this facility at June 30, 2012. On November 2, 2011, we renewed and amended the Union Bank Facility. The other terms of the Union Bank Facility generally remain unchanged, including the stated interest rate. The Union Bank Facility will mature on November 2, 2014, revolving through the first 24 months with a term out provision for the remaining 12 months.

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

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

The 2019 Notes will mature on April 30, 2019 and may be redeemed in whole or in part at our option at any time or from time to time on or after April 30, 2015, upon not less than 30 days nor more than 60 days written notice by mail prior to the date fixed for redemption thereof, at a redemption price of 100% of the outstanding principal amount thereof plus accrued and unpaid interest payments otherwise payable for the then-current quarterly interest period accrued to but not including the date fixed for redemption. The 2019 Notes bear interest at a rate of 7.00% per year payable quarterly on January 30, April 30, July 30 and October 30 of each year, commencing on July 30, 2012.

The 2019 Notes will be our direct unsecured obligations and will rank: (i) *pari passu* with our other outstanding and future senior unsecured indebtedness, including without limitation, the $75 million in aggregate principal amount of the Convertible Senior Notes; (ii) senior to any of our future indebtedness that expressly provides it is subordinated to the Notes; (iii) effectively subordinated to all our existing and future secured indebtedness (including indebtedness that is initially unsecured to which we subsequently grant security), to the extent of the value of the assets securing such indebtedness, including without limitation, borrowings under our credit facilities; (iv) structurally subordinated to all existing and future indebtedness and other obligations of any of our subsidiaries, including without limitation, the indebtedness of Hercules Technology II, L.P. and Hercules Technology III, L.P. and borrowings under our revolving senior secured credit facility with Wells Fargo Capital Finance.

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

Disclosure Controls and Procedures

The Company has established disclosure controls and procedures to ensure that the information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and that such information is accumulated and communicated to management of the Company, with the participation of its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

As of December 31, 2011, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer, Chief Financial and Accounting Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934). Based on that evaluation, our Chief Executive Officer, Chief Financial and Accounting Officer have concluded that our disclosure controls and procedures are effective in timely alerting them of material information relating to us that is required to be disclosed by us in the reports we file or submit under the Securities Exchange Act of 1934.

Internal Control Over Financial Reporting

Management s Annual Report on Internal Control Over Financial Reporting

The Company is responsible for establishing and maintaining adequate internal control over financial reporting and for the assessment of the effectiveness of internal control over financial reporting. As defined by the SEC, internal control over financial reporting is a process designed under the supervision of the Company s principal executive and principal financial and accounting officer, approved and monitored by the Company s Board of Directors, and implemented by management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with U.S. generally accepted accounting principles.

The Company s internal control over financial reporting is supported by written policies and procedures, that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the Company s assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of the Company s management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management of the Company conducted an assessment of the effectiveness of the Company s internal control over financial reporting as of December 31, 2011 based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO Framework). Based on this assessment, management has concluded that the Company s internal control over financial reporting was effective as of December 31, 2011.

Attestation Report of the Independent Registered Public Accounting Firm

The effectiveness of the Company s internal control over financial reporting as of December 31, 2011 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm who also audited the Company s consolidated financial statements, as stated in their report, which is included in this prospectus.

Remediation of Previously Disclosed Material Weakness

As described in Item 4 of the Company s Quarterly Report on Form 10-Q for the quarter ended March 31, 2011, the Company identified a material weakness in its internal control over financial reporting. In particular, management became aware of matters where existing controls did not operate effectively to detect manual input errors in calculations used to derive the fair value of some investment portfolio holdings as of the measurement date, thereby impacting reported amounts with respect to investments and net increase (decrease) in unrealized appreciation on investments. The Company initiated a remediation effort during the second quarter of 2011 to address the material weakness. During the remediation effort the Company:

- added additional reviews of the accuracy of the number of equity security holdings as of the measurement date;
- added additional reviews of manually input data used in the calculations supporting the fair value of investments as of the measurement date; and
- added experienced professionals to augment and upgrade its financial staff to address issues of timeliness and completeness in financial reporting.

The Company continued its implementation and assessment of the additional controls during the third and fourth quarters of 2011 and found them to be operating effectively and have concluded as of December 31, 2011, this material weakness has been remediated.

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Changes in Internal Control Over Financial Reporting in 2011

As a result of the remediation of the material weakness described above, there were changes in our internal control over financial reporting during the three months ended December 31, 2011, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. There were no other changes in our internal control over financial reporting during the three months ended December 31, 2011, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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UNDERWRITING

Under the terms and subject to the conditions contained in an underwriting agreement dated September 27, 2012, we have agreed to sell to Credit Suisse Securities (USA) LLC, the sole underwriter, and has agreed to purchase 3,100,000 shares of common stock at a price of $10.85 per share.

The underwriting agreement provides that the underwriter is obligated to purchase all of the shares of common stock in the offering if any are purchased subject to certain conditions precedent.

The underwriter proposes to offer the shares of common stock offered hereby from time to time for sale in one or more transactions on the NYSE, in the over-the-counter-market, through negotiated transactions or otherwise at market prices prevailing at the time of sale, at prices related to prevailing market prices or at negotiated prices, subject to receipt and acceptance by the underwriter and subject to the underwriter s right to reject any order in whole or in part. The underwriter may effect such transactions by selling the shares of common stock to or through dealers and such dealers may receive compensation in the form of discounts, concessions or commissions from the underwriter and/or purchasers of shares of common stock for whom they may act as agents or to whom they may sell as principal. The difference between the price at which the underwriter purchases shares and the price at which the underwriter resells such shares, which may include a commission equivalent of up to $0.05 per share, may be deemed underwriting compensation.

We expect that our expenses for this offering will be approximately $300,000.

We have agreed to indemnify the underwriter against certain liabilities, including liabilities under the Securities Act of 1933, or contribute to payments that the underwriter may be required to make in that respect.

We have agreed that we will not directly or indirectly sell, offer to sell, enter into any agreement to sell, or otherwise dispose of, any equity or equity related securities of the Company or securities convertible into such securities, without the prior written consent of Credit Suisse Securities (USA) LLC for a period of 45 days after the date of this prospectus, except issuances of common stock pursuant to any employee or director compensation, dividend reinvestment, savings, or benefit plan, or distributions to the Company s directors upon that individual s election to receive shares of the company s common stock in lieu of a cash retainer. However, in the event that either (1) during the last 17 days of the lock-up period, we release earnings results or material news or a material event relating to us occurs or (2) prior to the expiration of the lock-up period, we announce that we will release earnings results during the 16-day period beginning on the last day of the lock-up period, then in either case the expiration of the lock-up will be extended until the expiration of the 18-day period beginning on the date of the release of the earnings results or the occurrence of the material news or event, as applicable.

Our directors and senior executive officers have agreed that during the 45 days after the date of this prospectus supplement, subject to certain exceptions, they will not, without the prior written consent of Credit Suisse Securities (USA) LLC offer to sell, contract to sell, or otherwise sell, dispose of, loan, pledge or grant any rights with respect to (collectively, a Disposition), any shares of our common stock, any options or warrants to purchase any shares of our common stock or any securities convertible into or redeemable or exchangeable for shares of our common stock now owned or hereafter acquired directly by such person or with respect to which such person has or hereafter acquires the power of disposition. The foregoing restriction has been expressly agreed to preclude the holder of such securities from engaging in any hedging or other transaction which is designed to or reasonably expected to lead to or result in a Disposition of securities during the lock-up period, even if such securities would be disposed of by someone other than the holder. Such prohibited hedging or other transactions would include, without limitation, any short sale (whether or not against the box) or any purchase, sale or grant of any right (including, without limitation, any put or call option) with respect to any securities. Notwithstanding the foregoing, if (i) during the last 17 days of the lock-up period, the Company issues an earnings release or material news or a material event relating to the Company occurs or (ii) prior to the expiration of the lock-up period, the Company announces that it will release earnings results during the 16-day period beginning on the last day of the lock-up period, the foregoing restrictions shall continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event. These lock-up agreements will cover approximately 3,840,861 shares of our outstanding common stock and shares underlying warrants in the aggregate. These agreements will not cover shares acquired in connection with the participation in the Company s dividend reinvestment plan, shares acquired upon the exercise of stock options pursuant to the Company s stock option plan, pledges of securities in connection with their purchase upon the exercise of employee stock options following termination of employment with the Company, the sale of shares in connection with net issuances of shares to satisfy tax withholding obligations related to the vesting of shares of restricted stock or the exercise of stock options to purchase shares of the Company s common stock that were granted pursuant to the Company s equity compensation plans, or the exercise or conversion of any security into shares of our common stock so long as the shares received remain subject to the lock-up. The agreements also exclude dispositions (i) as a bona fide gift or gifts, (ii) as a distribution to partners or shareholders of such person (or in the case of a trust, to the beneficiaries thereof), (iii) to any corporation controlled by the transferor, (iv) to any trust for the direct or indirect benefit of the transferor or their immediate family, provided that such transfer does not involve a disposition for value other than for the benefit of the transferor s immediate family, and (v) charitable dispositions of securities that do not involve a disposition for value, provided that in each case (i)-(v) the recipient agrees in writing to be bound by the restrictions of the lock-up. Credit Suisse Securities (USA) LLC may, in its sole discretion, allow any of these parties to dispose of common stock or other securities prior to the expiration of the 45 day period. There are, however, no agreements between Credit Suisse Securities (USA) LLC and the parties that would allow them to do so as of the date of this prospectus supplement.

The underwriter does not intend to confirm sales to any account over which it exercises discretionary authority.

Until the distribution of the common stock is completed, rules of the Securities and Exchange Commission may limit the ability of the underwriter and certain selling group members to bid for and purchase the common stock. As an exception to these rules, the underwriter is permitted to engage in certain transactions that stabilize, maintain or otherwise affect the price of the common stock.

In connection with this offering, the underwriter may engage in stabilizing transactions, over-allotment transactions, syndicate covering transactions, penalty and market making bids in accordance with Regulation M under the Securities Act of 1934.

- Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.

- Over-allotment transactions involve sales by the underwriter of the shares of common stock in excess of the number of shares the underwriter is obligated to purchase, which creates a syndicate short position. The short position may be either a covered short position or a naked short position. In a covered short position, the number of shares over-allotted by the underwriters is not greater than the number of shares that they may purchase in the over allotment option. In a naked short position, the number of shares involved is greater than the number of shares in the over allotment option, if any. The underwriters may close out any covered short position by either exercising its over allotment option, if any, and/or purchasing shares in the open market.

- Syndicate covering transactions involve purchases of the shares of common stock in the open market after the distribution has been completed in order to cover syndicate short positions. In determining the source of shares to close out the short position, the underwriter will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which it may purchase shares through the over allotment option. If the underwriter sells more shares than could be covered by the over allotment option, a naked short position, the position can only be closed out by buying shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there could be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in the offering.

Penalty bids permit representatives to reclaim a selling concession from a syndicate member when the shares of common stock originally sold by the syndicate member are purchased in a stabilizing or syndicate covering transaction to cover syndicate short positions.

In passive market making, market makers in the common stock who are underwriters or prospective underwriters may, subject to limitations, make bids for or purchases of our common stock until the time, if any, at which a stabilizing bid is made.

These stabilizing transactions, syndicate covering transactions and penalty bids may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of the common stock. As a result the price of our common stock may be higher than the price that might otherwise exist in the open market. These transactions may be effected on the NYSE or otherwise and, if commenced may be discontinued at any time.

The underwriter will deliver an accompanying prospectus and prospectus supplement to all purchasers of shares of common stock in the short sales. The purchases of shares of common stock in short sales are entitled to the same remedies under the federal securities laws as any other purchaser of shares of common stock covered by this prospectus supplement.

The underwriter is not obligated to engage in any of the transactions described above. If it does engage in any of these transactions, it may discontinue them at any time.

Notice to Prospective Investors in the European Economic Area

In relation to each member state of the European Economic Area that has implemented the Prospectus Directive (each, a relevant member state), with effect from and including the date on which the Prospectus Directive is implemented in that relevant member state (the relevant implementation date), an offer of shares described in this prospectus supplement may not be made to the public in that relevant member state other than:

- to any legal entity which is a qualified investor as defined in the Prospectus Directive;

- to fewer than 100 or, if the relevant member state has implemented the relevant provision of the 2010 PD Amending Directive, 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by us for any such offer; or

- in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of shares shall require us or any underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For purposes of this provision, the expression an offer of securities to the public in any relevant member state means the communication in any form and by any means of sufficient information on the terms of the offer and the shares to be offered so as to enable an investor to decide to purchase or subscribe for the shares, as the expression may be varied in that member state by any measure implementing the Prospectus Directive in that member state, and the expression Prospectus Directive means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the relevant member state) and includes any relevant implementing measure in the relevant member state. The expression 2010 PD Amending Directive means Directive 2010/73/EU.

The sellers of the shares have not authorized and do not authorize the making of any offer of shares through any financial intermediary on their behalf, other than offers made by the underwriter with a view to the final placement of the shares as contemplated in this prospectus supplement. Accordingly, no purchaser of the shares, other than the underwriter, is authorized to make any further offer of the shares on behalf of the sellers or the underwriter.

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This prospectus supplement and the accompanying prospectus are only being distributed to, and is only directed at, persons in the United Kingdom that are qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive that are also (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the Order) or (ii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (each such person being referred to as a relevant person). This prospectus supplement and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other persons in the United Kingdom. Any person in the United Kingdom that is not a relevant person should not act or rely on this document or any of its contents.

Notice to Prospective Investors in the United Kingdom

This prospectus supplement and the accompanying prospectus are only being distributed to, and is only directed at, persons in the United Kingdom that are qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive that are also (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the Order) or (ii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (each such person being referred to as a relevant person). This prospectus supplement and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other persons in the United Kingdom. Any person in the United Kingdom that is not a relevant person should not act or rely on this document or any of its contents.

Notice to Prospective Investors in France

Neither this prospectus supplement nor any other offering material relating to the shares described in this prospectus supplement has been submitted to the clearance procedures of the *Autorité des Marchés Financiers* or of the competent authority of another member state of the European Economic Area and notified to the *Autorité des Marchés Financiers*. The shares have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France. Neither this prospectus supplement nor any other offering material relating to the shares has been or will be:

- released, issued, distributed or caused to be released, issued or distributed to the public in France; or
- used in connection with any offer for subscription or sale of the shares to the public in France.

Such offers, sales and distributions will be made in France only:

- to qualified investors (*investisseurs qualifiés*) and/or to a restricted circle of investors (*cercle restreint d investisseurs*), in each case investing for their own account, all as defined in, and in accordance with articles L.411-2, D.411-1, D.411-2, D.734-1, D.744-1, D.754-1 and D.764-1 of the French *Code monétaire et financier*;
- to investment services providers authorized to engage in portfolio management on behalf of third parties; or
- in a transaction that, in accordance with article L.411-2-II-1°-or-2°-or 3° of the French *Code monétaire et financier* and article 211-2 of the General Regulations (*Règlement Général*) of the *Autorité des Marchés Financiers*, does not constitute a public offer (*appel public à l épargne*).

The shares may be resold directly or indirectly, only in compliance with articles L.411-1, L.411-2, L.412-1 and L.621-8 through L.621-8-3 of the French *Code monétaire et financier*.

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Notice to Prospective Investors in Hong Kong

The shares may not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), or (ii) to professional investors within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a prospectus within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong) and no advertisement, invitation or document relating to the shares may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to shares which are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Notice to Prospective Investors in Singapore

This prospectus supplement has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus supplement and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the shares may not be circulated or distributed, nor may the shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the SFA), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA, in each case subject to compliance with conditions set forth in the SFA.

Where the shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

shares, debentures and units of shares and debentures of that corporation or the beneficiaries rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the shares pursuant to an offer made under Section 275 of the SFA except:

to an institutional investor (for corporations, under Section 274 of the SFA) or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than S$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for corporations, in accordance with the conditions specified in Section 275 of the SFA;

where no consideration is or will be given for the transfer; or

where the transfer is by operation of law.

Notice to Prospective Investors in Australia

No prospectus or other disclosure document (as defined in the Corporations Act 2001 (Cth) of Australia (Corporations Act)) in relation to the common stock has been or will be lodged with the Australian Securities & Investments Commission (ASIC). This document has not been lodged with ASIC and is only directed to certain categories of exempt persons. Accordingly, if you receive this document in Australia:

(a) you confirm and warrant that you are either:

(i) a sophisticated investor under section 708(8)(a) or (b) of the Corporations Act;

(ii) a sophisticated investor under section 708(8)(c) or (d) of the Corporations Act and that you have provided an accountant s certificate to us which complies with the requirements of section 708(8)(c)(i) or (ii) of the Corporations Act and related regulations before the offer has been made;

(iii) a person associated with the company under section 708(12) of the Corporations Act; or

(iv) a professional investor within the meaning of section 708(11)(a) or (b) of the Corporations Act, and to the extent that you are unable to confirm or warrant that you are an exempt sophisticated investor, associated person or professional investor under the Corporations Act any offer made to you under this document is void and incapable of acceptance; and

(b) you warrant and agree that you will not offer any of the common stock for resale in Australia within 12 months of that common stock being issued unless any such resale offer is exempt from the requirement to issue a disclosure document under section 708 of the Corporations Act.

Our common stock is quoted on the NYSE under the trading symbol HTGC.

In the ordinary course of its businesses, the underwriter and/or its affiliates have in the past performed, and many continue to perform, investment banking, broker dealer, lending, financial advisory or other services for us for which they have received, or may receive, customary compensation.

The principal address of Credit Suisse Securities (USA) LLC is Eleven Madison Avenue, New York, NY 10010.

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LEGAL MATTERS

Certain legal matters in connection with the securities offered hereby will be passed upon for us by Sutherland Asbill & Brennan LLP, Washington, DC. Certain legal matters in connection with the securities offered hereby will be passed upon for the underwriters by Fried, Frank, Harris, Shriver & Jacobson LLP, New York, NY.

EXPERTS

The financial statements as of December 31, 2011 and 2010 and for each of the two years in the period ended December 31, 2011 included in this prospectus have been so included in reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

The consolidated financial statements of the Company for the year ended December 31, 2009 appearing in this prospectus have been audited by Ernst & Young LLP, an independent registered public accounting firm, as set forth in their report thereon appearing elsewhere herein and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

CHANGE IN INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

On September 9, 2010, we dismissed Ernst & Young LLP as our independent registered public accounting firm. During the fiscal years ended December 31, 2008 and 2009 and through September 9, 2010, there were no disagreements between us and Ernst & Young LLP with respect to any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of Ernst & Young LLP, would have caused it to make reference to the subject matter of such disagreements in its reports on the financial statements for such years. Nor were there any reportable events as such term is described in Item 304(a)(1)(v) of Regulation S-K, promulgated under the Securities Exchange Act of 1934, as amended.

On September 9, 2010, we engaged PricewaterhouseCoopers LLP as our new independent registered public accounting firm to audit our consolidated financial statements for the fiscal year ending December 31, 2010. Through September 9, 2010, the date of the engagement of PricewaterhouseCoopers LLP, neither we nor any person on our behalf has consulted with PricewaterhouseCoopers LLP with respect to either (i) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Company s consolidated financial statements or (ii) any matter that was either the subject of a disagreement or a reportable event as such terms are described in Items 304(a)(1)(iv) or 304(a)(1)(v), respectively, of Regulation S-K promulgated under the Exchange Act. PricewaterhouseCoopers LLP s principal business address is 300 Madison Avenue, New York, NY 10017.

AVAILABLE INFORMATION

We have filed with the SEC a registration statement on Form N-2, together with all amendments and related exhibits, under the Securities Act, with respect to our securities offered by this prospectus supplement and the accompanying prospectus. The registration statement contains additional information about us and our securities being offered by this prospectus supplement and the accompanying prospectus.

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We file annual, quarterly and current periodic reports, proxy statements and other information with the SEC under the Exchange Act. You may inspect and copy these reports, proxy statements and other information, as well as the registration statement of which this prospectus supplement and accompanying prospectus form a part and the related exhibits and schedules, at the Public Reference Room of the SEC at 100 F Street, N.E., Washington, D.C. 20549-0102. You may obtain information on the operation of the Public Reference Room by calling the SEC at 202-551-8090. The SEC maintains an Internet website that contains reports, proxy and information statements and other information filed electronically by us with the SEC which are available on the SEC s Internet website at http://www.sec.gov. Copies of these reports, proxy and information statements and other information may be obtained, after paying a duplicating fee, by electronic request at the following E-mail address: publicinfo@sec.gov, or by writing the SEC s Public Reference Section, Washington, D.C. 20549-0102.

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES

(unaudited)

(dollars in thousands, except per share data)

	June 30, 2012 (unaudited)	December 31, 2011
Assets		
Investments:		
Non-control/Non-affiliate investments (cost of $724,952 and $642,038, respectively)	$ 715,447	$ 651,843
Affiliate investments (cost of $8,065 and $3,236, respectively)	7,197	
Control investments (cost of $10,696 and $11,266, respectively)	169	1,027
Total investments, at value (cost of $743,713 and $656,540, respectively)	722,813	652,870
Cash and cash equivalents	56,140	64,474
Interest receivable	7,111	5,820
Other assets	15,808	24,230
Total assets	$ 801,872	$ 747,394
Liabilities		
Accounts payable and accrued liabilities	$ 9,317	$ 10,813
Wells Fargo Loan	3,130	10,187
2019 Notes	43,000	
Long-term Liabilities (Convertible Debt)	70,894	70,353
Long-term SBA Debentures	200,750	225,000
Total liabilities	327,091	316,353
Commitments and Contingencies (Note 10)		
Net assets consist of:		
Common stock, par value	50	44
Capital in excess of par value	534,165	484,244
Unrealized depreciation on investments	(21,102)	(3,431)
Accumulated realized losses on investments	(31,902)	(43,042)
Distributions in excess of investment income	(6,430)	(6,774)
Total net assets	474,781	431,041
Total liabilities and net assets	$ 801,872	$ 747,394
Shares of common stock outstanding ($0.001 par value, 100,000,000 authorized)	49,743	43,853
Net asset value per share	$ 9.54	$ 9.83

See notes to consolidated financial statements (unaudited)

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

June 30, 2012

(unaudited)

(dollars in thousands)

Portfolio Company	Industry	Type of Investment[1]	Series	Principal Amount	Cost[2]	Value[3]
Anthera Pharmaceuticals Inc.[3]	Drug Discovery & Development	Senior Debt Matures December 2014 Interest rate Prime + 7.30% or Floor rate of 10.55%		$ 25,000	$ 24,859	$ 24,005
Aveo Pharmaceuticals, Inc.[3]	Drug Discovery & Development	Senior Debt Matures September 2015 Interest rate Prime + 7.15% or Floor rate of 11.90%		$ 26,500	26,500	27,030
Cempra, Inc.[3]	Drug Discovery & Development	Senior Debt Matures December 2015 Interest rate Prime + 6.30% or Floor rate of 9.55%		$ 10,000	9,791	9,432
Chroma Therapeutics, Ltd.[5][10]	Drug Discovery & Development	Senior Debt Matures November 2013 Interest rate Prime + 7.75% or Floor rate of 12.00%		$ 5,724	6,262	6,319
Concert Pharmaceuticals, Inc.[4]	Drug Discovery & Development	Senior Debt Matures October 2015 Interest rate Prime + 3.25% or Floor rate of 8.50%		$ 20,000	19,522	18,072
Dicerna Pharmaceuticals, Inc.	Drug Discovery & Development	Senior Debt Matures January 2015 Interest rate Prime + 5.75% or		$ 11,081	10,834	10,607

		Floor rate of 10.15%			
Insmed, Incorporated[3]	Drug Discovery & Development	Senior Debt Matures January 2016 Interest rate Prime + 4.75% or Floor rate of 9.25%	$ 10,000	9,593	9,593
NeurogesX, Inc.[3]	Drug Discovery & Development	Senior Debt Matures February 2015 Interest rate Prime + 6.25% or Floor rate of 9.50%	$ 15,000	14,825	14,430
NextWave Pharmaceuticals, Inc.[4]	Drug Discovery & Development	Senior Debt Matures June 2015 Interest rate Prime + 4.30% or Floor rate of 9.55%	$ 6,000	5,960	5,751
Paratek, Pharmaceuticals, Inc.	Drug Discovery & Development	Senior Debt[9] Matures upon liquidation Interest rate Fixed 10.00%	$ 45	45	45
Total Debt Drug Discovery & Development (26.39%)*		**Beginning September 2012**		128,191	125,284
Bridgewave Communications	Communications & Networking	Senior Debt Matures March 2016 Interest rate Prime + 8.75% or Floor rate of 12.00%	$ 7,500	6,879	6,879
OpenPeak, Inc.[4]	Communications & Networking	Senior Debt Matures July 2015 Interest rate Prime + 8.75%	$ 15,000	14,589	14,589

See notes to consolidated financial statements (unaudited)

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

June 30, 2012

(unaudited)

(dollars in thousands)

Portfolio Company	Industry	Type of Investment[1]	Series	Principal Amount	Cost[2]	Value[3]
Pac-West Telecomm, Inc.	Communications & Networking	Senior Debt Matures October 2013 Interest rate Prime + 7.50% or Floor rate of 12.00%		$ 3,771	$ 3,678	$ 3,627
PeerApp, Inc.[4]	Communications & Networking	Senior Debt Matures April 2013 Interest rate Prime + 7.50% or Floor rate of 11.50%		$ 1,157	1,226	1,225
PointOne, Inc.	Communications & Networking	Senior Debt Matures April 2015 Interest rate Libor + 9.00% or Floor rate of 11.50%		$ 7,533	7,378	7,212
		Senior Debt Matures September 2015 Interest rate Libor + 9.00% or Floor rate of 11.50%		$ 366	360	347
Total PointOne, Inc.					7,738	7,559
Total Debt Communications & Networking (7.14%)*					34,110	33,879
Box.net, Inc.[4]	Software	Senior Debt Matures March 2015 Interest rate Prime + 3.75% or Floor rate of 7.50%		$ 10,000	9,880	9,295
		Senior Debt		$ 1,310	1,352	1,326

		Matures July 2014 Interest rate Prime + 5.25% or Floor rate of 8.50%			
		Senior Debt Matures July 2016 Interest rate Prime + 5.13% or Floor rate of 8.88%	$ 20,000	19,999	20,000
Total Box.net, Inc.				31,231	30,621
Caplinked	Software	Senior Debt[9] Matures May 2015 Interest rate Fixed 5.00%	$ 50	50	50
Central Desktop, Inc.	Software	Senior Debt Matures April 2014 Interest rate Prime + 6.75% or Floor rate of 10.50%	$ 2,420	2,353	2,353
Clickfox, Inc.	Software	Senior Debt Matures July 2013 Interest rate Prime + 6.00% or Floor rate of 11.25%	$ 2,817	2,780	2,775
		Senior Debt Matures December 2012 Interest rate Fixed 10.00%	$ 3,000	3,000	2,903

See notes to consolidated financial statements (unaudited)

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

June 30, 2012

(unaudited)

(dollars in thousands)

Portfolio Company	Industry	Type of Investment[1]	Series	Principal Amount	Cost[2]	Value[3]
Total Clickfox, Inc.					$ 5,780	$ 5,678
Hillcrest Laboratories, Inc		Senior Debt Matures July 2015 Interest rate Prime + 7.50% or Floor rate of 10.75%		$ 4,000	3,896	3,896
Kxen, Inc.[4]	Software	Senior Debt Matures January 2015 Interest rate Prime + 5.08% or Floor rate of 8.33%		$ 2,838	2,835	2,692
Tada Innovations, Inc.	Software	Senior Debt[9] Matures August 2012 Interest rate Fixed 8.00%		$ 100	99	99
Tectura	Software	Revolving Line of Credit Matures July 2013 Interest rate Fixed 11.00%		$ 17,064	18,162	18,162
		Senior Debt Matures December 2014 Interest rate Fixed 13.00%		$ 6,978	6,865	6,705
		Senior Debt Matures April 2013 Interest rate Fixed 13.00%		$ 1,607	1,571	1,570
Total Tectura					26,598	26,437
White Sky, Inc.	Software	Senior Debt Matures June 2014		$ 1,164	1,134	1,134

		Interest rate Prime + 7.00% or Floor rate of 10.25%			
Total Debt Software (15.37%)*				73,976	72,960
Maxvision Holding, LLC.(7)(8)	Electronics & Computer Hardware	Senior Debt Matures December 2013 Interest rate Prime + 8.25% or Floor rate of 12.00%, PIK interest 5.00%	$ 4,002	3,732	169
		Senior Debt Matures December 2013 Interest rate Prime + 6.25% or Floor rate of 10.00%, PIK interest 2.00%	$ 2,180	2,448	
		Revolving Line of Credit Matures December 2013 Interest rate Prime + 6.25% or Floor rate of 10.00%	$ 852	935	
Total Maxvision Holding, LLC				7,115	169
Total Debt Electronics & Computer Hardware (0.04%)*				7,115	169
Althea Technologies, Inc.	Specialty Pharmaceuticals	Senior Debt Matures October 2013 Interest rate Prime + 7.70% or Floor rate of 10.95%	$ 9,047	9,115	9,267

See notes to consolidated financial statements (unaudited)

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

June 30, 2012

(unaudited)

(dollars in thousands)

Portfolio Company	Industry	Type of Investment[1]	Series	Principal Amount	Cost[2]	Value[3]
Quatrx Pharmaceuticals Company	Specialty Pharmaceuticals	Senior Debt[9] Matures March 2014 Interest rate Fixed 8.00%		$ 1,888	$ 1,888	$ 2,252
Total Debt Specialty Pharmaceuticals (2.43%)*					11,003	11,519
Achronix Semiconductor Corporation	Semiconductors	Senior Debt Matures January 2015 Interest rate Prime + 10.60% or Floor rate of 13.85%		$ 2,213	2,148	2,209
Kovio Inc.	Semiconductors	Senior Debt Matures March 2015 Interest rate Prime + 5.50% or Floor rate of 9.25%		$ 1,250	1,225	1,150
		Senior Debt Matures March 2015 Interest rate Prime - 3.75% or Floor rate of 9.75%		$ 3,000	2,934	2,789
Total Kovio Inc.					4,159	3,939
Total Debt Semiconductors (1.29%)*					6,307	6,148
AcelRX Pharmaceuticals, Inc.[3]	Drug Delivery	Senior Debt Matures December 2014 Interest rate Prime + 3.25% or Floor rate of 8.50%		$ 10,000	9,855	9,473

		Senior Debt Matures December 2014 Interest rate Prime + 3.25% or Floor rate of 8.50%	$ 10,000	9,855	9,473
Total AcelRX Pharmaceuticals, Inc.				19,710	18,946
Alexza Pharmaceuticals, Inc.(3)(4)	Drug Delivery	Senior Debt Matures October 2013 Interest rate Prime + 6.5% or Floor rate of 10.75%	$ 7,849	8,072	8,072
BIND Biosciences, Inc.	Drug Delivery	Senior Debt Matures July 2014 Interest rate Prime + 7.45% or Floor rate of 10.70%	$ 4,259	4,148	4,233
Intelliject, Inc.(4)	Drug Delivery	Senior Debt Matures September 2015 Interest rate Prime + 5.75% or Floor rate of 11.00%	$ 15,000	14,294	14,295
Revance Therapeutics, Inc.	Drug Delivery	Senior Debt Matures March 2015 Interest rate Prime + 6.60% or Floor rate of 9.85%	$ 22,000	21,643	21,078
Total Debt Drug Delivery (14.03%)*				67,867	66,624

See notes to consolidated financial statements (unaudited)

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

June 30, 2012

(unaudited)

(dollars in thousands)

Portfolio Company	Industry	Type of Investment[1]	Series	Principal Amount	Cost[2]	Value[3]
Gelesis, Inc.[6]	Therapeutic	Senior Debt Matures April 2013 Interest rate Prime + 8.75% or Floor rate of 12.00%		$ 3,568	$ 3,809	$ 3,809
Gynesonics, Inc.	Therapeutic	Senior Debt Matures October 2013 Interest rate Prime + 8.25% or Floor rate of 11.50%		$ 4,991	4,905	4,991
		Senior Debt[9] Matures November 2012 Interest rate Fixed 8.00%		$ 181	181	181
Total Gynesonics, Inc.					5,086	5,172
Oraya Therapeutics, Inc.[4]	Therapeutic	Senior Debt Matures March 2015 Interest rate Prime + 4.75% or Floor rate of 9.50%		$ 7,500	7,329	7,265
Novasys Medical, Inc.	Therapeutic	Senior Debt[9] Matures January 2013 Interest rate Fixed 8.00%		$ 65	61	62
Total Debt Therapeutic (3.43%)*					16,285	16,308
Ahhha, Inc.	Internet Consumer & Business Services	Senior Debt Matures January 2015 Interest rate Fixed 10.00%		$ 350	346	50

Blurb, Inc.	Internet Consumer & Business Services	Senior Debt Matures December 2015 Interest rate Prime + 5.25% or Floor rate 8.50%	$ 8,000	7,624	7,372
Just.Me	Internet Consumer & Business Services	Senior Debt Matures June 2015 Interest rate Prime + 2.50% or Floor rate 5.75%	$ 150	146	146
NetPlenish	Internet Consumer & Business Services	Senior Debt Matures April 2015 Interest rate Fixed 10.00%	$ 500	486	486
Reply! Inc.(4)	Internet Consumer & Business Services	Senior Debt Matures June 2015 Interest rate Prime + 6.875% or Floor rate of 10.125%	$ 13,000	12,797	12,411
	Internet Consumer & Business Services	Senior Debt Matures June 2015 Interest rate Prime + 7.25% or Floor rate of 11.00%	$ 2,000	1,905	1,905
				14,702	14,316
Second Rotation	Internet Consumer & Business Services	Senior Debt Matures August 2015 Interest rate Prime + 6.50% or Floor rate of 10.25%, PIK Interest 2.50%	$ 6,000	5,914	5,914

See notes to consolidated financial statements (unaudited)

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

June 30, 2012

(unaudited)

(dollars in thousands)

Portfolio Company	Industry	Type of Investment[1]	Series	Principal Amount	Cost[2]	Value[3]
Trulia, Inc.[4]	Internet Consumer & Business Services	Senior Debt Matures March 2015 Interest rate Prime + 2.75% or Floor rate of 6.00%		$ 5,000	$ 4,903	$ 4,558
		Senior Debt Matures March 2015 Interest rate Prime + 5.50% or Floor rate of 8.75%		$ 5,000	4,903	4,740
Total Trulia, Inc.					9,806	9,298
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	7,560	7,560
		Senior Debt Matures September 2015 Interest rate LIBOR + 7.00% or Floor rate of 8.50%		$ 11,125	11,013	10,691
		Revolving Line of Credit Matures September 2015 Interest rate Libor + 6.00% or Floor rate of 7.50%		$ 300	286	287
Total Vaultlogix, Inc.					18,859	18,538

Votizen	Internet Consumer & Business Services	Senior Debt(9) Matures February 2013 Interest rate Fixed 5.00%	$ 100	100	100
Wavemarket, Inc.(4)	Internet Consumer & Business Services	Senior Debt Matures September 2015 Interest rate Prime + 5.75% or Floor rate of 9.50%	$ 10,000	9,787	9,786
Total Debt Internet Consumer & Business Services (13.90%)*				67,770	66,006
Cha Cha Search, Inc.	Information Services	Senior Debt Matures February 2015 Interest rate Prime + 6.25% or Floor rate of 9.50%	$ 3,000	2,945	2,800
Eccentex Corporation	Information Services	Senior Debt Matures May 2015 Interest rate Prime + 7.00% or Floor rate of 10.25%	$ 1,000	962	962
InXpo, Inc.	Information Services	Senior Debt Matures March 2014 Interest rate Prime + 7.50% or Floor rate of 10.75%	$ 2,550	2,445	2,467

See notes to consolidated financial statements (unaudited)

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

June 30, 2012

(unaudited)

(dollars in thousands)

Portfolio Company	Industry	Type of Investment[1]	Series	Principal Amount	Cost[2]	Value[3]
Jab Wireless, Inc.	Information Services	Senior Debt Matures August 2016 Interest rate Prime + 5.25% or Floor rate of 6.75%		$ 21,902	$ 21,635	$ 21,635
RichRelevance, Inc.	Information Services	Senior Debt Matures January 2015 Interest rate Prime + 3.25% or Floor rate of 7.50%		$ 5,000	4,925	4,673
Total Debt Information Services (6.85%)*					32,912	32,537
Optiscan Biomedical, Corp.	Medical Device & Equipment	Senior Debt[9] Matures December 2013 Interest rate Prime + 8.20% or Floor rate of 11.45%		$ 10,056	10,437	10,437
Total Debt Medical Device & Equipment (2.20%)*					10,437	10,437
Navidea Biopharmaceuticals, Inc. (pka Neoprobe)[3]	Diagnostic	Senior Debt Matures December 2014 Interest rate Prime + 6.75% or Floor rate of 10.00%		$ 7,000	6,822	6,822
Tethys Bioscience Inc.	Diagnostic	Senior Debt Matures December 2015 Interest rate Prime + 8.40% or Floor rate of 11.65%		$ 10,000	9,755	9,755

Total Debt Diagnostic (3.49%)*				16,577	16,577
deCODE genetics ehf.[5][10]	Biotechnology Tools	Senior Debt Matures September 2014 Interest rate Prime + 10.25% or Floor rate of 13.50%, PIK interest 2.00%	$ 4,578	4,412	4,331
Labcyte, Inc.	Biotechnology Tools	Senior Debt Matures May 2013 Interest rate Prime + 8.60% or Floor rate of 11.85%	$ 1,613	1,663	1,663
		Senior Debt Matures June 2016 Interest rate Prime + 6.70% or Floor rate of 9.95%	$ 5,000	4,809	4,809
				6,472	6,472
Total Debt Biotechnology Tools (2.28%)*				10,884	10,803
ScriptSave (Medical Security Card Company, LLC)	Healthcare Services, Other	Senior Debt Matures February 2016 Interest rate LIBOR + 8.75% or Floor rate of 11.25%	$ 17,317	17,053	17,400

See notes to consolidated financial statements (unaudited)

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

June 30, 2012

(unaudited)

(dollars in thousands)

Portfolio Company	Industry	Type of Investment[1]	Series	Principal Amount	Cost[2]	Value[3]
MedCall	Healthcare Services, Other	Senior Debt Matures January 2016 Interest rate 7.79% or Floor rate of 9.50%		$ 5,168	$ 5,078	$ 5,078
		Senior Debt Matures January 2016 Interest rate LIBOR + 8.00% or Floor rate of 10.00%		$ 4,250	4,170	4,170
					9,248	9,248
Pacific Child & Family Associates, LLC	Healthcare Services, Other	Senior Debt Matures January 2015 Interest rate LIBOR + 8.00% or Floor rate of 10.50%		$ 3,877	3,904	3,836
		Revolving Line of Credit Matures January 2015 Interest rate LIBOR + 6.50% or Floor rate of 9.00%		$ 1,500	1,487	1,411
		Senior Debt Matures January 2015 Interest rate LIBOR + 10.50% or Floor rate of 13.00%, PIK interest 3.75%		$ 5,900	6,412	6,589
Total Pacific Child & Family Associates, LLC					11,803	11,836

Total Debt Health Services, Other (8.11%)*				38,104	38,484
Entrigue Surgical, Inc.	Surgical Devices	Senior Debt Matures December 2014 Interest rate Prime + 5.90% or Floor rate of 9.65%	$ 3,000	2,925	2,883
Transmedics, Inc.(4)	Surgical Devices	Senior Debt Matures February 2014 Interest rate Prime + 9.70% or Floor rate of 12.95%	$ 8,375	8,693	8,694
Total Debt Surgical Devices (2.44%)*				11,618	11,577
Women s Marketing, Inc.	Media/ Content/ Info	Senior Debt Matures May 2016 Interest rate Libor + 9.50% or Floor rate of 12.00%, PIK interest 3.00%	$ 9,681	9,820	9,920
		Senior Debt Matures November 2015 Interest rate Libor + 7.50% or Floor rate of 10.00%	$ 8,819	8,655	8,653
		Senior Debt Matures November 2015 Interest rate Libor + 7.50% or Floor rate of 10.00%	$ 9,043	8,873	8,874

See notes to consolidated financial statements (unaudited)

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

June 30, 2012

(unaudited)

(dollars in thousands)

Portfolio Company	Industry	Type of Investment[1]	Series	Principal Amount	Cost[2]	Value[3]
Total Women s Marketing, Inc.					$ 27,348	$ 27,447
Westwood One Communications	Media/Content/ Info	Senior Debt Matures October 2016 Interest rate LIBOR + 6.50% or Floor rate of 8.00%		$ 20,831	19,118	19,479
Total Debt Media/Content/Info (9.88%)*					46,466	46,926
Alphabet Energy, Inc.	Clean Tech	Senior Debt Matures February 2015 Interest rate Prime + 5.75% or Floor rate of 9.00%		$ 513	494	494
American Superconductor Corporation[3]	Clean Tech	Senior Debt Matures December 2014 Interest rate Prime + 7.25% or Floor rate of 11.00%		$ 10,000	9,615	9,615
BrightSource Energy, Inc.	Clean Tech	Senior Debt Matures November 2012 Interest rate Prime + 7.25% or Floor rate of 10.50%		$ 35,000	34,886	34,886
EcoMotors, Inc.	Clean Tech	Senior Debt Matures February 2014 Interest rate Prime + 6.10% or Floor rate of 9.35%		$ 3,837	3,855	3,826
Enphase Energy, Inc.[3]	Clean Tech	Senior Debt		$ 4,898	4,839	4,670

		Matures June 2014 Interest rate Prime + 4.40% or Floor rate of 9.00%				
Glori Energy, Inc.	Clean Tech	Senior Debt Matures June 2015 Interest rate Prime + 6.75% or Floor rate of 10.00%	$	4,000	3,863	3,863
Integrated Photovoltaics, Inc.	Clean Tech	Senior Debt Matures February 2015 Interest rate Prime + 7.38% or Floor rate of 10.63%	$	3,000	2,899	2,839
Propel Biofuels, Inc.	Clean Tech	Senior Debt Matures September 2013 Interest rate of 11.00%	$	963	1,015	964
SCIenergy, Inc.	Clean Tech	Senior Debt Matures October 2014 Interest rate 6.25%	$	202	202	156
		Senior Debt Matures August 2015 Interest rate Prime + 4.90% or Floor rate of 8.15%	$	5,000	4,909	4,507
Total SCIenergy, Inc.					5,111	4,663

See notes to consolidated financial statements (unaudited)

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

June 30, 2012

(unaudited)

(dollars in thousands)

Portfolio Company	Industry	Type of Investment[1]	Series	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%		$ 5,578	$ 5,547	$ 5,547
		Senior Debt Matures June 2013 Interest rate Prime + 7.25% or Floor rate of 10.50%		$ 642	639	639
Total Solexel, Inc.					6,186	6,186
Stion Corporation[4]	Clean Tech	Senior Debt Matures February 2015 Interest rate Prime + 6.75% or Floor rate of 10.00%		$ 9,031	8,824	8,824
Total Debt Clean Tech (17.02%)*					81,587	80,830
Total Debt (136.29%)					661,209	647,068
Acceleron Pharmaceuticals, Inc.	Drug Discovery & Development	Common Stock Warrants			39	48
		Preferred Stock Warrants	Series A		69	312
		Preferred Stock Warrants	Series B		35	58
Total Warrants Acceleron Pharmaceuticals, Inc.					143	418
Anthera Pharmaceuticals Inc.[3]	Drug Discovery & Development	Common Stock Warrants			984	94
Cempra, Inc.[3]	Drug Discovery & Development	Common Stock Warrants			187	113
Chroma Therapeutics, Ltd.[5][10]	Drug Discovery & Development	Preferred Stock Warrants	Series D		490	500
Concert Pharmaceuticals, Inc.[4]		Preferred Stock Warrants	Series C		367	119

	Drug Discovery & Development				
Dicerna Pharmaceuticals, Inc.	Drug Discovery & Development	Common Stock Warrants		28	12
		Preferred Stock Warrants	Series A	236	126
		Preferred Stock Warrants	Series B	311	159
Total Warrants Dicerna Pharmaceuticals, Inc.				575	297
EpiCept Corporation[(3)]	Drug Discovery & Development	Common Stock Warrants		4	1
Horizon Pharma, Inc.[(3)]	Drug Discovery & Development	Preferred Stock Warrants	Series C	231	1
Insmed, Incorporated[(3)]	Drug Discovery & Development	Preferred Stock Warrants	Series C	570	568
Merrimack Pharmaceuticals, Inc.[(3)]	Drug Discovery & Development	Common Stock Warrants		155	897
NeurogesX, Inc.[(3)]	Drug Discovery & Development	Common Stock Warrants		503	220

See notes to consolidated financial statements (unaudited)

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

June 30, 2012

(unaudited)

(dollars in thousands)

Portfolio Company	Industry	Type of Investment(1)	Series	Principal Amount	Cost(2)	Value(3)
NextWave Pharmaceuticals, Inc.(4)	Drug Discovery & Development	Preferred Stock Warrants	Series A-1		$ 126	$ 179
PolyMedix, Inc.(3)	Drug Discovery & Development	Common Stock Warrants			480	15
Portola Pharmaceuticals, Inc.	Drug Discovery & Development	Preferred Stock Warrants	Series B		152	198
Total Warrants Drug Discovery & Development (0.76%)*					4,967	3,620
Affinity Videonet, Inc.	Communications & Networking	Preferred Stock Warrants	Series A		102	180
Bridgewave Communications	Communications & Networking	Preferred Stock Warrants	Series 5		752	740
IKANO Communications, Inc.	Communications & Networking	Preferred Stock Warrants	Series D		72	
Intelepeer, Inc.	Communications & Networking	Preferred Stock Warrants	Series C		102	179
Neonova Holding Company	Communications & Networking	Preferred Stock Warrants	Series A		94	47
OpenPeak, Inc.(4)	Communications & Networking	Preferred Stock Warrants	Series E		149	138
Pac-West Telecomm, Inc.	Communications & Networking	Common Stock Warrants			121	
PeerApp, Inc.(4)	Communications & Networking	Preferred Stock Warrants	Series B		61	37
Peerless Network, Inc.	Communications & Networking	Preferred Stock Warrants	Series A		95	264
Ping Identity Corporation	Communications & Networking	Preferred Stock Warrants	Series B		52	130
PointOne, Inc.	Communications & Networking	Common Stock Warrants			131	14
Purcell Systems, Inc.	Communications & Networking	Preferred Stock Warrants	Series B		123	115
Stoke, Inc.	Communications & Networking	Preferred Stock Warrants	Series C		53	134
		Preferred Stock Warrants	Series D		65	56
Total Stoke, Inc.					118	190
Total Warrants Communications & Networking (0.43%)*					1,972	2,034
Atrenta, Inc.	Software	Preferred Stock Warrants	Series C		136	643
		Preferred Stock Warrants	Series D		95	224
Total Atrenta, Inc.					231	867

Box.net, Inc.[4]	Software	Preferred Stock Warrants	Series C	117	1,598
		Preferred Stock Warrants	Series B	72	2,337
		Preferred Stock Warrants	Series D-1	194	241
Total Box.net, Inc.				383	4,176
Braxton Technologies, LLC.	Software	Preferred Stock Warrants	Series A	188	
Central Desktop, Inc.	Software	Preferred Stock Warrants	Series B	108	188

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

June 30, 2012

(unaudited)

(dollars in thousands)

Portfolio Company	Industry	Type of Investment(1)	Series	Principal Amount	Cost(2)	Value(3)
Clickfox, Inc.	Software	Preferred Stock Warrants	Series B		$ 329	$ 540
Daegis Inc. (pka Unify Corporation)(3)	Software	Common Stock Warrants			1,434	19
Forescout Technologies, Inc.	Software	Preferred Stock Warrants	Series D		99	155
HighRoads, Inc.	Software	Preferred Stock Warrants	Series B		44	9
Hillcrest Laboratories, Inc.	Software	Preferred Stock Warrants	Series E		55	25
Kxen, Inc.(4)	Software	Preferred Stock Warrants	Series D		47	19
Rockyou, Inc.	Software	Preferred Stock Warrants	Series B		117	
SugarSync Inc.	Software	Preferred Stock Warrants	Series CC		78	151
		Preferred Stock Warrants	Series DD		34	38
Total SugarSync Inc.					112	189
Tada Innovations, Inc.	Software	Preferred Stock Warrants	Series A		25	30
Tectura Corporation	Software	Preferred Stock Warrants	Series B-1		51	14
White Sky, Inc.	Software	Preferred Stock Warrants	Series B-2		54	5
WildTangent, Inc.	Software	Preferred Stock Warrants	Series 3A		238	100
Total Warrants Software (1.34%)*					3,515	6,336
Luminous Devices, Inc.	Electronics & Computer Hardware	Common Stock Warrants			601	
Shocking Technologies, Inc.	Electronics & Computer Hardware	Preferred Stock Warrants	Series A-1		63	47
Total Warrant Electronics & Computer Hardware (0.01%)*					664	47
Althea Technologies, Inc.	Specialty Pharmaceuticals	Preferred Stock Warrants	Series D		309	447
Pacira Pharmaceuticals, Inc.(3)	Specialty Pharmaceuticals	Common Stock Warrants			1,086	1,222
Quatrx Pharmaceuticals Company	Specialty Pharmaceuticals	Preferred Stock Warrants	Series E		528	
Total Warrants Specialty Pharmaceuticals (0.35%)*					1,923	1,669
IPA Holdings, LLC	Consumer & Business Products	Common Stock Warrants			275	163
Market Force Information, Inc.	Consumer & Business Products	Preferred Stock Warrants	Series A		24	139
Seven Networks, Inc.	Consumer & Business Products	Preferred Stock Warrants	Series C		174	204
Wageworks, Inc.(3)	Consumer & Business Products	Common Stock Warrants			252	1,484
Wavemarket, Inc.(4)	Consumer & Business Products	Preferred Stock Warrants	Series E		106	61

Total Warrant Consumer & Business Products (0.43%)*				831	2,051
Achronix Semiconductor Corporation	Semiconductors	Preferred Stock Warrants	Series D	160	136
Enpirion, Inc.	Semiconductors	Preferred Stock Warrants	Series D	157	

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(dollars in thousands)

Portfolio Company	Industry	Type of Investment[1]	Series	Principal Amount	Cost[2]	Value[3]
iWatt, Inc.	Semiconductors	Preferred Stock Warrants	Series C		$ 45	$ 23
		Preferred Stock Warrants	Series D		583	475
Total iWatt, Inc.					628	498
Kovio Inc.	Semiconductors	Preferred Stock Warrants	Series B		92	
Quartics, Inc.	Semiconductors	Preferred Stock Warrants	Series C		53	
Total Warrants Semiconductors (0.13%)*					1,090	634
AcelRX Pharmaceuticals, Inc.[3]	Drug Delivery	Common Stock Warrants			357	285
Alexza Pharmaceuticals, Inc.[3][4]	Drug Delivery	Common Stock Warrants			645	19
BIND Biosciences, Inc.	Drug Delivery	Preferred Stock Warrants	Series C-1		291	485
Intelliject, Inc.[4]	Drug Delivery	Preferred Stock Warrants	Series B		594	602
Merrion Pharma, Plc.[3][5][10]	Drug Delivery	Common Stock Warrants			210	100
Revance Therapeutics, Inc.	Drug Delivery	Preferred Stock Warrants	Series D		557	473
Transcept Pharmaceuticals, Inc.[3]	Drug Delivery	Common Stock Warrants			87	93
Total Warrant Drug Delivery (0.43%)*					2,741	2,057
EKOS Corporation	Therapeutic	Preferred Stock Warrants	Series C		327	
Gelesis, Inc.[6]	Therapeutic	Preferred Stock Warrants	Series A-1		78	110
Light Science Oncology, Inc.	Therapeutic	Preferred Stock Warrants	Series B		99	
Novasys Medical, Inc.	Therapeutic	Preferred Stock Warrants	Series D		131	16
Oraya Therapeutics, Inc.[4]	Therapeutic	Preferred Stock Warrants	Series C		550	221
Total Warrants Therapeutic (0.07%)*					1,185	347
Blurb, Inc.	Internet Consumer & Business Services	Preferred Stock Warrants	Series B		323	655
		Preferred Stock Warrants	Series C		636	411
Total Blurb, Inc.					959	1,066
Cozi Group, Inc.	Internet Consumer & Business Services	Preferred Stock Warrants	Series A		147	
Invoke Solutions, Inc.	Internet Consumer & Business Services	Common Stock Warrants			82	
Just.Me	Internet Consumer & Business Services	Preferred Stock Warrants	Series A		20	25
Prism Education Group, Inc.	Internet Consumer & Business Services	Preferred Stock Warrants	Series B		43	
RazorGator Interactive Group, Inc.	Internet Consumer & Business Services	Preferred Stock Warrants	Series C		1,224	
Reply! Inc.[4]	Internet Consumer & Business Services	Preferred Stock Warrants	Series B		320	598

Second Rotation	Internet Consumer & Business Services	Preferred Stock Warrants	Series D	57	30
Trulia, Inc.(4)	Internet Consumer & Business Services	Preferred Stock Warrants	Series D	188	763
Total Warrants Internet Consumer & Business Services (0.52%)*				3,040	2,482

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

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(dollars in thousands)

Portfolio Company	Industry	Type of Investment[1]	Series	Principal Amount	Cost[2]	Value[3]
Buzznet, Inc.	Information Services	Preferred Stock Warrants	Series B		$ 9	$
Cha Cha Search, Inc.	Information Services	Preferred Stock Warrants	Series F		58	1
Eccentex Corporation	Information Services	Preferred Stock Warrants	Series A		31	3
Intelligent Beauty, Inc.	Information Services	Preferred Stock Warrants	Series B		230	467
InXpo, Inc.	Information Services	Preferred Stock Warrants	Series C		98	46
		Preferred Stock Warrants	Series C-1		17	17
Total InXpo, Inc.					115	63
Magi.com (pka Hi5 Networks, Inc.)	Information Services	Preferred Stock Warrants	Series B		213	
Jab Wireless, Inc.	Information Services	Preferred Stock Warrants	Series A		265	355
RichRelevance, Inc.	Information Services	Preferred Stock Warrants	Series D		98	32
Solutionary, Inc.	Information Services	Preferred Stock Warrants	Series E		96	2
Zeta Interactive Corporation	Information Services	Preferred Stock Warrants	Series A		172	
Total Warrants Information Services (0.19%)*					1,287	923
Optiscan Biomedical, Corp.	Medical Device & Equipment	Preferred Stock Warrants	Series B		680	388
		Preferred Stock Warrants	Series C		389	357
Total Optiscan Biomedical, Corp.					1,069	745
Total Warrants Medical Device & Equipment (0.16%)*					1,069	745
Navidea Biopharmaceuticals, Inc. (pka Neoprobe)[3]	Diagnostic	Common Stock Warrants			245	563
Tethys Bioscience, Inc.	Diagnostic	Preferred Stock Warrants	Series E		147	147
Total Warrants Diagnostic (0.15%)					392	710
deCODE genetics ehf.[5][10]	Biotechnology Tools	Preferred Stock Warrants	Series A-2		305	378
Labcyte, Inc.	Biotechnology Tools	Preferred Stock Warrants	Series C		323	401
NuGEN Technologies, Inc.	Biotechnology Tools	Preferred Stock Warrants	Series B		45	135
		Preferred Stock Warrants	Series C		33	7
Total NuGEN Technologies, Inc.					78	142
Total Warrants Biotechnology Tools (0.20%)*					706	921
Entrigue Surgical, Inc.	Surgical Devices	Preferred Stock Warrants	Series B		87	39
Transmedics, Inc.[4]	Surgical Devices	Preferred Stock Warrants	Series B		225	
Gynesonics, Inc.	Surgical Devices	Preferred Stock Warrants	Series A		18	7
		Preferred Stock Warrants	Series C		365	273

				383	280
Total Warrants Surgical Devices (0.07%)*				695	319
Everyday Health, Inc. (pka Waterfront Media, Inc.)	Media/Content/ Info	Preferred Stock Warrants	Series C	60	245
Glam Media, Inc.	Media/Content/ Info	Preferred Stock Warrants	Series D	482	
Total Warrants Media/Content/Info (0.05%)*				542	245

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CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

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(dollars in thousands)

Portfolio Company	Industry	Type of Investment[1]	Series	Principal Amount	Cost[2]	Value[3]
Alphabet Energy, Inc.	Clean Tech	Preferred Stock Warrants	Series A		$ 32	$ 75
American Superconductor Corporation[3]	Clean Tech	Common Stock Warrants			245	300
BrightSource Energy, Inc.	Clean Tech	Preferred Stock Warrants	Series D		675	601
Calera, Inc.	Clean Tech	Preferred Stock Warrants	Series C		513	173
EcoMotors, Inc.	Clean Tech	Preferred Stock Warrants	Series B		308	691
Enphase Energy, Inc.[3]	Clean Tech	Common Stock Warrants			102	65
Glori Energy, Inc.	Clean Tech	Preferred Stock Warrants	Series C		165	93
GreatPoint Energy, Inc.	Clean Tech	Preferred Stock Warrants	Series D-1		548	15
Integrated Photovoltaics, Inc.	Clean Tech	Preferred Stock Warrants	Series A-1		82	121
Lilliputian Systems, Inc.	Clean Tech	Preferred Stock Warrants	Series C		106	
		Common Stock Warrants			49	
Total Lilliputian Systems, Inc.					155	
Propel Biofuels, Inc.	Clean Tech	Preferred Stock Warrants	Series C		211	392
SCIenergy, Inc.[4]	Clean Tech	Preferred Stock Warrants	Series C		138	25
Solexel, Inc.	Clean Tech	Preferred Stock Warrants	Series B		1,161	110
Stion Corporation[4]	Clean Tech	Preferred Stock Warrants	Series E		317	250
Trilliant, Inc.	Clean Tech	Preferred Stock Warrants	Series A			