UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For The Quarterly Period Ended September 30, 2008

OR

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

Commission File Number: 814-00702

HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

(Exact Name of Registrant as Specified in its Charter)

Maryland	**743113410**
(State or Jurisdiction of	**(IRS Employer**
Incorporation or Organization)	**Identification No.)**
400 Hamilton Ave., Suite 310 Palo Alto, California 94301	**94301**
(Address of Principal Executive Offices)	**(Zip Code)**

(650) 289-3060

(Registrant s Telephone Number, Including Area Code)

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

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

Large Accelerated Filer ¨ Accelerated Filer x Non-Accelerated Filer ¨ Smaller Reporting Company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) YES ¨ NO x

On November 7, 2008, there were 32,862,554 shares outstanding of the Registrant s common stock, $0.001 par value.

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PART I: FINANCIAL INFORMATION

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

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES

(in thousands, except per share data)

	September 30, 2008 (unaudited)	December 31, 2007
Assets		
Investments:		
Non-affiliate investments (cost of $621,675 and $513,106)	$ 632,500	$ 525,725
Affiliate investments (cost of $6,344 and $6,344)	4,247	4,247
Total investments, at value (cost of $628,019 and $519,450 respectively)	636,747	529,972
Deferred loan origination revenue	(7,769)	(6,593)
Cash and cash equivalents	20,489	7,856
Interest receivable	7,859	6,387
Other assets	17,677	4,321
Total assets	675,003	541,943
Liabilities		
Accounts payable and accrued liabilities	7,213	6,956
Short-term credit facility	127,900	79,200
Long-term credit facility	10,000	
Long-term SBA debentures	127,200	55,050
Total liabilities	272,313	141,206
Net assets	$ 402,690	$ 400,737
Net assets consist of:		
Common stock, par value	$ 33	$ 33
Capital in excess of par value	397,990	393,530
Deferred stock compensation	(2,418)	(78)
Unrealized appreciation on investments	8,105	10,129
Accumulated realized gains on investments	5,812	819
Distributions in excess of investment income	(6,832)	(3,696)
Total net assets	$ 402,690	$ 400,737
Shares of common stock outstanding ($0.001 par value, 60,000 authorized)	32,863	32,541
Net asset value per share	$ 12.25	$ 12.31

See notes to consolidated financial statements (unaudited).

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

September 30, 2008

(unaudited)

(dollars in thousands)

Portfolio Company	Industry	Type of Investment(1)	Principal Amount	Cost(2)	Value(3)
Acceleron Pharmaceuticals, Inc. (0.77%)*(4)	Drug Discovery	Senior Debt Matures January 2010 Interest rate 10.25%	$ 2,204	$ 2,202	$ 2,202
		Preferred Stock Warrants		69	731
		Preferred Stock Warrants		35	162
Acceleron Pharmaceuticals, Inc. (0.45%)		Preferred Stock		1,243	1,805
Total Acceleron Pharmaceuticals, Inc.				3,549	4,900
Aveo Pharmaceuticals, Inc. (3.78%)(4)	Drug Discovery	Senior Debt Matures November 2011 Interest rate 11.13%	$ 15,000	14,913	14,890
		Preferred Stock Warrants		190	252
		Preferred Stock Warrants		104	68
		Preferred Stock Warrants		24	23
Total Aveo Pharmaceuticals, Inc.				15,231	15,233
Elixir Pharmaceuticals, Inc. (2.8%)(4)	Drug Discovery	Senior Debt Matures December 2010 Interest rate Prime + 4.50%	$ 11,000	11,000	11,000
		Preferred Stock Warrants		217	260
Total Elixir Pharmaceuticals, Inc.				11,217	11,260
EpiCept Corporation (0.91%)(4)	Drug Discovery	Senior Debt Matures April 2009 Interest rate 15.00%	$ 2,768	2,532	2,897
		Common Stock Warrants			
		Common Stock Warrants		161	610
		Common Stock Warrants		40	154
Total EpiCept Corporation				2,733	3,661
Horizon Therapeutics, Inc. (1.53%)(4)	Drug Discovery	Senior Debt Matures May 2011 Interest rate Prime + 1.50%	$ 6,000	5,880	5,880
		Preferred Stock Warrants		178	263
Total Horizon Therapeutics, Inc.				6,058	6,143
Inotek Pharmaceuticals Corp. (0.37%)	Drug Discovery	Preferred Stock		1,500	1,500
Total Inotek Pharmaceuticals Corp.				1,500	1,500
Memory Pharmaceuticals Corp. (3.04%)(4)	Drug Discovery	Senior Debt Matures December 2010 Interest rate 11.45%	$ 13,245	12,221	12,221
		Common Stock Warrants		1,751	23
Total Memory Pharmaceuticals Corp.				13,972	12,244
Merrimack Pharmaceuticals, Inc. (0.25%)(4)	Drug Discovery		$ 85	85	85

		Convertible Senior Debt Matures October 2008 Interest rate 11.15%		
		Preferred Stock Warrants	156	914
Merrimack Pharmaceuticals, Inc. (0.69%)		Preferred Stock	2,000	2,787
Total Merrimack Pharmaceuticals, Inc.			2,241	3,786
Neosil, Inc. (0.00%)	Drug Discovery	Preferred Stock Warrants	83	
Total Neosil, Inc.			83	
Paratek Pharmaceuticals, Inc. (0.10%)[4]	Drug Discovery	Preferred Stock Warrants	137	415
Paratek Pharmaceuticals, Inc. (0.25%)		Preferred Stock	1,000	1,000
Total Paratek Pharmaceuticals, Inc.			1,137	1,415

See notes to consolidated financial statements (unaudited)

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(dollars in thousands)

Portfolio Company	Industry	Type of Investment[1]	Principal Amount	Cost[2]	Value[3]
Portola Pharmaceuticals, Inc. (3.28%)[4]	Drug Discovery	Senior Debt Matures September 2011 Interest rate Prime + 2.16%	$ 12,917	12,840	12,840
		Preferred Stock Warrants		152	350
Total Portola Pharmaceuticals, Inc.				12,992	13,190
Recoly, N.V. (0.74%)[6]	Drug Discovery	Senior Debt Matures May 2012 Interest rate Prime + 4.25%	$ 3,000	3,000	3,000
Total Recoly, N.V.				3,000	3,000
Total Drug Discovery (18.96%)				73,713	76,332
Affinity Videonet, Inc. (1.62%)[4]	Communications & Networking	Senior Debt Matures June 2012 Interest rate Prime + 4.50%	$ 4,000	3,935	3,935
		Senior Debt Matures June 2012 Interest rate Prime + 5.50%	$ 2,000	2,000	2,000
		Revolving Line of Credit Matures June 2012 Interest rate Prime + 3.50%	$ 500	500	500
		Preferred Stock Warrants		74	72
Total Affinity Videonet, Inc.				6,509	6,507
E-band Communications, Inc. (0.50%)[7]	Communications & Networking	Preferred Stock		2,000	2,000
Total E-Band Communications, Inc.				2,000	2,000
IKANO Communications, Inc. (3.88%)[4]	Communications & Networking	Senior Debt Matures April 2011 Interest rate 11.00%	$ 15,196	15,196	15,196
		Preferred Stock Warrants		46	175
		Preferred Stock Warrants		72	266
Total IKANO Communications, Inc.				15,314	15,637
Kadoink, Inc. (0.5%)[4]	Communications & Networking	Senior Debt Matures April 2011 Interest rate Prime + 2.00%	$ 2,000	1,952	1,952
		Preferred Stock Warrants		73	72
Kadoink, Inc. (0.06%)		Preferred Stock		250	250
Total Kadoink, Inc.				2,275	2,274
Neonova Holding Company (2.24%)			$ 9,000	8,924	8,924

	Communications & Networking	Senior Debt Matures September 2012 Interest rate Prime + 3.25%		
		Preferred Stock Warrants	94	80
Neonova Holding Company (0.06%)		Preferred Stock	250	250
Total Neonova Holding Company			9,268	9,254

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Peerless Network, Inc. (0.37%)[5]	Communications & Networking	Senior Debt Matures June 2011 Interest rate Prime + 3.25%	$ 1,500	1,428	1,428
		Preferred Stock Warrants		95	75
Peerless Network, Inc. (0.25%)		Preferred Stock		1,000	1,000
Total Peerless Network, Inc.				2,523	2,503
Ping Identity Corporation (0.21%)[4]	Communications & Networking	Senior Debt Matures June 2009 Interest rate 11.50%	$ 851	842	842
		Preferred Stock Warrants		51	2
Total Ping Identity Corporation				893	844
Purcell Systems, Inc. (2.47%)	Communications & Networking	Senior Debt Matures June 2010 Interest rate Prime + 3.50%	$ 1,807	1,739	1,739
		Revolving Line of Credit Matures July 2009 Interest rate Prime + 2.75%	$ 6,000	6,000	6,000
		Senior Debt Matures July 2011 Interest rate Prime + 3.50%	$ 1,600	1,600	1,600
		Preferred Stock Warrants		123	613
Total Purcell Systems, Inc.				9,462	9,952
Rivulet Communications, Inc. (0.57%)[5]	Communications & Networking	Senior Debt Matures April 2010 Interest rate 10.50%	$ 2,324	2,301	2,301
		Preferred Stock Warrants		51	
Rivulet Communications, Inc. (0.00%)		Preferred Stock		250	4
Total Rivulet Communications, Inc.				2,602	2,305
Seven Networks, Inc. (2.57%)[4]	Communications & Networking	Senior Debt Matures April 2010 Interest rate Prime + 6.00%	$ 6,941	6,859	6,859
		Revolving Line of Credit Matures September 2009 Interest rate Prime + 5.00%	$ 3,000	3,000	3,000
		Preferred Stock Warrants		174	500
Total Seven Networks, Inc.				10,033	10,359
Simpler Networks Corp. (0.98%)[8]	Communications & Networking	Senior Debt Matures July 2010 Interest rate 18.25%	$ 4,646	4,615	3,966
		Preferred Stock Warrants		160	
Simpler Networks Corp. (0.00%)		Preferred Stock		500	

Total Simpler Networks Corp.	5,275	3,966

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Portfolio Company	Industry	Type of Investment[1]	Principal Amount	Cost[2]	Value[3]
Stoke, Inc. (0.77%)	Communications & Networking	Senior Debt Matures August 2010 Interest rate 10.55%	$ 3,028	2,995	2,995
		Preferred Stock Warrants		53	116
Total Stoke, Inc.				3,048	3,111
Tectura Corporation (6.32%)[4]	Communications & Networking	Senior Debt Matures April 2012 Interest rate LIBOR + 6.90%	$ 7,753	7,852	7,852
		Revolving Line of Credit Matures April 2009 Interest rate LIBOR + 6.35%	$ 12,000	12,000	12,000
		Revolving Line of Credit Matures March 2009 Interest rate LIBOR + 7.50%	$ 5,507	5,507	5,507
		Preferred Stock Warrants		51	90
Total Tectura Corporation				25,410	25,449
Teleflip, Inc. (0.16%)	Communications & Networking	Senior Debt Matures June 2010 Interest rate Prime + 2.75%	$ 906	907	651
		Preferred Stock Warrants		11	
Total Teleflip, Inc.				918	651
Wireless Channels, Inc. (3.01%)[4]	Communications & Networking	Senior Debt Matures April 2010 Interest rate Prime + 4.25%	$ 11,156	11,461	11,461
		Preferred Stock Warrants		155	641
Total Wireless Channels, Inc.				11,616	12,102
Zayo Bandwidth, Inc. (6.21%)	Communications & Networking	Senior Debt Matures November 2013 Interest rate Libor + 5.25%	$ 25,000	25,000	25,000
Total Zayo Bandwith, Inc.				25,000	25,000
Total Communications & Networking (32.75%)				132,146	131,914
Atrenta, Inc. (2.30%)[5]	Software	Senior Debt Matures January 2010 Interest rate 11.50%	$ 2,961	2,898	2,898
		Revolving Line of Credit Matures October 2009 Interest rate Prime + 2.00%	$ 6,000	6,000	6,000
		Preferred Stock Warrants		102	242
		Preferred Stock Warrants		34	79

		Preferred Stock Warrants		71	56
Atrenta, Inc. (0.06%)		Preferred Stock		250	240
Total Atrenta, Inc.				9,355	9,515
Blurb, Inc. (1.67%)	Software	Senior Debt Matures December 2009 Interest rate 9.55%	$ 1,720	1,709	1,709
		Senior Debt Matures June 2011 Interest rate Prime + 3.50%	$ 5,000	5,000	5,000
		Preferred Stock Warrants		25	33
Total Blurb, Inc.				6,734	6,742

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Portfolio Company	Industry	Type of Investment[1]	Principal Amount	Cost[2]	Value[3]
Braxton Technologies, LLC. (2.5%)[5]	Software	Senior Debt			
		Matures July 2012			
		Interest rate Libor + 7.25%	$ 10,000	9,863	9,863
		Preferred Stock Warrants		188	202
Total Braxton Technologies, LLC.				10,051	10,065
Bullhorn, Inc. (0.28%)	Software	Senior Debt			
		Matures November 2010			
		Interest rate Prime + 3.75%	$ 877	851	851
		Preferred Stock Warrants		43	261
Total Bullhorn, Inc.				894	1,112
Cittio, Inc. (0.22%)	Software	Senior Debt			
		Matures May 2010			
		Interest rate 11.00%	$ 849	832	832
		Preferred Stock Warrants		53	59
Total Cittio, Inc.				885	891
Clickfox, Inc. (0.62%)	Software	Senior Debt			
		Matures September 2011			
		Interest rate 10.25%	$ 2,500	2,337	2,337
		Preferred Stock Warrants		163	161
Total Clickfox, Inc.				2,500	2,498
Forescout Technologies, Inc. (0.46%)[4]	Software	Senior Debt			
		Matures August 2009			
		Interest rate 11.15%	$ 1,191	1,169	1,169
		Revolving Line of Credit			
		Matures February 2009			
		Interest rate Prime + 2.25%	$ 500	500	500
		Preferred Stock Warrants		99	162
Total Forescout Technologies, Inc.				1,768	1,831
GameLogic, Inc. (0.59%)[4]	Software	Senior Debt			
		Matures September 2010			
		Interest rate Prime + 4.125%	$ 2,461	2,369	2,369
		Preferred Stock Warrants		93	
Total GameLogic, Inc.				2,462	2,369
Gomez, Inc. (0.13%)[4]	Software	Preferred Stock Warrants		35	526
Total Gomez, Inc.				35	526
HighJump Acquisition, LLC. (2.98%)[4]	Software	Senior Debt			
		Matures May 2013			
		Interest rate Prime + 7.50%	$ 12,000	12,000	12,000

Total HighJump Acquisition, LLC.				12,000	12,000
HighRoads, Inc. (0.01%)(4)	Software	Preferred Stock Warrants		44	57
Total HighRoads, Inc.				44	57
Infologix, Inc. (5.21%)(4)					
	Software	Senior Debt Matures April 2012 Interest rate Prime + 4.50%	$ 12,000	12,000	12,000
		Revolving Line of Credit Matures August 2009 Interest rate Prime + 2.50%	$ 9,000	9,000	9,000
Total Infologix, Inc.				21,000	21,000

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Portfolio Company	Industry	Type of Investment[1]	Principal Amount	Cost[2]	Value[3]
Intelliden, Inc. (0.43%)	Software	Senior Debt Matures February 2010 Interest rate 13.20%	$ 1,652	1,645	1,645
		Preferred Stock Warrants		18	72
Total Intelliden, Inc.				1,663	1,717
Oatsystems, Inc. (0.00%)[4]	Software	Preferred Stock Warrants		67	
Total Oatsystems, Inc.				67	
Proficiency, Inc. (0.37%)[6][7]	Software	Senior Debt Matures August 2012 Interest rate 8.00%	$ 1,500	1,497	1,497
		Preferred Stock Warrants		97	
Proficiency, Inc. (0.19%)		Preferred Stock		2,750	750
Total Proficiency, Inc.				4,344	2,247
PSS Systems, Inc. (0.72%)[4]	Software	Senior Debt Matures March 2010 Interest rate 10.74%	$ 2,837	2,813	2,813
		Preferred Stock Warrants		51	93
Total PSS Systems, Inc.				2,864	2,906
Rockyou, Inc. (0.74%)[4]	Software	Senior Debt Matures May 2011 Interest rate Prime + 2.50%	$ 3,000	2,883	2,883
		Preferred Stock Warrants		117	99
Total Rockyou, Inc.				3,000	2,982
Savvion, Inc. (1.43%)[4]	Software	Senior Debt Matures April 2009 Interest rate Prime + 3.45%	$ 574	574	574
		Revolving Line of Credit Matures March 2009 Interest rate Prime + 4.45%	$ 2,078	2,078	2,078
		Revolving Line of Credit Matures March 2009 Interest rate Prime + 3.00%	$ 2,907	2,855	2,855
		Preferred Stock Warrants		52	264
Total Savvion, Inc.				5,559	5,771
Sportvision, Inc. (0.02%)	Software	Preferred Stock Warrants		39	86
Total Sportvision, Inc.				39	86
WildTangent, Inc. (0.53%)	Software	Senior Debt Matures March 2011 Interest rate 9.65%	$ 2,000	1,845	1,845

	Preferred Stock Warrants	238	282
Total WildTangent, Inc.		2,083	2,127
Total Software (21.46%)		87,347	86,442

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Portfolio Company	Industry	Type of Investment[1]	Principal Amount	Cost[2]	Value[3]
Luminus Devices, Inc. (3.07%)[4]	Electronics & Computer Hardware	Senior Debt Matures November 2010 Interest rate 12.875%	$ 7,861	11,474	11,474
		Preferred Stock Warrants		183	273
		Preferred Stock Warrants		84	142
		Preferred Stock Warrants		334	481
Total Luminus Devices, Inc.				12,075	12,370
Maxvision Holding, LLC. (2.7%)[4]	Electronics & Computer Hardware	Senior Debt Matures October 2012 Interest rate Prime + 5.50%	$ 5,000	5,089	5,089
		Senior Debt Matures April 2012 Interest rate Prime + 2.25%	$ 5,292	5,292	5,292
		Revolving Line of Credit Matures April 2012 Interest rate Prime +2.25%	$ 472	502	502
Maxvision Holding, LLC. (0.02%) [4]		Preferred Stock		81	82
Total Maxvision Holding, LLC				10,964	10,965
NetEffect, Inc. (0.62%)	Electronics & Computer Hardware	Senior Debt Matures May 2010 Interest rate 16.95%	$ 2,552	2,515	2,515
		Preferred Stock Warrants		47	
Total NetEffect, Inc.				2,562	2,515
Shocking Technologies, Inc. (1.01%)	Electronics & Computer Hardware	Senior Debt Matures December 2010 Interest rate 9.75%	$ 4,000	3,959	3,959
		Preferred Stock Warrants		63	89
Total Shocking Technologies, Inc.				4,022	4,048
SiCortex, Inc. (2.08%)	Electronics & Computer Hardware	Senior Debt Matures December 2010 Interest rate 10.95%	$ 8,179	8,077	8,077
		Preferred Stock Warrants		164	293
Total SiCortex, Inc.				8,241	8,370
Spatial Photonics, Inc. (0.97%)[4]					
	Electronics & Computer Hardware	Senior Debt Matures April 2011 Interest rate 10.066%	$ 3,410	3,326	3,326
		Senior Debt Mature April 2011 Interest rate 9.217%	$ 341	341	341

		Preferred Stock Warrants		130	237
Spatial Photonics, Inc. (0.12%)		Preferred Stock		500	500
Total Spatial Photonics Inc.				4,297	4,404
VeriWave, Inc. (0.96%)	Electronics & Computer Hardware	Senior Debt Matures May 2010 Interest rate 10.75%	$ 2,960	2,932	2,932
		Revolving Line of Credit Matures September 30 Interest rate Prime +1.00%	$ 922	922	922
		Preferred Stock Warrants		55	5
Total VeriWave, Inc.				3,909	3,859
ViDeOnline Communications, Inc. (0.07%)[(4)]	Electronics & Computer Hardware	Preferred Stock Warrants		298	287
Total ViDeOnline Communications, Inc.				298	287
Total Electronics & Computer Hardware (11.62%)				46,368	46,818

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Portfolio Company	Industry	Type of Investment(1)	Principal Amount	Cost(2)	Value(3)
Aegerion Pharmaceuticals, Inc. (1.96%)(5)	Specialty Pharmaceuticals	Senior Debt Matures August 2011 Interest rate 8.00%	$ 7,525	7,525	7,525
		Covertible Senior Debt Matures December 2009 Interest rate Prime + 2.50%	$ 76	76	76
		Preferred Stock Warrants		70	307
Aegerion Pharmaceuticals, Inc. (0.25%)(4)		Preferred Stock		1,000	1,000
Total Aegerion Pharmaceuticals, Inc.				8,671	8,908
Panacos Pharmaceuticals, Inc. (4.55%)(4)	Specialty Pharmaceuticals	Senior Debt Matures January 2011 Interest rate 11.20%	$ 18,839	18,296	18,296
		Common Stock Warrants		876	23
Panacos Pharmaceuticals, Inc. (0.02%)		Common Stock		410	62
Total Panacos Pharmaceuticals, Inc.				19,582	18,381
Quatrx Pharmaceuticals Company (4.99%)(4)	Specialty Pharmaceuticals	Senior Debt Matures October 2011 Interest rate Prime + 4.85%	$ 20,000	19,728	19,728
		Preferred Stock Warrants		220	149
		Preferred Stock Warrants		307	219
Quatrx Pharmaceuticals Company (0.19%)		Preferred Stock		750	750
Total Quatrx Pharmaceuticals Company				21,005	20,846
Total Specialty Pharmaceuticals (11.96%)				49,258	48,135
Annie s, Inc. (1.52%)	Consumer & Business Products	Senior Debt - Second Lien Matures April 2011 Interest rate LIBOR + 6.20%	$ 6,000	5,768	5,768
		Preferred Stock Warrants		321	335
Total Annie s, Inc.				6,089	6,103
BabyUniverse, Inc. (0.01%)(4)	Consumer & Business Products	Common Stock		267	37
Total BabyUniverse, Inc.				267	37
IPA Holdings, LLC. (4.16%)(4)	Consumer & Business Products	Senior Debt Matures November 2012 Interest rate Prime + 3.50%	$ 10,000	10,000	10,000
		Senior Debt Matures May 2013	$ 6,500	6,549	6,549

		Interest rate Prime + 6.00%				
		Revolving Line of Credit Matures November 2012 Interest rate Prime + 2.50%	$	200	200	200
IPA Holding, LLC.(0.12%)		Preferred Stock			500	500
Total IPA Holding, LLC.					17,249	17,249
Market Force Information, Inc. (0.01%)(4)	Consumer & Business Products	Preferred Stock Warrants			24	52
Market Force Information, Inc. (0.07%)		Preferred Stock			500	298
Total Market Force Information, Inc.					524	350

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Portfolio Company	Industry	Type of Investment[1]	Principal Amount	Cost[2]	Value[3]
OnTech Operations, Inc. (1.76%)	Consumer & Business Products	Senior Debt Matures June 2011 Interest rate Prime + 6.375%	$ 6,000	5,426	5,426
		Revolving Line of Credit Matures June 2009 Interest rate Prime +5.625%	$ 806	806	806
		Preferred Stock Warrants		452	556
		Preferred Stock Warrants		218	314
OnTech Operations, Inc. (0.25%)		Preferred Stock		1,000	1,000
Total OnTech Operations, Inc.				7,902	8,102
Wageworks, Inc. (0.25%)[4]	Consumer & Business Products	Preferred Stock Warrants		252	1,018
Wageworks, Inc. (0.07%)		Preferred Stock		250	265
Total Wageworks, Inc.				502	1,283
Total Consumer & Business Products (8.22%)				32,533	33,124
Custom One Design, Inc. (0.22%)	Semiconductors	Senior Debt Matures September 2010 Interest rate 11.50%	$ 874	862	862
		Common Stock Warrants		18	5
Total Custom One Design, Inc.				880	867
Enpirion, Inc. (1.87%)	Semiconductors	Senior Debt Matures August 2011 Interest rate Prime + 4.00%	$ 7,500	7,372	7,372
		Preferred Stock Warrants		157	161
Total Enpirion, Inc.				7,529	7,533
iWatt Inc. (1.07%)[4]	Semiconductors	Senior Debt Matures September 2009 Interest rate Prime + 2.75%	$ 859	857	857
		Senior Debt Matures September 2009 Interest rate 11.00%	$ 1,762	1,762	1,762
		Revolving Line of Credit Matures December 2008 Interest rate Prime + 2.00%	$ 1,000	1,000	1,000
		Preferred Stock Warrants		47	103
		Preferred Stock Warrants		51	56
		Preferred Stock Warrants		73	69
		Preferred Stock Warrants		458	458
iWatt Inc. (0.24%)		Preferred Stock		490	949

Total iWatt Inc.					4,738	5,254
NEXX Systems, Inc. (2.06%)(4)	Semiconductors	Senior Debt Matures February 2010 Interest rate Prime + 3.50	$	3,146	3,067	3,067
		Revolving Line of Credit Matures December 2009 Interest rate Prime + 3.00%	$	2,546	2,546	2,546
		Revolving Line of Credit Matures December 2009 Interest rate Prime + 5.00%	$	2,454	2,454	2,454
		Preferred Stock Warrants			165	232
Total NEXX Systems, Inc.					8,232	8,299

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS

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(unaudited)

(dollars in thousands)

Portfolio Company	Industry	Type of Investment[1]	Principal Amount	Cost[2]	Value[3]
Quartics, Inc. (0.93%)[4]	Semiconductors	Senior Debt Matures August 2010 Interest rate 11.05%	$ 252	220	220
		Senior Debt Matures August 2010 Interest rate 8.80%	$ 3,513	3,513	3,513
		Preferred Stock Warrants		53	5
Total Quartics, Inc.				3,786	3,738
Solarflare Communications, Inc. (0.17%)[4]	Semiconductors	Senior Debt Matures August 2010 Interest rate 11.75%	$ 526	475	475
		Preferred Stock Warrants		83	224
Solarflare Communications, Inc. (0.16%)		Preferred Stock		641	641
Total Solarflare Communications, Inc.				1,199	1,340
Total Semiconductors (6.72%)				26,364	27,031
Labopharm USA, Inc. (3.77%)[4][6]	Drug Delivery	Senior Debt Matures December 2011 Interest rate 10.95%	$ 15,000	14,670	14,670
		Common Stock Warrants		458	507
Total Labopharm USA, Inc.				15,128	15,177
Transcept Pharmaceuticals, Inc. (1.13%)[5]	Drug Delivery	Senior Debt Matures October 2009 Interest rate 10.69%	$ 4,301	4,274	4,274
		Preferred Stock Warrants		36	116
		Preferred Stock Warrants		51	168
Transcept Pharmaceuticals, Inc. (0.12%)		Preferred Stock		500	465
Total Transcept Pharmaceuticals, Inc.				4,861	5,023
Total Drug Delivery (5.02%)				19,989	20,200
BARRX Medical, Inc.(0.82%)[4]	Therapeutic	Senior Debt Mature December 2011 Interest rate 11.00%	$ 3,333	3,270	3,270
		Preferred Stock Warrants		63	49
BARRX Medical, Inc. (0.37%)		Preferred Stock		1,500	1,500
Total BARRX Medical, Inc.				4,833	4,819
EKOS Corporation (1.33%)	Therapeutic	Senior Debt Matures November 2010 Interest rate Prime + 2.00%	$ 5,000	4,806	4,806

		Preferred Stock Warrants			175	347
		Preferred Stock Warrants			152	188
Total EKOS Corporation					5,133	5,341
Gelesis, Inc. (0.37%)	Therapeutic	Senior Debt Matures May 2012 Interest rate Prime + 5.65%	$	1,500	1,474	1,474
		Preferred Stock Warrants			25	33
Total Gelesis, Inc.					1,499	1,507
Gynesonics, Inc. (0.03%)(4)	Therapeutic	Preferred Stock Warrants			18	105
Gynesonics, Inc. (0.08%)		Preferred Stock			250	322
Total Gynesonics, Inc.					268	427
Light Science Oncology, Inc. (0.03%)	Therapeutic	Preferred Stock Warrants			99	124
Total Light Science Oncology, Inc.					99	124

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Portfolio Company	Industry	Type of Investment(1)	Principal Amount	Cost(2)	Value(3)
Novasys Medical, Inc. (1.12%)(4)	Therapeutic	Senior Debt Matures January 2010 Interest rate 9.70%	$ 4,640	4,351	4,351
		Preferred Stock Warrants		71	114
		Preferred Stock Warrants		54	40
Novasys Medical, Inc. (0.14%)		Preferred Stock		556	556
Total Novasys Medical, Inc.				5,032	5,061
Power Medical Interventions, Inc. (0.00%)	Therapeutic	Common Stock Warrants		21	14
Total Power Medical Interventions, Inc.				21	14
Total Therapeutic (4.29%)				16,885	17,293
Cozi Group, Inc. (0.03%)	Internet Consumer & Business Services	Preferred Stock Warrants		148	122
Cozi Group, Inc. (0.06%)		Preferred Stock		177	251
Total Cozi Group, Inc.				325	373
Invoke Solutions, Inc. (0.35%)(4)	Internet Consumer & Business Services	Senior Debt Matures November 2009 Interest rate Prime + 3.75%	$ 1,298	1,296	1,296
		Preferred Stock Warrants		56	80
		Preferred Stock Warrants		26	26
Total Invoke Solutions, Inc.				1,378	1,402
Prism Education Group Inc. (0.44%)	Internet Consumer & Business Services	Senior Debt Matures December 2010 Interest rate 11.25%	$ 1,682	1,656	1,656
		Preferred Stock Warrants		42	102
Total Prism Education Group Inc.				1,698	1,758
RazorGator Interactive Group, Inc. (1.55%)(5)	Internet Consumer & Business Services	Revolving Line of Credit Matures January 2009 Interest rate Prime + 1.80%	$ 3,000	3,000	3,000
		Preferred Stock Warrants		14	2,886
		Preferred Stock Warrants		28	352
RazorGator Interactive Group, Inc. (1.19%)		Preferred Stock		1,000	4,791
Total RazorGator Interactive Group, Inc.				4,042	11,029
Serious USA, Inc. (0.35%)	Internet Consumer & Business Services	Senior Debt Matures February 2011 Interest rate Prime + 3.00%	$ 2,308	2,247	748
		Revolving Line of Credit Interest rate Prime + 2.00%	$ 654	654	654

		Preferred Stock Warrants		94	0
Total Serious USA, Inc.				2,995	1,402
Spa Chakra, Inc. (1.24%)	Internet Consumer & Business Services	Senior Debt Matures June 2010 Interest rate 14.45%%	$ 5,000	5,000	5,000
Total Spa Chakra, Inc.				5,000	5,000
Total Internet Consumer & Business Services (5.21%)				15,438	20,964

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Portfolio Company	Industry	Type of Investment[(1)]	Principal Amount	Cost[(2)]	Value[(3)]
Lilliputian Systems, Inc. (1.28%)[(4)]	Energy	Senior Debt Matures March 2010 Interest rate 9.75%	$ 5,068	5,051	5,051
		Preferred Stock Warrants		49	86
Total Lilliputian Systems, Inc.				5,100	5,137
Total Energy (1.28%)				5,100	5,137
Active Response Group, Inc. (2.34%)[(4)]	Information Services	Senior Debt Matures March 2012 Interest rate LIBOR + 6.55%	$ 9,309	9,215	9,215
		Preferred Stock Warrants		92	115
		Common Stock Warrants		46	84
Total Active Response Group, Inc.				9,353	9,414
Box.net, Inc. (0.08%)	Information Services	Senior Debt Matures June 2011 Interest rate Prime + 1.50%	$ 322	262	262
		Preferred Stock Warrants		73	59
Total Box.net, Inc.				335	321
Buzznet, Inc. (0.00%)	Information Services	Preferred Stock Warrants		9	14
Buzznet, Inc. (0.06%)		Preferred Stock		250	250
Total Buzznet, Inc.				259	264
hi5 Networkss, Inc. (2.34%)	Information Services	Senior Debt Matures December 2010 Interest rate Prime + 2.5%	$ 3,000	3,000	3,000
		Senior Debt Matures June 2011 Interest rate Prime + 0.5%	$ 6,155	6,155	6,155
		Preferred Stock Warrants		212	285
Total hi5 Networks, Inc.				9,367	9,440
Jab Wireless, Inc. (3.56%)[(4)]	Information Services	Senior Debt Matures January 2012 Interest rate 10.75%	$ 2,715	2,715	2,715
		Senior Debt Matures January 2012 Interest rate 10.00%	$ 1,793	1,793	1,793
		Senior Debt Matures January 2012 Interest rate 9.50%	$ 2,824	2,824	2,824
		Senior Debt Matures January 2012	$ 6,700	6,700	6,700

		Interest rate 8.50%			
		Preferred Stock Warrants		264	323
Total Jab Wireless, Inc.				14,296	14,355
Solutionary, Inc. (1.78%)(4)	Information Services	Senior Debt Matures June 2010 Interest rate LIBOR + 5.50%	$ 5,305	5,416	5,416
		Revolving Line of Credit Matures June 2010 Interest rate LIBOR + 5.00%	$ 1,500	1,540	1,540
		Preferred Stock Warrants		94	209
		Preferred Stock Warrants		2	6
Solutionary, Inc. (0.06%)		Preferred Stock		250	250
Total Solutionary, Inc.				7,302	7,421

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Portfolio Company	**Industry**	**Type of Investment[1]**	**Principal Amount**	**Cost[2]**	**Value[3]**
The Generation Networks, Inc. (1.47%)[4]	Information Services	Senior Debt Matures March 2012 Interest rate Prime + 4.50%	$ 6,185	6,012	5,904
The Generation Networks, Inc. (0.13%)		Preferred Stock		500	500
Total The Generation Networks, Inc.				6,512	6,404
Wallop Technologies, Inc. (0.04%)	Information Services	Senior Debt Matures March 2010 Interest rate 10.00%	$ 157	153	153
		Preferred Stock Warrants		8	
Total Wallop Technologies, Inc.				161	153
Zeta Interactive Corporation (3.62%) [4]	Information Services	Senior Debt Matures November 2011 Interest rate Prime +2.00%	$ 6,530	6,385	6,385
		Senior Debt Matures November 2011 Interest rate Prime +3.00%	$ 8,000	8,000	8,000
		Preferred Stock Warrants		172	208
Zeta Interactive Corporation (0.13%)		Preferred Stock		500	500
Total Zeta Interactive Corporation				15,057	15,093
Total Information Services (15.61%)				62,642	62,865
Novadaq Technologies, Inc. (0.12%)	Diagnostic	Common Stock		1,626	477
Total Novadaq Technologies, Inc.				1,626	477
Optiscan Biomedical, Corp. (2.41%)[4]	Diagnostic	Senior Debt Matures June 2011 Interest rate 10.25%	$ 10,000	9,437	9,437
		Preferred Stock Warrants		760	250
Optiscan Biomedical, Corp. (0.74%)		Preferred Stock		3,000	3,000
Total Optiscan Biomedical, Corp.				13,197	12,687
Total Diagnostic (3.27%)				14,823	13,164
Guava Technologies, Inc. (1.08%)[4]	Biotechnology Tools	Senior Debt Matures July 2009 Interest rate Prime + 3.25%	$ 2,219	2,182	2,182
		Convertible Debt		250	250
		Revolving Line of Credit Matures December 2007 Interest rate Prime + 2.00%	$ 1,875	1,575	1,575

		Preferred Stock Warrants		105	278
		Preferred Stock Warrants		68	44
Total Guava Technologies, Inc.				4,180	4,329
Kamada, LTD. (3.69%)[6]	Biotechnology Tools	Senior Debt Matures November 2011 Interest rate 10.60%	$ 15,000	14,575	14,575
		Common Stock Warrants		531	286
Total Kamada, LTD.				15,106	14,861
NuGEN Technologies, Inc. (0.77%)	Biotechnology Tools	Senior Debt Matures November 2010 Interest rate Prime + 3.45%	$ 1,706	1,683	1,683
		Senior Debt Matures November 2010 Interest rate Prime + 1.70%	$ 1,000	1,000	1,000
		Preferred Stock Warrants		45	360
		Preferred Stock Warrants		33	43
NuGEN Technologies, Inc. (0.12%)		Preferred Stock		500	500
Total NuGEN Technologies, Inc.				3,261	3,586
Total Biotechnology Tools (5.66%)				22,547	22,776

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Portfolio Company	**Industry**	**Type of Investment(1)**	**Principal Amount**	**Cost(2)**	**Value(3)**
Crux Biomedical, Inc. (0.34%)	Surgical Devices	Senior Debt Matures October 2010 Interest rate Prime + 1.75%	$ 1,395	1,376	1,376
		Preferred Stock Warrants		37	
Crux Biomedical, Inc. (0.06%)		Preferred Stock		250	250
Total Crux Biomedical, Inc.				1,663	1,626
Transmedics, Inc. (1.49%)(5)	Surgical Devices	Senior Debt Matures December 2011 Interest rate Prime + 5.25%	$ 6,000	5,884	5,884
		Preferred Stock Warrants		139	122
Total Transmedics, Inc.				6,023	6,006
Total Surgical Devices (1.89%)				7,686	7,632
Glam Media, Inc. (1.55%)	Media/Content/Info	Revolving Line of Credit Matures April 2009 Interest rate Prime + 1.25%	$ 5,935	5,681	5,681
		Preferred Stock Warrants		482	552
Total Glam Media, Inc.				6,163	6,233
Waterfront Media Inc. (2.2%)(5)	Media/Content/Info	Senior Debt Matures December 2010 Interest rate Prime + 3.00%	$ 2,984	2,956	2,956
		Revolving Line of Credit Matures October 2009 Interest rate Prime + 1.25%	$ 5,000	5,000	5,000
		Preferred Stock Warrants		61	903
Waterfront Media Inc. (0.45%)		Preferred Stock		1,000	1,828
Total Waterfront Media Inc.				9,017	10,687
Total Media/Content/Info (4.2%)				15,180	16,920
Total Investments (158.12%)				$ 628,019	$ 636,747

* Value as a percent of net assets

(1) Preferred and common stock, warrants, and equity interests are generally non-income producing. Certain floating rate loans may also have interest rate floors.

(2) Gross unrealized appreciation, gross unrealized depreciation, and net appreciation for federal income tax purposes totaled $17,275, $12,659 and $4,616, respectively. The tax cost of investments is $632,130.

(3) Except for warrants in seven publicly traded companies and common stock in three publicly traded companies, all investments are restricted at September 30, 2008 and were valued at fair value as determined in good faith by the Board of Directors. No unrestricted securities of the same issuer are outstanding. The Company uses the Standard Industrial Code for classifying the industry grouping of its portfolio companies.

(4) Debt and warrant investments of this portfolio company have been pledged as collateral under the Credit Facility. Citigroup has an equity participation right on loans collateralized under the Credit Facility. The value of their participation right on unrealized gains in the related equity investments was approximately $896,000 at September 30, 2008 and is included in accrued liabilities and reduces the unrealized gain recognized by the Company at September 30, 2008.

(5) Debt investments of this portfolio company have been pledged as collateral under the Wells Facility.

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

(7) Affiliate investment that is defined under the Investment Company Act of 1940 as companies in which HTGC owns as least 5% but not more than 25% of the voting securities of the company. All other investments are less than 5% owned.

(8) Debt is on non-accrual status at September 30, 2008, and is therefore considered non-income producing.

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Portfolio Company	Industry	Type of Investment(1)	Principal Amount	Cost(2)	Value(3)
Acceleron Pharmaceuticals, Inc. (0.94%)*(4)	Drug Discovery	Senior Debt Matures June 2009 Interest rate 10.25%	$ 3,237	$ 3,184	$ 3,184
		Preferred Stock Warrants		69	472
		Preferred Stock Warrants		35	109
Acceleron Pharmaceuticals, Inc. (0.45%)		Preferred Stock		1,243	1,804
Total Acceleron Pharmaceuticals, Inc.				4,531	5,569
Aveo Pharmaceuticals, Inc. (3.06%)(4)	Drug Discovery	Senior Debt Matures September 2009 Interest rate 10.75%	$ 12,078	11,984	11,984
		Preferred Stock Warrants		144	204
		Preferred Stock Warrants		46	74
Total Aveo Pharmaceuticals, Inc.				12,174	12,262
Elixir Pharmaceuticals, Inc. (3.58%)(4)	Drug Discovery	Senior Debt Matures June 2010 Interest rate Prime + 2.45%	$ 13,997	13,836	13,836
		Preferred Stock Warrants		217	511
Total Elixir Pharmaceuticals, Inc.				14,053	14,347
EpiCept Corporation (1.77%)(4)	Drug Discovery	Senior Debt Matures August 2009 Interest rate 11.70%	$ 7,307	6,878	6,878
		Common Stock Warrants		423	214
Total EpiCept Corporation				7,301	7,092
Horizon Therapeutics, Inc. (0.30%)(4)	Drug Discovery	Senior Debt Matures April 2011 Interest rate 8.75%	$ 12,000	1,022	1,022
		Preferred Stock Warrants		179	179
Total Horizon Therapeutics, Inc.				1,201	1,201
Inotek Pharmaceuticals Corp. (0.37%)	Drug Discovery	Preferred Stock		1,500	1,500
Total Inotek Pharmaceuticals Corp.				1,500	1,500
Memory Pharmaceticals Corp. (3.48%)(4)	Drug Discovery	Senior Debt Matures February 2011 Interest rate 11.45%	$ 15,000	13,608	13,608
		Common Stock Warrants		1,751	341
Total Memory Pharmaceticals Corp.				15,359	13,949
Merrimack Pharmaceuticals, Inc. (0.37%)(4)	Drug Discovery	Convertible Senior Debt Matures October 2008 Interest rate 11.15%	$ 1,024	994	994
		Preferred Stock Warrants		155	502
Merrimack Pharmaceuticals, Inc. (0.70%)		Preferred Stock		2,000	2,787

Total Merrimack Pharmaceuticals, Inc.				3,149	4,283
Neosil, Inc. (1.53%)	Drug Discovery	Senior Debt Matures May 2010 Interest rate 10.75%	$ 6,000	5,936	5,936
		Preferred Stock Warrants		82	177
Total Neosil, Inc.				6,018	6,113

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

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(dollars in thousands)

Portfolio Company	Industry	Type of Investment(1)	Principal Amount	Cost(2)	Value(3)
Paratek Pharmaceuticals, Inc. (0.64%)(4)	Drug Discovery	Senior Debt Matures June 2008 Interest rate 11.10%	$ 2,587	2,568	2,568
		Preferred Stock Warrants		137	
Paratek Pharmaceuticals, Inc. (0.14%)		Preferred Stock		550	550
Total Paratek Pharmaceuticals, Inc.				3,255	3,118
Portola Pharmaceuticals, Inc. (3.80%)(4)	Drug Discovery	Senior Debt Matures September 2010 Interest rate Prime + 1.75%	$ 15,000	14,894	14,894
		Preferred Stock Warrants		152	350
Total Portola Pharmaceuticals, Inc.				15,046	15,244
Sirtris Pharmaceuticals, Inc. (2.46%)(4)	Drug Discovery	Senior Debt Matures April 2011 Interest rate 10.60%	$ 9,079	9,022	9,022
		Common Stock Warrants		89	818
Sirtris Pharmaceuticals, Inc. (0.19%)		Common Stock		500	776
Total Sirtris Pharmaceuticals, Inc.				9,611	10,616
Total Drug Discovery (23.78%)				93,198	95,294
E-band Communications, Inc. (0.50%)(6)	Communications & Networking	Preferred Stock		2,000	2,000
Total E-Band Communications, Inc.				2,000	2,000
IKANO Communications, Inc. (5.09%)(4)	Communications & Networking	Senior Debt Matures March 2011 Interest rate 11.00%	$ 19,983	19,983	19,983
		Preferred Stock Warrants		45	163
		Preferred Stock Warrants		72	256
Total IKANO Communications, Inc.				20,100	20,402
Ping Identity Corporation (0.40%)(4)	Communications & Networking	Senior Debt Matures June 2009 Interest rate 11.50%	$ 1,630	1,608	1,608
		Preferred Stock Warrants		52	11
Total Ping Identity Corporation				1,660	1,619
Purcell Systems, Inc. (2.33%)	Communications & Networking	Senior Debt Matures June 2009 Interest rate Prime + 3.50%	$ 2,224	3,126	3,126
		Revolving Line of Credit Matures June 2008 Interest rate Prime + 2.00%	$ 7,000	6,000	6,000
		Preferred Stock Warrants		122	198

Total Purcell Systems, Inc.	9,248	9,324

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Portfolio Company	Industry	Type of Investment(1)	Principal Amount	Cost(2)	Value(3)
Rivulet Communications, Inc. (0.83%)(4)	Communications & Networking	Senior Debt Matures September 2009 Interest rate 10.60%	$ 3,500	3,272	3,272
		Preferred Stock Warrants		50	63
Rivulet Communications, Inc. (0.06%)		Preferred Stock		250	250
Total Rivulet Communications, Inc.				3,572	3,585
Seven Networks, Inc. (2.89%)(4)	Communications & Networking	Senior Debt Matures April 2010 Interest rate Prime + 3.75%	$ 9,419	9,291	9,291
		Revolving Line of Credit Matures April 2008 Interest rate Prime + 3.00%	$ 2,000	2,000	2,000
		Preferred Stock Warrants		174	295
Total Seven Networks, Inc.				11,465	11,586
Simpler Networks Corp. (1.01%)(4)	Communications & Networking	Senior Debt Matures July 2009 Interest rate 11.75%	$ 4,112	4,046	4,046
		Preferred Stock Warrants		160	
Simpler Networks Corp. (0.00%)		Preferred Stock		500	
Total Simpler Networks Corp.				4,706	4,046
Stoke, Inc. (0.57%)	Communications & Networking	Senior Debt Matures August 2010 Interest rate 10.55%	$ 2,250	2,204	2,204
		Preferred Stock Warrants		53	79
Total Stoke, Inc.				2,257	2,283
Tectura Corporation (5.26%)(4)	Communications & Networking	Senior Debt Matures March 2012 Interest rate LIBOR + 6.15%	$ 9,051	9,007	9,007
		Revolving Line of Credit Matures March 2008 Interest rate LIBOR + 5.15%	$ 12,000	12,000	12,000
		Preferred Stock Warrants		52	83
Total Tectura Corporation				21,059	21,090
Teleflip, Inc. (0.25%)	Communications & Networking	Senior Debt Matures May 2010 Interest rate Prime + 2.75%	$ 1,000	992	992
		Preferred Stock Warrants		10	9
Total Teleflip, Inc.				1,002	1,001
Wireless Channels, Inc. (3.02%)	Communications & Networking	Senior Debt -Second Lien Matures April 2010 Interest rate 9.25%	$ 11,949	1,719	1,719
		Senior Debt -Second Lien Matures April 2010	$ 10,118	10,118	10,118

	Interest rate Prime + 4.25%		
	Preferred Stock Warrants	155	241
Total Wireless Channels, Inc.		11,992	12,078

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(dollars in thousands)

Portfolio Company	Industry	Type of Investment(1)	Principal Amount	Cost(2)	Value(3)
Zayo Bandwith, Inc. (6.24%)(4)	Communications & Networking	Senior Debt -Second Lien Matures April 2013 Interest rate Prime + 3.50%	$ 25,000	25,000	25,000
Total Zayo Bandwith, Inc.				25,000	25,000
Total Communications & Networking (28.45%)				114,061	114,014
Atrenta, Inc. (0.98%)(4)	Software	Senior Debt Matures June 2009 Interest rate 11.50%	$ 3,680	3,638	3,638
		Preferred Stock Warrants		102	220
		Preferred Stock Warrants		34	73
Atrenta, Inc. (0.06%)		Preferred Stock		250	250
Total Atrenta, Inc.				4,024	4,181
Blurb, Inc. (0.63%)	Software	Senior Debt Matures December 2009 Interest rate 9.55%	$ 2,500	2,482	2,482
		Preferred Stock Warrants		25	44
Total Blurb, Inc.				2,507	2,526
Bullhorn, Inc. (0.25%)(4)	Software	Senior Debt Matures March 2010 Interest rate Prime + 3.75%	$ 1,000	959	959
		Preferred Stock Warrants		43	41
Total Bullhorn, Inc.				1,002	1,000
Cittio, Inc. (0.25%)	Software	Senior Debt Matures April 2010 Interest rate 11.00%	$ 1,000	1,000	1,000
Total Cittio, Inc.				1,000	1,000
Compete, Inc. (0.63%)(4)	Software	Senior Debt Matures March 2009 Interest rate Prime + 3.50%	$ 2,409	2,384	2,384
		Preferred Stock Warrants		62	136
Total Compete, Inc.				2,446	2,520
Forescout Technologies, Inc. (0.64%)(4)	Software	Senior Debt Matures August 2009 Interest rate 11.15%	$ 1,998	1,970	1,970
		Revolving Line of Credit Matures August 2007 Interest rate Prime + 1.49%	$ 500	500	500
		Preferred Stock Warrants		58	76

Total Forescout Technologies, Inc.					2,528	2,546
GameLogic, Inc. (0.74%)[4]	Software	Senior Debt Matures December 2009 Interest rate Prime + 4.125%	$	3,000	2,887	2,887
		Preferred Stock Warrants			93	91
Total GameLogic, Inc.					2,980	2,978

See notes to consolidated financial statements (unaudited).

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS - (Continued)

December 31, 2007

(dollars in thousands)

Portfolio Company	Industry	Type of Investment(1)	Principal Amount	Cost(2)	Value(3)
Gomez, Inc. (0.15%)(4)	Software	Senior Debt Matures December 2007 Interest rate 12.25%	$ 98	98	98
		Preferred Stock Warrants		35	513
Total Gomez, Inc.				133	611
HighRoads, Inc. (0.01%)(4)	Software	Preferred Stock Warrants		44	58
Total HighRoads, Inc.				44	58
Intelliden, Inc. (0.60%)	Software	Senior Debt Matures February 2010 Interest rate 13.20%	$ 2,360	2,349	2,349
		Preferred Stock Warrants		18	60
Total Intelliden, Inc.				2,367	2,409
Oatsystems, Inc. (1.08%)(4)	Software	Senior Debt Matures September 2009 Interest rate 11.00%	$ 4,374	4,336	4,336
		Preferred Stock Warrants		67	4
Total Oatsystems, Inc.				4,403	4,340
Proficiency, Inc. (0.38%)(4)(6)	Software	Senior Debt Matures July 2008 Interest rate 12.00%	$ 1,500	1,497	1,497
		Preferred Stock Warrants		96	
Proficiency, Inc. (0.19%)		Preferred Stock		2,750	750
Total Proficiency, Inc.				4,343	2,247
PSS Systems, Inc. (0.89%)(4)	Software	Senior Debt Matures March 2010 Interest rate 10.74%	$ 3,500	3,463	3,463
		Preferred Stock Warrants		51	86
Total PSS Systems, Inc.				3,514	3,549
Savvion, Inc. (1.62%)(4)	Software	Senior Debt Matures March 2009 Interest rate Prime + 3.45%	$ 1,268	1,268	1,268
		Revolving Line of Credit Matures March 2008 Interest rate Prime + 2.00%	$ 3,000	3,000	3,000
		Revolving Line of Credit Matures March 2008 Interest rate Prime + 3.45%	$ 1,985	1,985	1,985
		Preferred Stock Warrants		52	243
Total Savvion, Inc.				6,305	6,496
Sportvision, Inc. (0.01%)	Software	Preferred Stock Warrants		39	50

Total Sportvision, Inc.	39	50

See notes to consolidated financial statements (unaudited).

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS - (Continued)

December 31, 2007

(dollars in thousands)

Portfolio Company	Industry	Type of Investment(1)	Principal Amount	Cost(2)	Value(3)
Talisma Corp. (0.11%)(4)	Software	Preferred Stock Warrants		49	448
Total Talisma Corp.				49	448
WildTangent, Inc. (0.50%)(4)	Software	Senior Debt Matures March 2011 Interest rate 9.65%	$ 2,000	1,766	1,766
		Preferred Stock Warrants		238	238
Total WildTangent, Inc.				2,004	2,004
Total Software (9.72%)				39,688	38,963
Agami Systems, Inc. (1.30%)(4)	Electronics & Computer Hardware	Senior Debt Matures August 2009 Interest rate 11.00%	$ 5,103	5,056	5,056
		Preferred Stock Warrants		85	137
Total Agami Systems, Inc.				5,141	5,193
Luminus Devices, Inc. (2.95%)(4)	Electronics & Computer Hardware	Senior Debt Matures August 2009 Interest rate 12.50%	$ 15,115	11,318	11,318
		Preferred Stock Warrants		183	113
		Preferred Stock Warrants		84	61
		Preferred Stock Warrants		334	334
Total Luminus Devices, Inc.				11,919	11,826
Maxvision Holding, LLC. (2.87%)(4)	Electronics & Computer Hardware	Senior Debt Matures May 2012 Interest rate Prime + 5.50%	$ 5,012	5,012	5,012
		Senior Debt Matures May 2012 Interest rate Prime + 2.25%	$ 5,500	5,000	5,000
		Revolving Line of Credit Matures September 2012 Interest rate Prime +2.25%	$ 972	1,472	1,472
Total Maxvision Holding, LLC				11,484	11,484
NetEffect, Inc. (0.61%)	Electronics & Computer	Senior Debt Matures May 2010 Interest rate 11.95%	$ 2,431	2,396	2,396

	Hardware			
		Preferred Stock Warrants	44	50
Total NetEffect, Inc.			2,440	2,446
Shocking Technologies, Inc. (0.02%)	Electronics & Computer Hardware	Preferred Stock Warrants	63	63
Total Shocking Technologies, Inc.			63	63

See notes to consolidated financial statements (unaudited).

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS - (Continued)

December 31, 2007

(dollars in thousands)

Portfolio Company	Industry	Type of Investment(1)	Principal Amount	Cost(2)	Value(3)
SiCortex, Inc. (2.52%)	Electronics & Computer Hardware	Senior Debt Matures December 2010 Interest rate 10.95%	$ 10,000	9,861	9,861
		Preferred Stock Warrants		164	230
Total SiCortex, Inc.				10,025	10,091
Spatial Photonics, Inc. (0.93%)(4)	Electronics & Computer Hardware	Senior Debt Matures May 2011 Interest rate 10.75%	$ 3,751	3,623	3,623
		Preferred Stock Warrants		130	126
Spatial Photonics, Inc. (0.12%)		Preferred Stock		500	500
Total Spatial Photonics Inc.				4,253	4,249
VeriWave, Inc. (1.35%)	Electronics & Computer Hardware	Senior Debt Matures May 2010 Interest rate 10.75%	$ 4,250	5,340	5,340
		Preferred Stock Warrants		54	85
Total VeriWave, Inc.				5,394	5,425
ViDeOnline Communications, Inc. (0.04%)(4)	Electronics & Computer Hardware	Preferred Stock Warrants		298	176
Total ViDeOnline Communications, Inc.				298	176
Total Electronics & Computer Hardware (12.71%)				51,017	50,953
Aegerion Pharmaceuticals, Inc. (2.48%)(4)	Specialty Pharmaceuticals	Senior Debt Matures August 2010 Interest rate Prime + 2.50%	$ 9,735	9,682	9,682
		Preferred Stock Warrants		70	243
Aegerion Pharmaceuticals, Inc. (0.25%)		Preferred Stock		1,000	1,000
Total Aegerion Pharmaceuticals, Inc.				10,752	10,925
Panacos Pharmaceuticals, Inc. (4.84%)(4)	Specialty	Senior Debt Matures January 2011	$ 20,000	19,270	19,270

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

See notes to consolidated financial statements (unaudited).

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS - (Continued)

December 31, 2007

(dollars in thousands)

Portfolio Company	Industry	Type of Investment[1]	Principal Amount	Cost[2]	Value[3]
BabyUniverse, Inc. (0.05%)[4]	Consumer & Business Products	Common Stock		267	219
Total BabyUniverse, Inc.				267	219
Market Force Information, Inc. (0.34%)[4]	Consumer & Business Products	Senior Debt Matures May 2009 Interest rate 10.45%	$ 1,294	1,284	1,284
		Preferred Stock Warrants		23	92
Market Force Information, Inc. (0.12%)		Preferred Stock		500	500
Total Market Force Information, Inc.				1,807	1,876
Wageworks, Inc. (0.12%)[4]	Consumer & Business Products	Preferred Stock Warrants		252	513
Wageworks, Inc. (0.05%)		Preferred Stock		250	209
Total Wageworks, Inc.				502	722
Total Consumer & Business Products (0.70%)				2,576	2,817
Ageia Technologies, Inc. (1.25%)[4]	Semiconductors	Senior Debt Matures August 2008 Interest rate 10.25%	$ 5,047	4,904	4,904
		Convertible Debt		124	124
		Preferred Stock Warrants		99	
Ageia Technologies, Inc. (0.00%)		Preferred Stock		500	
Total Ageia Technologies				5,627	5,028
Custom One Design, Inc. (0.26%)	Semiconductors	Senior Debt Matures September 2010 Interest rate 11.50%	$ 1,000	984	984
		Common Stock Warrants		18	43
Total Custom One Design, Inc.				1,002	1,027
iWatt Inc. (1.19%)[4]	Semiconductors	Senior Debt Matures September 2009 Interest rate Prime + 2.75%	$ 1,457	1,382	1,382

	Revolving Line of Credit Matures September 2007 Interest rate Prime + 1.75%	$ 3,235	3,235	3,235
	Preferred Stock Warrants		46	101
	Preferred Stock Warrants		51	51
Total iWatt Inc.			4,714	4,769

See notes to consolidated financial statements (unaudited).

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS - (Continued)

December 31, 2007

(dollars in thousands)

Portfolio Company	Industry	Type of Investment[1]	Principal Amount	Cost[2]	Value[3]
NEXX Systems, Inc. (3.26%)[4]	Semiconductors	Senior Debt Matures February 2010 Interest rate Prime + 2.75%	$ 4,557	4,438	4,438
		Revolving Line of Credit Matures December 2009 Interest rate Prime + 1.75%	$ 5,000	5,000	5,000
		Revolving Line of Credit Matures December 2009 Interest rate Prime + 3.75%	$ 3,000	3,000	3,000
		Preferred Stock Warrants		165	623
Total NEXX Systems, Inc.				12,603	13,061
Quartics, Inc. (0.09%)[4]	Semiconductors	Senior Debt Matures August 2010 Interest rate 11.05%	$ 300	254	254
		Preferred Stock Warrants		53	115
Total Quartics, Inc.				307	369
Solarflare Communications, Inc. (0.19%)	Semiconductors	Senior Debt Matures August 2010 Interest rate 11.75%	$ 625	553	553
		Preferred Stock Warrants		84	194
Solarflare Communications, Inc. (0.12%)		Preferred Stock		500	500
Total Solarflare Communications, Inc.				1,137	1,247
Total Semiconductors (6.36%)				25,390	25,501
Labopharm USA, Inc. (3.74%)[4][5]	Drug Delivery	Senior Debt Matures July 2008 Interest rate 11.95%	$ 15,000	14,547	14,547
		Preferred Stock Warrants		459	454
Total Labopharm USA, Inc.				15,006	15,001
Transcept Pharmaceuticals, Inc. (1.80%)[4]	Drug Delivery	Senior Debt Matures October 2009 Interest rate 10.69%	$ 6,993	6,944	6,944
		Preferred Stock Warrants		36	107
		Preferred Stock Warrants		50	173
Transcept Pharmaceuticals, Inc. (0.13%)		Preferred Stock		500	500
Total Transcept Pharmaceuticals, Inc.				7,530	7,724
Total Drug Delivery (5.67%)				22,536	22,725
BARRX Medical, Inc. (0.19%)	Therapeutic	Preferred Stock		1,500	758

Total BARRX Medical, Inc.	1,500	758

See notes to consolidated financial statements (unaudited).

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS - (Continued)

December 31, 2007

(dollars in thousands)

Portfolio Company	Industry	Type of Investment[1]	Principal Amount	Cost[2]	Value[3]
EKOS Corporation (1.28%)	Therapeutic	Senior Debt Matures November 2010 Interest rate Prime + 2.00%	$ 5,000	4,707	4,707
		Preferred Stock Warrants		174	281
		Preferred Stock Warrants		153	150
Total EKOS Corporation				5,035	5,138
Gynesonics, Inc. (0.01%)[4]	Therapeutic	Preferred Stock Warrants		18	40
Gynesonics, Inc. (0.06%)		Preferred Stock		250	250
Total Gynesonics, Inc.				268	290
Novasys Medical, Inc. (1.65%)[4]	Therapeutic	Senior Debt Matures January 2010 Interest rate 9.70%	$ 6,609	6,609	6,609
Total Novasys Medical, Inc.				6,609	6,609
Power Medical Interventions, Inc. (0.02%)	Therapeutic	Common Stock Warrants		21	58
Total Power Medical Interventions, Inc.				21	58
Total Therapeutic (3.21%)				13,432	12,853
Invoke Solutions, Inc. (0.56%)[4]	Internet Consumer & Business	Senior Debt Matures December 2008 Interest rate 11.25%	$ 2,187	2,155	2,155
	Services	Preferred Stock Warrants		56	74
		Preferred Stock Warrants		11	10
Total Invoke Solutions, Inc.				2,222	2,239
Prism Education Group Inc. (0.51%)	Internet Consumer & Business	Senior Debt Matures December 2010 Interest rate 11.25%	$ 2,000	1,964	1,964
	Services	Preferred Stock Warrants		44	67
Total Prism Education Group Inc.				2,008	2,031
RazorGator Interactive Group, Inc. (1.17%)[4]	Internet Consumer	Senior Debt Matures January 2008 Interest rate 9.95%	$ 1,134	1,119	1,119

	& Business Services	Preferred Stock Warrants	13	3,203
		Preferred Stock Warrants	28	362
RazorGator Interactive Group, Inc. (1.23%)		Preferred Stock	1,000	4,935
Total RazorGator Interactive Group, Inc.			2,160	9,619

See notes to consolidated financial statements (unaudited).

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS - (Continued)

December 31, 2007

(dollars in thousands)

Portfolio Company	Industry	Type of Investment[1]	Principal Amount	Cost[2]	Value[3]
Serious USA, Inc. (0.75%)	Internet Consumer & Business Services	Senior Debt Matures February 2011 Interest rate Prime + 3.00%	$ 2,450	2,370	2,370
		Revolving Line of Credit Matures July 2008 Interest rate Prime + 2.00%	$ 654	654	654
		Preferred Stock Warrants		93	5
Total Serious USA, Inc.				3,117	3,029
Total Internet Consumer & Business Services (4.22%)				9,507	16,918
Lilliputian Systems, Inc. (1.75%)[4]	Energy	Senior Debt Matures March 2010 Interest rate 9.75%	$ 6,956	6,931	6,931
		Preferred Stock Warrants		48	85
Total Lilliputian Systems, Inc.				6,979	7,016
Total Energy (1.75%)				6,979	7,016
Active Response Group, Inc. (2.50%)	Information Services	Senior Debt Matures March 2012 Interest rate LIBOR + 6.55%	$ 10,000	9,885	9,885
		Preferred Stock Warrants		92	83
		Common Stock Warrants		46	60
Total Active Response Group, Inc.				10,023	10,028
Buzznet, Inc. (0.25%)	Information Services	Senior Debt Matures March 2010 Interest rate 10.25%	$ 914	908	908
		Preferred Stock Warrants		9	86
Buzznet, Inc. (0.06%)		Preferred Stock		250	250
Total Buzznet, Inc.				1,167	1,244
hi5 Networks, Inc. (1.00%)	Information Services	Senior Debt Matures March 2011 Interest rate Prime + 2.5%	$ 3,000	2,789	2,789
		Revolving Line of Credit Matures June 2011 Interest rate 7.75%		1,000	1,000
		Preferred Stock Warrants		213	214
Total hi5 Networks, Inc.				4,002	4,003
Jab Wireless, Inc. (0.78%)			$ 3,097	2,834	2,834

	Information Services	Senior Debt Matures March 2012 Interest rate 10.75%		
		Preferred Stock Warrants	264	265
Total Jab Wireless, Inc.			3,098	3,099

See notes to consolidated financial statements (unaudited).

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS - (Continued)

December 31, 2007

(dollars in thousands)

Portfolio Company	Industry	Type of Investment(1)	Principal Amount	Cost(2)	Value(3)
Solutionary, Inc. (1.78%)	Information Services	Senior Debt Matures June 2010 Interest rate LIBOR + 5.50%	$ 5,528	5,454	5,454
		Revolving Line of Credit Matures June 2010 Interest rate LIBOR + 5.00%	$ 1,505	1,505	1,505
		Preferred Stock Warrants		94	150
		Preferred Stock Warrants		2	5
Solutionary, Inc. (0.06%)		Preferred Stock		250	250
Total Solutionary, Inc.				7,305	7,364
The Generation Networks, Inc. (4.12%)	Information Services	Senior Debt Matures March 2012 Interest rate Prime + 4.50%	$ 16,500	16,500	16,500
The Generation Networks, Inc. (0.12%)		Preferred Stock		500	500
Total The Generation Networks, Inc.				17,000	17,000
Wallop Technologies, Inc. (0.06%)	Information Services	Senior Debt Matures March 2010 Interest rate 10.00%	$ 223	218	218
		Preferred Stock Warrants		7	9
Total Wallop Technologies, Inc.				225	227
Zeta Interactive Corporation (3.74%)(4)	Information Services	Senior Debt Matures November 2011 Interest rate Prime +2.00%	$ 15,000	6,828	6,828
		Senior Debt Matures November 2011 Interest rate Prime +3.00%		8,000	8,000
		Preferred Stock Warrants		172	171
Zeta Interactive Corporation (0.12%)		Preferred Stock		500	500
Total Zeta Interactive Corporation				15,500	15,499
Total Information Services (14.59%)				58,320	58,464
Novadaq Technologies, Inc. (0.32%)	Diagnostic	Common Stock		1,626	1,284
Total Novadaq Technologies, Inc.				1,626	1,284
Optiscan Biomedical, Corp. (0.08%)(4)	Diagnostic	Senior Debt Matures March 2008 Interest rate 15.00%	$ 271	263	263
		Preferred Stock Warrants		80	47
Optiscan Biomedical, Corp. (0.18%)		Preferred Stock		1,000	722

Total Optiscan Biomedical, Corp.	1,343	1,032
Total Diagnostic (0.58%)	2,969	2,316

See notes to consolidated financial statements (unaudited).

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS - (Continued)

December 31, 2007

(dollars in thousands)

Portfolio Company	Industry	Type of Investment[1]	Principal Amount	Cost[2]	Value[3]
Guava Technologies, Inc. (1.77%)[4]	Biotechnology Tools	Senior Debt Matures July 2009 Interest rate Prime + 3.25%	$ 4,076	4,790	4,790
		Convertible Debt		250	250
		Revolving Line of Credit Matures December 2007 Interest rate Prime + 2.00%	$ 2,598	1,778	1,778
		Preferred Stock Warrants		105	200
		Preferred Stock Warrants		69	93
Total Guava Technologies, Inc.				6,992	7,111
NuGEN Technologies, Inc. (0.53%)	Biotechnology Tools	Senior Debt Matures March 2010 Interest rate 11.70%	$ 1,884	1,819	1,819
		Preferred Stock Warrants		45	252
		Preferred Stock Warrants		32	32
NuGEN Technologies, Inc. (0.12%)		Preferred Stock		500	500
Total NuGEN Technologies, Inc.				2,396	2,603
Total Biotechnology Tools (2.42%)				9,388	9,714
Rubicon Technology Inc. (0.69%)[4]	Advanced Specialty Materials & Chemicals	Preferred Stock Warrants		82	2,764
Total Rubicon Technology Inc.				82	2,764
Total Advanced Specialty Materials & Chemicals (0.69%)				82	2,764
Crux Biomedical, Inc. (0.15%)	Surgical Devices	Senior Debt Matures December 2010 Interest rate Prime + 3.375%	$ 600	565	565
		Preferred Stock Warrants		37	36
Crux Biomedical, Inc. (0.06%)		Preferred Stock		250	250
Total Crux Biomedical, Inc.				852	851
Diomed Holdings, Inc. (1.49%)[4]	Surgical Devices	Senior Debt Matures July 2010 Interest rate Prime + 3.00%	$ 6,000	5,962	5,962
		Common Stock Warrants		43	8
Total Diomed Holdings, Inc.				6,005	5,970
Light Science Oncology, Inc. (2.50%)	Surgical Devices	Senior Debt Matures July 2011 Interest rate 11.20%	$ 10,000	9,605	9,605

	Preferred Stock Warrants	395	395
Total Light Science Oncology, Inc.		10,000	10,000
Total Surgical Devices (4.20%)		16,857	16,821

See notes to consolidated financial statements (unaudited).

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS - (Continued)

December 31, 2007

(dollars in thousands)

Portfolio Company	Industry	Type of Investment[(1)]	Principal Amount	Cost[(2)]	Value[(3)]
Waterfront Media Inc. (1.54%)[(4)]	Media/Content/ Info	Senior Debt Matures December 2010 Interest rate Prime + 3.00%	$ 3,941	3,898	3,898
		Revolving Line of Credit Matures March 2008 Interest rate Prime + 1.25%	$ 2,000	2,000	2,000
		Preferred Stock Warrants		60	295
Waterfront Media Inc. (0.25%)		Preferred Stock		1,000	1,000
Total Waterfront Media Inc.				6,958	7,193
Total Media/Content/Info (1.79%)				6,958	7,193
Total Investments (132.24%)				$ 519,450	$ 529,972

* Value as a percent of net assets

(1) Preferred and common stock, warrants, and equity interests are generally non-income producing.

(2) Gross unrealized appreciation, gross unrealized depreciation, and net appreciation for federal income tax purposes totaled $16,430, $9,009 and $7,421, respectively. The tax cost of investments is $522,551.

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

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

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

(6) Affiliate investment that is defined under the Investment Company Act of 1940 as companies in which HTGC owns as least 5% but not more than 25% of the voting securities of the company. All other investments are less than 5% owned.

See notes to consolidated financial statements (unaudited).

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED STATEMENT OF OPERATIONS

(unaudited)

(In thousands, except per share data)

	Three Months Ended September 30, 2008	Three Months Ended September 30, 2007	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007
Investment income:				
Interest	$ 17,348	$ 13,569	$ 47,669	$ 34,396
Fees	1,900	1,572	6,202	3,698
Total investment income	19,248	15,141	53,871	38,094
Operating expenses:				
Interest	3,929	553	8,694	3,003
Loan fees	618	419	1,564	935
General and administrative	1,937	1,420	5,307	4,442
Employee Compensation:				
Compensation and benefits	2,544	2,404	8,198	6,358
Stock-based compensation	228	300	1,144	847
Total employee compensation	2,772	2,704	9,342	7,205
Total operating expenses	9,256	5,096	24,907	15,585
Net investment income	9,992	10,044	28,964	22,509
Net realized gain on investments	126	49	4,993	3
Net increase (decrease) in unrealized appreciation on investments	2,420	(2,915)	(2,024)	(733)
Net realized and unrealized gain (loss)	2,546	(2,866)	2,969	(730)
Net increase in net assets resulting from operations	$ 12,538	$ 7,178	$ 31,933	$ 21,779
Net investment income before investment gains and losses per common share:				
Basic	$ 0.31	$ 0.31	$ 0.89	$ 0.84
Diluted	$ 0.31	$ 0.31	$ 0.89	$ 0.83
Change in net assets per common share:				
Basic	$ 0.38	$ 0.22	$ 0.98	$ 0.81
Diluted	$ 0.38	$ 0.22	$ 0.98	$ 0.81
Weighted average shares outstanding				
Basic	32,634	32,427	32,600	26,864
Diluted	32,634	32,526	32,600	26,992

See notes to consolidated financial statements (unaudited).

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

(unaudited)

(in thousands)

	Common Stock Shares	Par Value	Capital in excess of par value	Deferred Stock Compensation	Unrealized Appreciation on Investments	Accumulated Realized Gains (Losses) on Investments	Distributions in Excess of Investment Income	Provision for Income Taxes on Investment Gains	Net Assets
Balance at December 31, 2006	21,927	$ 22	$ 257,235	$	$ 2,861	($ 1,972)	($ 2,733)	$	$ 255,413
Net increase net assets resulting from operations					(733)	3	22,509		21,779
Issuance of common stock	25		349						349
Issuance of common stock in public offering overallotment exercise	10,040	10	128,405						128,415
Issuance of common stock from warrant exercises	291		3,071						3,071
Issuance of common stock under dividend reinvestment plan	250		3,304						3,304
Issuance of common stock under restricted stock plan	7		90	(90)					
Dividends declared							(23,551)		(23,551)
Stock-based compensation			842	5					847
Balance at September 30, 2007	32,540	$ 32	$ 393,296	($ 85)	$ 2,128	($ 1,969)	($ 3,775)	$	$ 389,627
Balance at December 31, 2007	32,541	$ 33	$ 393,530	($ 78)	$ 10,129	$ 819	($ 3,557)	($ 139)	$ 400,737
Net increase in net assets resulting from operations					(2,024)	4,993	28,964		31,933
Issuance of common stock	6		43						43
Issuance of common stock from exercise of warrants	88		933						933
Issuance of common stock under restricted stock plan	228		2,743	(2,743)					
Dividends declared							(32,100)		(32,100)
Stock-based compensation			741	403					1,144
Balance at September 30, 2008	32,863	$ 33	$ 397,990	($ 2,418)	$ 8,105	$ 5,812	($ 6,693)	($ 139)	$ 402,690

See notes to consolidated financial statements (unaudited).

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

(unaudited)

(in thousands)

	Nine Months Ended September 30, 2008	2007
Cash flows from operating activities:		
Net increase in net assets resulting from operations	$ 31,933	$ 21,779
Adjustments to reconcile net increase in net assets resulting from operations to net cash used in and provided by operating activities:		
Purchase of investments	(290,550)	(219,307)
Principal payments received on investments	184,780	86,617
Proceeds from sale of investments	7,313	1,646
Net unrealized appreciation (depreciation) on investments	2,024	520
Net unrealized appreciation on investments due to lender	(247)	214
Net realized gain on investments	(4,993)	(3)
Warrant values for loans not funded		
Accretion of paid-in-kind principal	(664)	
Accretion of loan discounts	(4,353)	(1,744)
Accretion of loan exit fees	(1,149)	(1,127)
Depreciation	218	152
Stock-based compensation	741	842
Amortization of restricted stock	403	
Common stock issued in lieu of Director compensation	54	349
Amortization of deferred loan origination revenue	(3,758)	(2,139)
Change in operating assets and liabilities:		
Interest receivable	(338)	(1,578)
Prepaid expenses and other assets	(8,718)	1,769
Income tax receivable		29
Accounts payable	598	(249)
Income tax payable	(105)	
Accrued liabilities	(534)	(274)
Deferred loan origination revenue	4,934	3,761
Net cash (used in) operating activities	(82,411)	(108,744)
Cash flows from investing activities:		
Purchases of capital equipment	(576)	(146)
Other long-term assets	(8)	(1,378)
Net cash provided by (used in) investing activities	(584)	(1,544)
Cash flows from financing activities:		
Proceeds from issuance of common stock, net	933	131,492
Dividends paid	(32,100)	(20,246)
Borrowings of credit facilities	234,850	148,250
Repayments of credit facilities	(104,000)	(137,300)
Fees paid for credit facilities and debentures	(4,055)	(2,126)
Net cash provided by financing activities	95,628	120,070
Net increase in cash	12,633	9,782

Cash and cash equivalents at beginning of period		7,856		16,404
Cash and cash equivalents at end of period	$	20,489	$	26,186

See notes to consolidated financial statements (unaudited).

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

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

Hercules Technology Growth Capital, Inc. (the Company) is a specialty finance company that provides debt and equity growth capital to technology-related and life-science companies at all stages of development from seed and emerging growth to expansion and established stages of development, including expanding into select publicly listed companies and lower middle market companies. The Company sources its investments through its principal office located in Silicon Valley, as well as through its additional offices in the Boston, Massachusetts, Boulder, Colorado, Chicago, Illinois and San Diego, California areas. The Company was incorporated under the General Corporation Law of the State of Maryland in December 2003. The Company commenced operations on February 2, 2004 and commenced investment activities in September 2004.

The Company is an internally managed, non-diversified closed-end investment company that has elected to be regulated as a business development company (BDC) under the Investment Company Act of 1940, as amended (the 1940 Act). From incorporation through December 31, 2005, the Company was taxed as a corporation under Subchapter C of the Internal Revenue Code of 1986, (the Code). Effective January 1, 2006, the Company elected to be treated for tax purposes as a regulated investment company, or RIC, under the Code (see Note 4).

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

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

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

2. Valuation of Investments

In September 2006, the FASB issued FAS No. 157, *Fair Value Measurements* (FAS 157). FAS 157 defines fair value, establishes a framework for measuring fair value, outlines a fair value hierarchy based on inputs used to measure fair value and enhances disclosure requirements for fair value measurements. FAS 157 does not change existing guidance as to whether or not an instrument is carried at fair value. The Company adopted FAS 157 effective January 1, 2008. FAS 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Consistent with FAS 157, the Company determines fair value to be the amount for which an investment could be exchanged in a current sale, which assumes an orderly disposition over a reasonable period of time between willing parties other than in a forced or liquidation sale. The Company s valuation policy considers the fact that no ready market exists for substantially all of the securities in which it invests. In accordance with FAS 157, the Company has considered the principal market, or the market in which it exits its portfolio investments with the greatest volume and level of activity. FAS 157 requires that the portfolio investment is assumed to be sold in the principal market to market participants, or in the absence of a principal market, the most advantageous market. Market participants are defined as buyers and sellers in the principal or most advantageous market that are independent, knowledgeable, and willing and able to transact. The Company believes that the market participants for its investments are primarily other technology and life science companies. Such participants acquire the company s investments in order to gain access to the underlying assets of the portfolio company. As such, the Company believes the estimated value of the collateral of the portfolio company, up to the cost value of the investment, represents the fair value of the investment.

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Determining fair value requires that judgment be applied to the specific facts and circumstances of each portfolio investment, although the Company s valuation policy is intended to provide a constant basis for determining the fair value of portfolio investments. Unlike banks, the Company is not permitted to provide a general reserve for anticipated loan losses. Instead, the Company must determine the fair value of each individual investment on a quarterly basis. The Company records unrealized depreciation on investments when it believes that an investment has decreased in value, including where collection of a loan or realization of an equity security is doubtful. Conversely, where appropriate, the Company records unrealized appreciation if it believes that the underlying portfolio company has appreciated in value and, therefore, that its investment has also appreciated in value.

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

At September 30, 2008, approximately 94% of the Company s total assets represented investments in portfolio companies of which greater than 99% are valued at fair value by the Board of Directors. Value, as defined in Section 2(a) (41) of the 1940 Act, is (i) the market price for those securities for which a market quotation is readily available and (ii) for all other securities and assets, fair value is as determined in good faith by the Board of Directors. Since there is typically no readily available market value for the investments in the Company s portfolio, it values substantially all of its investments at fair value as determined in good faith pursuant to a consistent valuation policy and the Company s Board of Directors in accordance with the provisions of FAS 157 and the 1940 Act. Due to the inherent uncertainty in determining the fair value of investments that do not have a readily available market value, the fair value of the Company s investments determined in good faith by its Board may differ significantly from the value that would have been used had a ready market existed for such investments, and the differences could be material.

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

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

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

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

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

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

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

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Investments measured at fair value on a recurring basis are categorized in the tables below based upon the lowest level of significant input to the valuations:

(in thousands)		Fair Value Measurements at Reporting Date Using		
Description	**9/30/2008**	**Quoted Prices In Active Markets For Identifiable Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Senior secured debt	$ 572,517	$	$	$ 572,517
Senior debt-second lien	5,768			5,768
Preferred stock	32,532			32,532
Common stock	576	576		
Warrants	25,354		1,618	23,736
	$ 636,747	$ 576	$ 1,618	$ 634,553

The table below presents a reconciliation for all assets and liabilities measured at fair value on a recurring basis, excluding accrued interest components, using significant unobservable inputs (Level 3) for the three months ended September 30, 2008:

Fair Value Measurements Using Significant Unobservable Inputs ($ in thousands)	**Three Months Ended September 30, 2008**
Balance at June 30, 2008	$ 599,498
Total gains or losses	
Net realized gains/(losses)(1)	(300)
Net change in unrealized appreciation or depreciation(2)	4,214
Purchases, repayments, and exits, net	31,141
Transfer in and/or out of level 3	
Balance at September 30, 2008	$ 634,553
Net unrealized appreciation (depreciation) during the period relating to assets still held at the reporting date(3)	$ 4,214

(1) Includes net realized gains /(losses) recorded as realized gains or losses in the accompanying consolidated statement of operations.
(2) Included in change in net unrealized appreciation or depreciation in the accompanying consolidated statement of operations.
(3) Net change in unrealized appreciation or depreciation includes net unrealized appreciation (depreciation) resulting from changes in portfolio investment values during the reporting period and the reversal of previously recorded unrealized appreciation or depreciation when gains or losses are realized.

The table below presents a reconciliation for all assets and liabilities measured at fair value on a recurring basis, excluding accrued interest components, using significant unobservable inputs (Level 3) for the nine months ended September 30, 2008:

Fair Value Measurements Using Significant Unobservable Inputs ($ in thousands)	**Nine Months Ended September 30, 2008**
Balance at December 31, 2007	$ 522,740
Total gains or losses	
Net realized gains/(losses)(1)	(516)

Net change in unrealized appreciation or depreciation[2]		4,590
Purchases, repayments, and exits, net		107,739
Transfer in and/or out of level 3		
Balance at September 30, 2008	$	634,553
Net unrealized appreciation (depreciation) during the period relating to assets still held at the reporting date[3]	$	4,590

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

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

(3) Net change in unrealized appreciation or depreciation includes net unrealized appreciation (depreciation) resulting from changes in portfolio investment values during the reporting period and the reversal of previously recorded unrealized appreciation or depreciation when gains or losses are realized.

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

At September 30, 2008 and December 31, 2007, the Company had investments in two portfolio companies deemed to be Affiliates. One investment is a non-income producing equity investment and one is an investment in a portfolio company that became an Affiliate on December 17, 2007 upon a restructure of the company. Income derived from these investments was less than $98,000 since these investments became Affiliates.

Security transactions are recorded on the trade-date basis.

A summary of the Company s investment portfolio by asset class as of September 30, 2008 and December 31, 2007 at fair value is shown as follows:

	September 30, 2008		December 31, 2007	
(in thousands)	**Investments at Fair Value**	**Percentage of Total Portfolio**	**Investments at Fair Value**	**Percentage of Total Portfolio**
Senior debt with warrants	$ 490,363	77.0%	$ 441,838	83.4%
Senior debt	107,173	16.8%	61,483	11.6%
Preferred stock	32,532	5.1%	23,265	4.4%
Senior debt-second lien with warrants	6,103	1.0%		
Common Stock	576	0.1%	2,938	0.5%
Subordinated debt with warrants			448	0.1%
	$ 636,747	100.0%	$ 529,972	100.0%

A Summary of the Company s investment portfolio at fair value, by geographic location as of September 30, 2008 and December 31, 2007 is as follows:

	September 30, 2008		December 31, 2007	
(in thousands)	**Investments at Fair Value**	**Percentage of Total Portfolio**	**Investments at Fair Value**	**Percentage of Total Portfolio**
United States	$ 601,462	94.4%	$ 512,724	96.8%
Canada	15,177	2.4%	15,001	2.8%
Israel	17,108	2.7%	2,247	0.4%
Netherlands	3,000	0.5%		
	$ 636,747	100.0%	$ 529,972	100.0%

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The following table shows the fair value of the Company s portfolio by industry sector at September 30, 2008 and December 31, 2007 (excluding unearned income):

	September 30, 2008		December 31, 2007	
(in thousands)	**Investments at Fair Value**	**Percentage of Total Portfolio**	**Investments at Fair Value**	**Percentage of Total Portfolio**
Communications & networking	$ 131,914	20.7%	$ 114,014	21.5%
Information services	62,865	9.9%	58,464	11.0%
Drug discovery	76,332	12.0%	95,294	18.0%
Software	86,442	13.6%	38,963	7.4%
Specialty pharmaceuticals	48,135	7.6%	45,646	8.6%
Electronics & computer hardware	46,818	7.4%	50,953	9.6%
Semiconductors	27,031	4.2%	25,501	4.8%
Consumer & business products	33,124	5.2%	2,817	0.5%
Drug delivery	20,200	3.2%	22,725	4.3%
Internet consumer & business services	20,964	3.3%	16,918	3.2%
Biotechnology tools	22,776	3.5%	9,714	1.8%
Therapeutic	17,293	2.7%	12,853	2.4%
Diagnostic	13,164	2.0%	2,316	0.5%
Media/Content/Info	16,920	2.7%	7,193	1.4%
Surgical Devices	7,632	1.2%	16,821	3.2%
Energy	5,137	0.8%	7,016	1.3%
Advanced Specialty Materials & Chemicals			2,764	0.5%
	$ 636,747	100.0%	$ 529,972	100.0%

During the three and nine-month periods ended September 30, 2008, the Company made investments in debt securities totaling $99.7 million and $303.4 million, respectively. The Company didn t make any equity investment during the three month periods ended September 30, 2008. The Company made investments in equity securities of approximately $7.1 million in the nine-month periods ended September 30, 2008.

During the three month period ended September 30, 2008, the Company recognized net realized gains of approximately $126,000 due to realized gains totaling approximately $430,000 from the exercise of warrants and sale of common stock on one biopharmaceutical offset by the realized loss of approximately $304,000 from the companies in which we held and one portfolio loan.

Loan origination and commitment fees received in full at the inception of a loan are deferred and amortized into fee income as an enhancement to the related loan s yield over the contractual life of the loan. Loan exit fees to be paid at the termination of the loan are accreted into fee income over the contractual life of the loan. These fees are reflected as adjustments to the loan yield in accordance with Statement of Financial Standards No. 91, *Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring loans and Initial Direct Costs of Leases* (FAS 91). The Company had approximately $7.8 million and $6.6 million of unamortized fees at September 30, 2008 and December 31, 2007, respectively, and approximately $3.1 million and $2.0 million in exit fees receivable at September 30, 2008 and December 31, 2007, respectively.

While not significant to the total debt investment portfolio, the Company has loans in its portfolio that contain a payment-in-kind (PIK) provision. The PIK interest, computed at the contractual rate specified in each loan agreement, is added to the principal balance of the loan and recorded as interest income. To maintain the Company s status as a RIC, this non-cash source of income must be paid out to stockholders in the form of dividends even though the Company has not yet collected the cash. Amounts necessary to pay these dividends may come from available cash or the liquidation of certain investments. For the three and nine-month periods ended September 30, 2008, approximately $283,000 and $698,000 in PIK income was recorded, respectively. For the three and nine month periods ended September 30, 2007, approximately $134,000 and $209,000 in PIK income was recorded.

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In some cases, the Company collateralizes its investments by obtaining a first priority security interest in a portfolio company s assets, which may include their intellectual property. In other cases, the Company may obtain a negative pledge covering a portfolio company s intellectual property. At September 30, 2008, approximately 44 portfolio company loans were secured by a first priority security in all of the assets of the portfolio company, 42 portfolio company loans were prohibited from pledging or encumbering their intellectual property and one portfolio company investment was secured by a second lien position on its assets. See Part II Item 1A Risk Factors.

3. Borrowings

The Company, through Hercules Funding Trust I, an affiliated statutory trust, has a securitized credit facility (the Credit Facility) with Citigroup Global Markets Realty Corp. and Deutsche Bank Securities Inc. The initial Credit Facility was a one year facility with an interest rate of LIBOR plus a spread of 1.20% and a borrowing capacity of $250.0 million.

On May 7, 2008, the Company amended and renewed its Credit Facility with Citigroup and Deutsche Bank providing for a borrowing capacity of $134.9 million and extending the expiration date to October 31, 2008. Under the terms of the amended agreement, the Company paid a renewal fee of approximately $1.3 million, interest on all borrowings was set at LIBOR plus a spread of 5.0%, and a fee of 2.50% is charged on any unused portion of the facility. The Credit Facility is collateralized by loans from the Company s investment in portfolio companies, and includes an advance rate of approximately 45% of eligible loans. The Credit Facility contains covenants that, among other things, require the Company to maintain a minimum net worth and to restrict the loans securing the Credit Facility to certain dollar amounts, to concentrations in certain geographic regions and industries, to certain loan grade classifications, to certain security interests, and to certain interest payment terms. At September 30, 2008, the Company had $127.9 million outstanding under the Credit Facility, and was in compliance with all covenants. Unless extended, the Credit Facility terminates on October 31, 2008 and all subsequent payments secured from the portfolio companies whose debt is included in the collateral pool will be applied against interest and principal outstanding under the Credit Facility until April 30, 2009, when all outstanding interest and principal are due and payable.

Citigroup has an equity participation right through a warrant participation agreement on the pool of loans and warrants collateralized under the Credit Facility. Pursuant to the warrant participation agreement, the Company granted to Citigroup a 10% participation in all warrants held as collateral. However, no additional warrants are included in collateral subsequent to the facility amendment on May 2, 2007. As a result, Citigroup is entitled to 10% of the realized gains on the warrants until the realized gains paid to Citigroup pursuant to the agreement equals $3,750,000 (the Maximum Participation Limit). The obligations under the warrant participation agreement continue even after the Credit Facility is terminated until the Maximum Participation Limit has been reached. During the nine months ended September 30, 2008, the Company recorded an derivative additional liability related to this obligation and reduced its unrealized gains by approximately $300,000 for Citigroup s participation in unrealized gains in the warrant portfolio. The value of their participation right on unrealized gains in the related equity investments since inception of the agreement was approximately $896,000 at September 30, 2008 and is included in accrued liabilities and reduces the unrealized gain recognized by the Company at September 30, 2008. Based on the Company s average borrowings for the year ended December 31, 2007 and the quarter ended September 30, 2008 and the amount of expense it recorded for its realized and unrealized gains for the related periods, the additional cost of borrowings as a result of the warrant participation agreement could increase by approximately 0.55% and 1.03%, respectively. There can be no assurances that the unrealized appreciation of the warrants will not be higher or lower in future periods due to fluctuations in the value of the warrants, thereby increasing or reducing the effect on the cost of borrowing. Since inception of the agreement, the Company has paid Citigroup approximately $927,000 under the warrant participation agreement thereby reducing its realized gains by this amount.

As of September 30, 2008, the Company, through its special purpose entity (SPE), had transferred pools of loans and warrants with a fair value of approximately $323.0 million to Hercules Funding Trust I and had drawn $127.9 million under the Credit Facility. Transfers of loans have not met the requirements of SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, for sales treatment and are, therefore, treated as secured borrowings, with the transferred loans remaining in investments and the related liability recorded in borrowings. The average debt outstanding under the Credit Facility for the three and nine-month periods ended September 30, 2008 was approximately $118.2 and $97.8 million and the average interest rate was approximately 7.68% and 6.25%, excluding facility fees, respectively.

In January 2005, the Company formed HT II and HTM. HT II is licensed as a SBIC. HT II borrows funds from the SBA against eligible investments and additional deposits to regulatory capital. Under the Small Business Investment Act and current SBA policy applicable to SBICs, an SBIC can have outstanding at any time SBA guaranteed debentures up to twice the amount of its regulatory capital. As of September 30, 2008, the maximum statutory limit on the dollar amount of outstanding SBA guaranteed debentures issued by a single SBIC is $130.6 million, subject to periodic adjustments by the SBA. The Company has submitted a leverage request to borrow to the maximum statutory limit and received the approval in November. With $65.3 million of regulatory capital as of September 30, 2008, HT II has the current capacity to issue up to a total of $130.6 million of SBA guaranteed debentures, subject to the payment of a 1% commitment fee to the SBA on the amount of the commitment. Currently, HT II has paid commitment fees of approximately $1.3 million and has a commitment from the SBA to issue a total of $127.2 million of SBA guaranteed debentures, of which approximately $127.2 million was outstanding as of September 30, 2008. There is no assurance that HT II will be able to draw up to the maximum limit available under the SBIC program.

SBICs are designed to stimulate the flow of private equity capital to eligible small businesses. Under present SBA regulations, eligible small businesses include businesses that have a tangible net worth not exceeding $18 million and have average annual fully taxed net income not exceeding $6.0 million for the two most recent fiscal years. In addition, SBICs must devote 20.0% of its investment activity to smaller concerns as defined by the SBA. A smaller concern is one that has a tangible net worth not exceeding $6.0 million and has average annual fully taxed net income not exceeding $2.0 million for the two most recent fiscal years. SBA regulations also provide alternative size standard criteria to determine eligibility, which depend on the industry in which the business is engaged and are based on such factors as the number of employees and gross sales. According to SBA regulations, SBICs may make long-term loans to small businesses, invest in the equity securities of such businesses and provide them with consulting and advisory services. Through its wholly-owned subsidiary HTII, the Company plans to provide long-term loans to qualifying small businesses, and in connection therewith, make equity investments.

HTII is periodically examined and audited by the Small Business Administration s staff to determine its compliance with small business investment company regulations. As of September 30, 2008, HTII could draw up to $127.2 million of leverage from the SBA as noted above. Borrowings under the program are charged interest based on ten year treasury rates plus a spread and the rates are generally set for a pool of debentures issued by the SBA in six month periods. The rate for the $12 million of borrowings originated from March 13, 2007 to September 10, 2007 was set by the SBA on September 26, 2007 at 5.528%. The rate for the $58.1 million borrowings made after September 10, 2007 through March 13, 2008 was set by the SBA on March 26, 2008 at 5.471%. The rate for the $38.8 million borrowings made after March 13, 2008 through September 10, 2008 was set by the SBA on September 24, 2008 at 5.725%. 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 2008 and 2007 annual fee has been set at 0.906%. Interest payments are payable semi-annually and there are no principal payments required on these issues prior to maturity. Debentures under the SBA generally mature ten years after being borrowed.

On August 25, 2008, the Company, through a special purpose wholly-owned subsidiary of the Company, Hercules Funding II, LLC, entered into a two-year revolving senior secured credit facility with an optional one-year extension with total commitments of $50 million, with Wells Fargo Foothill as a lender and as an arranger and administrative agent (the Wells Facility). The Wells Facility has the capacity to increase to $300 million if additional lenders are added to the syndicate. The Wells Facility expires on August 25, 2010, unless the option to extend the facility is exercised by the parties to the agreement.

Borrowings under the Wells Facility will generally bear interest at a rate per annum equal to Libor plus 325 basis points or PRIME plus 200 basis points. The Wells Facility requires the payment of a non-use fee of 50 basis points annually, which reduces to 30 basis points on the one year anniversary of the credit facility. The Wells Facility is collateralized by debt investments in our portfolio companies, and includes an advance rate equal to 50% of eligible loans placed in the collateral pool. The Wells Facility generally requires payment of interest on a monthly basis. All outstanding principal is due upon maturity, which includes the extension if exercised. We paid a one time $750,000 structuring fee in connection with the Wells Facility which is being amortized over a 2 year period. The average debt outstanding under the Wells Facility for the three-month period ended September 30, 2008 was approximately $1.8 million and the average interest rate was approximately 7.0%.

The Wells Facility requires various financial and operating covenants. These covenants require us to maintain certain financial ratios and a minimum net worth. 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 required a minimum draw down of $10.0 million no later than September 30, 2008.

At September 30, 2008 and December 31, 2007, the Company had the following borrowing capacity and outstandings:

	September 30, 2008		December 31, 2007	
(in thousands)	Facility Amount	Amount Outstanding	Facility Amount	Amount Outstanding
Credit Facility	$ 134,900	$ 127,900	$ 250,000	$ 79,200
Wells Facility	50,000	10,000		
SBA Debenture	127,200	127,200	127,200	55,050
Total	$ 312,100	$ 265,100	$ 377,200	$ 134,250

4. Income taxes

The Company intends to continue to operate so as to qualify to be taxed as a RIC under the Code and, as such, the Company is not subject to federal income tax on the portion of its taxable income and gains distributed to stockholders. To qualify as a RIC, the Company is required, among other requirements, to distribute at least 90% of its annual investment company taxable income, as defined by the Code. The amount to be paid out as a dividend is determined by the Board of Directors each quarter and is based upon

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the annual earnings estimated by the management of the Company. To the extent that the Company s earnings fall below the amount of dividends declared, however, a portion of the total amount of the Company s dividends for the fiscal year may be deemed a return of capital for tax purposes to the Company s stockholders.

Taxable income includes 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. Taxable income includes non-cash income and such as changes in accrued and reinvested interest which includes contractual payment-in-kind interest, and the amortization of discounts and fees. Cash collections of income resulting from contractual payment-in-kind 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.

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For the quarter ended September 30, 2008, the Company declared a distribution of $0.34 per share. For 2008, the Company estimates that it will distribute $1.32 in dividends. A portion of the dividend is payable in all common stock through our Dividend Reinvestment Plan. The Company may distribute the dividend from its authorized stock as the Company shareholders approved the sell or distribution of up to 20% of its outstanding shares below NAV at its 2008 Annual Meeting of Stockholders. This estimate takes into account the Company s expectations for the performance of its business for 2008, and its estimates of operating income, capital gains, net income and taxable income for 2008. The Company s actual distributions for 2008 may differ from this estimate. The determination of the tax attributes of the Company s distributions is made annually as of the end of the Company s fiscal year based upon its taxable income for the full year and distributions paid for the full year, therefore a determination made on a quarterly basis may not be representative of the actual tax attributes of its distributions for a full year. If the Company had determined the tax attributes of its distributions year-to-date as of September 30, 2008, approximately $0.98 or 100.0% would be from ordinary income, however there can be no certainty to shareholders that this determination is representative of what the tax attributes of its 2008 distributions to shareholders will actually be.

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

At December 31, 2007, we recorded a provision for exercise tax of approximately $139,000 on income and capital gains of approximately $4.2 million available for distribution to shareholders in 2008. Excess taxable income for 2007 represents ordinary income and capital gains. In accordance with regulated investment company distribution rules, the Company is required to declare current year dividends to be paid from carried over excess taxable income from 2007 before the Company files its 2007 tax return in September, 2008, and the Company must pay such dividends by December 31, 2008. The Company has complied with these requirements.

As of September 30, 2008 the Company has paid $32.1 million in dividends to shareholders during 2008. On October 21, 2008 the Company announced that its Board of Directors approved a dividend of $0.34 per share to shareholders of record as of November 14, 2008 and payable on December 15, 2008.

5. Shareholders Equity

The Company is authorized to issue 60,000,000 shares of common stock with a par value of $0.001. Each share of common stock entitles the holder to one vote.

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

A summary of activity in the 5 Year Warrants initially attached to units issued for the nine months ended September 30, 2008 is as follows:

	Five-Year Warrants
Outstanding at December 31, 2007	371,937
Warrants issued	
Warrants cancelled	
Warrants exercised	(88,323)

Outstanding at September 30, 2008	283,614

The Company received net proceeds of approximately $933,000 from the exercise of the 5-Year Warrants in the nine-month period ended September 30, 2008.

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

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

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6. Equity Incentive Plan

The Company and its stockholders have authorized and adopted an equity incentive plan (the 2004 Plan) for purposes of attracting and retaining the services of its executive officers and key employees. Under the 2004 Plan, the Company is authorized to issue 7,000,000 shares of common stock. Unless terminated earlier by the Company s Board of Directors, the 2004 Plan will terminate on June 9, 2014, and no additional awards may be made under the 2004 Plan after that date.

The Company and its stockholders have authorized and adopted the 2006 Non-Employee Director Plan (the 2006 Plan) for purposes of attracting and retaining the services of its Board of Directors. Under the 2006 Plan, the Company is authorized to issue 1,000,000 shares of common stock. Unless terminated earlier by the Company s Board of Directors, the 2006 Plan will terminate on May 29, 2016 and no additional awards may be made under the 2006 Plan after that date. On October 10, 2007, the SEC approved the Company s exemptive relief request to allow options to be issued under the 2006 Plan.

On June 21, 2007, the shareholders approved amendments to the 2004 Plan and the 2006 Plan allowing for the grant of restricted stock. The amended Plans limit the combined maximum amount of restricted stock that may be issued under both Plans to 10% of the outstanding shares of the Company s stock on the effective date of the Plans plus 10% of the number of shares of stock issued or delivered by the Company during the terms of the Plans. The proposed amendments further specify that no one person shall be granted awards of restricted stock relating to more than 25% of the shares available for issuance under the 2004 Plan. Further, the amount of voting securities that would result from the exercise of all of the Company s outstanding warrants, options and rights, together with any restricted stock issued pursuant to the Plans, at the time of issuance shall not exceed 25% of its outstanding voting securities, except that if the amount of voting securities that would result from such exercise of all of the Company s outstanding warrants, options and rights issued to the Company s directors, officers and employees, together with any restricted stock issued pursuant to the Plans, would exceed 15% of the Company s outstanding voting securities, then the total amount of voting securities that would result from the exercise of all outstanding warrants, options and rights, together with any restricted stock issued pursuant to the Plans, at the time of issuance shall not exceed 20% of our outstanding voting securities.

In conjunction with the amendment and in accordance with the exemptive order, on June 21, 2007 the Company made an automatic grant of shares of restricted stock to Messrs. Badavas, Chow and Woodward, its independent Board of Directors, in the amounts of 1,667, 1,667 and 3,334 shares, respectively. The shares were issued pursuant to the 2006 Plan on July 31, 2007 and vest 33% on an annual basis from the date of grant. Deferred compensation cost of approximately $91,000 will be recognized ratably over the three year vesting period. During the three and nine-month periods ended September 30, 2008 the Company recognized compensation expense related to restricted stock to the Board of Directors of approximately $7,500 and $22,600, respectively. Approximately $5,000 of compensation expense related to restricted stock was recognized during the three and nine-month periods ended September 30, 2007.

During the nine months ended September 30, 2008, the Company granted approximately 248,650 restricted shares, of which 228,150 shares remain unvested and outstanding at September 30, 2008, pursuant to the 2004 Plan that vest 25% on an annual basis from the date of grant. During the nine months ended September 30, 2008, the Company cancelled 20,500 shares of restricted stock. Deferred compensation cost of approximately $2.4 million will be recognized ratably over the four year vesting period. During the three and nine-month periods ended September 30, 2008 the Company recognized compensation expense related to restricted stock pursuant to the 2004 Plan of approximately $171,000 and $403,000 respectively. There was no compensation expense related to restricted stock pursuant to the 2004 Plan during the three and nine-month periods ended September 30, 2007.

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

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A summary of common stock options and warrant activity under the Company s 2006 and 2004 Plans for the nine months ended September 30 is as follows:

	Common Stock Options	Five-Year Warrants
Outstanding at December 31, 2007	2,920,513	10,692
Granted	1,286,086	
Exercised		
Cancelled	(260,792)	
Outstanding at September 30, 2008	3,945,807	10,692
Weighted-average exercise price at September 30, 2008	$ 13.18	$ 10.57

Options generally vest 33% one year after the date of grant and ratably over the succeeding 24 months. All options may be exercised for a period ending seven years after the date of grant. At September 30, 2008, options for approximately 2.1 million shares were exercisable at a weighted average exercise price of approximately $13.18 per share with an expected term of 4.5 years. The outstanding five year warrants have an expected life of 5 years.

The Company determined that the fair value of options and warrants granted under the 2006 and 2004 Plan during the nine month periods ended September 30, 2008 and 2007 was approximately $1.1 million and $1.4 million, respectively. During the nine month periods ended September 30, 2008 and 2007, approximately $741,000 and $842,000 of share-based cost was expensed, respectively. As of September 30, 2008, there was approximately $1.6 million of total unrecognized compensation costs related to stock options. These costs are expected to be recognized over a weighted average period of 2.6 years. The fair value of options granted is based upon a Black-Scholes option pricing model using the assumptions in the following table for each of the nine month periods ended September 30, 2008 and 2007:

	2008	2007
Expected Volatility	23%	24%
Expected Dividends	8% - 10%	8%
Expected term (in years)	4.5	4.5
Risk-free rate	2.27% - 3.18%	4.47% - 4.92%

7. Earnings per Share

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

(in thousands, except per share data)	Three months ended September 30, 2008	Three months ended September 30, 2007	Nine months ended September 30, 2008	Nine months ended September 30, 2007
Net increase in net assets resulting from operations	$ 12,538	$ 7,178	$ 31,933	$ 21,779
Weighted average common shares outstanding basic	32,634	32,427	32,600	26,864
Change in net assets per common share basic	$ 0.38	$ 0.22	$ 0.98	$ 0.81
Net increase (decrease) in net assets resulting from operations	$ 12,538	$ 7,178	$ 31,933	$ 21,779
Weighted average common shares outstanding	32,634	32,427	32,600	26,864
Dilutive effect of warrants and stock options		99		128
Weighted average common shares outstanding diluted	32,634	32,526	32,600	26,992
Change in net assets per common share diluted	$ 0.38	$ 0.22	$ 0.98	$ 0.81

The calculation of change in net assets per common share assuming dilution, excludes all anti-dilutive shares. For the three months ended September 30, 2008 and 2007, the number of anti-dilutive shares, as calculated based on the weighted average closing price of the Company s common stock for the periods, was approximately 4.1 million and 2.1 million, respectively. For the nine months ended September 30, 2008 and

2007, the number of anti-dilutive shares, as calculated based on the weighted average closing price of the Company s common stock for the periods, was approximately 4.1 million and 1.1 million shares, respectively.

8. Related-Party Transactions

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

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

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In connection with the sale of public equity investments, the Company paid JMP Securities LLC approximately $26,000 in brokerage commissions during the nine month period ended September 30, 2008. The Company paid approximately $8,000 in brokerage commissions during the nine months ended September 30, 2007.

9. Financial Highlights

Following is a schedule of financial highlights for the nine months ended September 30, 2008 and 2007:

(in thousands, except per share data)	Nine Months Ended September 30, 2008	2007
Per share data:		
Net asset value at beginning of period	$ 12.31	$ 11.65
Net investment income	0.89	0.84
Net realized gain on investments	0.15	
Net unrealized appreciation on investments	(0.06)	(0.03)
Total from investment operations	0.98	0.81
Net increase/(decrease) in net assets from capital share transactions	(0.09)	0.38
Distributions	(0.98)	(0.90)
Stock-based compensation expense included in investment income [1]	0.03	0.03
Net asset value at end of period	$ 12.25	$ 11.97
Ratios and supplemental data:		
Per share market value at end of period	$ 9.70	$ 13.27
Total return	-9.34%[2]	0.56%[2]
Shares outstanding at end of period	32,863	32,539
Weighted average number of common shares outstanding	32,600[3]	26,864
Net assets at end of period	$ 402,690	$ 389,628
Ratio of operating expense to average net assets (annualized)	8.20%	6.69%
Ratio of net investment income before investment gains and losses to average net assets (annualized)	9.54%	9.67%
Average debt outstanding	$ 180,457	$ 59,809
Weighted average debt per common share	$ 5.51	$ 2.23
Portfolio turnover	3.01%	0.45%

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

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

(3) Weighted average number of common shares outstanding excludes unvested restricted stock.

10. Commitments and Contingencies

In the normal course of business, the Company is party to financial instruments with off-balance sheet risk. These instruments consist primarily of unused commitments to extend credit, in the form of loans, to the Company s portfolio companies. The balance of unused commitments to extend credit at September 30, 2008 totaled approximately $141.8 million. Since this commitment may expire without being drawn upon, the total commitment amount does not necessarily represent future cash requirements.

Certain premises are leased under agreements which expire at various dates through December 2013. Total rent expense amounted to approximately $714,500 and $551,700 during the nine-month periods ended September 30, 2008 and 2007, respectively.

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The following table shows our contractual obligations as of September 30, 2008:

		Payments due by period (in thousands)			
Contractual Obligations[1]	**Total**	**Less than 1 year [2][3]**	**1-3 years [2]**	**3-5 years**	**After 5 years**
Borrowings [4]	$ 265,100	$ 127,900	$ 10,000	$	$ 127,200
Operating Lease Obligations	4,891	981	1,965	1,878	67
Total	$ 269,991	$ 128,881	$ 11,965	$ 1,878	$ 127,267

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

(2) Borrowings under the Credit Facility are listed based on the contractual maturity of the facility. Actual repayments could differ significantly due to prepayments by our existing portfolio companies, modifications of the current agreements with existing portfolio companies and modification of the credit facility.

(3) The Company also has a warrant participation agreement with Citigroup. See Note 3.

(4) Includes borrowings under the Credit Facility, Wells Facility and the SBA debentures.

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

11. Recent Accounting Pronouncements

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

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

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

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

In October 2008, the FASB issued FSP 157-3 Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active (FSP 157-3). FSP 157-3 clarifies the application of SFAS No. 157 in a market that is not active, and addresses application issues such as the use of internal assumptions when relevant observable data does not exist, the use of observable market information when the market is not active, and the use of market quotes when assessing the relevance of observable and unobservable data. FSP 157-3 is effective for all periods presented in accordance with SFAS No. 157. The adoption of FSP 157-3 did not have a significant impact on our financial results or fair value determinations.

12. Subsequent Events

On October 21, 2008, the Board of Directors declared a dividend of $0.34 per share for the second quarter, payable on December 15, 2008 to shareholders of record as of November 14, 2008.

In October, Hercules paid down the Wells Fargo credit facility by $10.0 million, resulting in borrowing capacity of $50.0 million.

On October 31, 2008 the Company s Credit Facility expired under the normal terms. All subsequent payments secured from the portfolio companies whose debt is included in the Credit Facility collateral pool will be applied against interest and principal outstanding under the Credit Facility until April 30, 2009, when all outstanding interest and principal are due and payable. During the amortization period, the Company no longer pays a non-use fee on the Credit Facility, although borrowings under the Credit Facility bear interest at a rate per annum equal to Libor plus 650 basis points during the amortization period.

In October, Hercules received full repayment of $2.5 million from NetEffect representing principal and interest outstanding. Intel, Inc. acquired the assets of the company in bankruptcy.

In October, Hercules received a repayment of approximately $700,000 in common stock from an undisclosed buyer for the assets of Teleflip.

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ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
Forward-Looking Statements

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

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

Overview

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

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

From incorporation through December 31, 2005, we were taxed as a corporation under Subchapter C of the Internal Revenue Code (the Code). We are treated for federal income tax purposes as a RIC under Subchapter M of the Code as of January 1, 2006. To qualify for the benefits allowable to a RIC, we must, among other things, meet certain source-of-income and asset diversification and income distribution requirements. 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 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. During 2007 and the nine month period ended September 30, 2008, 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 thinly traded public companies, which we refer to as established-stage companies. In the near-term we are shifting our investment focus to expansion- and established-stage companies as we believe these investments currently provide higher yield returns. 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.

Portfolio and Investment Activity

The total value of our investment portfolio was $636.7 million at September 30, 2008 as compared to $530.0 million at December 31, 2007. During the three and nine-month periods ended September 30, 2008, we made debt commitments to 7 and 35 portfolio companies totaling $54.2 million and $348.8 million, respectively. We funded $99.7 million to 29 companies and $291.6 million to 59 companies during the three and nine-month periods ended September 30, 2008, respectively. No equity investment was made during the three-month period ended September 30, 2008. We made equity investments in 10 portfolio companies totaling $5.9 million in the nine-month period ended September 30, 2008, bringing total equity investments at fair value to approximately $33.1 million. The fair value of our warrant portfolio at September 30, 2008 and December 31, 2007 was approximately $25.4 million and $21.6 million respectively. At September 30, 2008, we had unfunded contractual commitments of $141.8 million to 34 portfolio companies. In addition, as of September 30, 2008, we executed non-binding term sheets with nine prospective portfolio companies, representing approximately $95.5 million. However, we have determined to reduce the number of non-binding term sheets that we will continue to perform diligence on to approximately $17 million. We will postpone the remainder of these non-binding term sheets until the overall economy and credit markets stabilize.

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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 nine month period ended September 30, 2008, we received normal principal repayments of $70.1 million, and early repayments and working line of credit paydowns totaling $114.8 million. Total portfolio investment activity (exclusive of unearned income) as of the nine month period ended September 30, 2008 is as follows:

(in millions)	September 30, 2008
Beginning Portfolio	$ 530.0
Purchase of debt investments	283.5
Purchase of equity investments	7.0
Sale of equity investments	5.2
Principal payments received on investments	(70.1)
Early pay-offs and recoveries	(114.8)
Accretion of loan discounts and paid-in-kind principal	5.0
Net realized and unrealized change in investments	(9.1)
Ending Portfolio	$ 636.7

The following table shows the fair value of our portfolio of investments by asset class as of September 30, 2008 and December 31, 2007 (excluding unearned income):

	September 30, 2008		December 31, 2007	
(in thousands)	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
Senior debt with warrants	$ 490,363	77.0%	$ 441,838	83.4%
Senior debt	107,173	16.8%	61,483	11.6%
Preferred stock	32,532	5.1%	23,265	4.4%
Senior debt-second lien with warrants	6,103	1.0%		
Common Stock	576	0.1%	2,938	0.5%
Subordinated debt with warrants			448	0.1%
	$ 636,747	100.0%	$ 529,972	100.0%

A summary of our investment portfolio at value by geographic location as of September 30, 2008 and December 31, 2007 is as follows.

	September 30, 2008		December 31, 2007	
(in thousands)	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
United States	$ 601,462	94.4%	$ 512,724	96.8%
Canada	15,177	2.4%	15,001	2.8%
Israel	17,108	2.7%	2,247	0.4%
Netherlands	3,000	0.5%		
	$ 636,747	100.0%	$ 529,972	100.0%

Our portfolio companies are primarily privately held expansion-and established-stage companies in the biopharmaceutical, communications and networking, consumer and business products, electronics and computers, energy, information services, internet consumer and business services, medical devices, semiconductor and software industry sectors. These sectors are characterized by high margins, high growth rates, consolidation and product and market extension opportunities. Value is often vested in intangible assets and intellectual property.

At September 30, 2008, we had investments in two portfolio companies deemed to be Affiliates. One investment is a non income producing equity investment and one portfolio company became an Affiliate on December 17, 2007 upon a restructure of the company. Income derived from these investments was less than $98,000 since these investments became Affiliates. No realized gains or losses related to Affiliates were recognized during the three and nine-month periods ended September 30, 2008.

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The following table shows the fair value of our portfolio by industry sector at September 30, 2008 and December 31, 2007 (excluding unearned income):

	September 30, 2008		December 31, 2007	
(in thousands)	**Investments at Fair Value**	**Percentage of Total Portfolio**	**Investments at Fair Value**	**Percentage of Total Portfolio**
Communications & networking	$ 131,914	20.7%	$ 114,014	21.5%
Information services	62,865	9.9%	58,464	11.0%
Drug discovery	76,332	12.0%	95,294	18.0%
Software	86,442	13.6%	38,963	7.4%
Specialty pharmaceuticals	48,135	7.6		