HERCULES TECHNOLOGY GROWTH CAPITAL INC
Form POS 8C
January 20, 2006
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As filed with the Securities and Exchange Commission on January 20, 2006

Registration No. 333-126604

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM N-2

(Check appropriate box or boxes)

¨ **REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933**
¨ **Pre-Effective Amendment No.**
x **Post-Effective Amendment No. 2**

HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

(Exact Name of Registrant as Specified in Charter)

525 University Avenue, Suite 700

Palo Alto, CA 94301

(650) 289-3060

(Address and Telephone Number of Principal Executive Offices)

Manuel A. Henriquez

Chairman of the Board, President and Chief Executive Officer

Hercules Technology Growth Capital, Inc.

525 University Avenue, Suite 700

Palo Alto, California 94301

(Name and Address of Agent for Service)

Copy to:

Christopher J. Austin, Esq.

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One Embarcadero Center, Suite 2200

San Francisco, California 94111

Telephone: (415) 315-6300

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Approximate Date of Proposed Public Offering: As soon as practicable after the effective date of this Registration Statement.

If any securities being registered on this form will be offered on a delayed or continuous basis in reliance on Rule 415 under the Securities Act of 1933, other than securities offered in connection with a dividend reinvestment plan, check the following box x

If appropriate, check the following box:

¨ This amendment designates a new date for a previously filed registration statement.

¨ This Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act and the Securities Act registration number of the earlier effective registration statement for the same offering is __________.

CALCULATION OF REGISTRATION FEE UNDER THE SECURITIES ACT OF 1933

Title of Securities Being Registered	**Amount to be Registered**	**Proposed Maximum Offering Price Per Share**	**Proposed Maximum Aggregate Offering Price(2)**	**Amount of Registration Fee**
Common Stock, $.001 par value per share(1)	3,801,965	$12.87	$57,595,669	$6,779.02(3)(5)
Warrant to Purchase Common Stock	673,223	$12.87	$8,664,380	$1,019.80(4)(5)

(1) Includes 673,223 shares of Common Stock issuable upon the exercise of the warrants.

(2) Estimated solely for purposes of calculating the registration fee pursuant to Rules 457(c) and 457(g) under the Securities Act of 1933, as amended.

(3) Calculated pursuant to Rule 457(c) based on the average of the high and low sale prices of our common stock as reported on the Nasdaq National Market on July 12, 2005.

(4)

Calculated pursuant to Rule 457(g)(3) based on the average of the high and low sale prices of our common stock as reported on the Nasdaq National Market on July 12, 2005.

(5) Fees have been previously paid.

The registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the SEC, acting pursuant to said Section 8(a), may determine.

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Registration No. 333-126604

3,801,965 Shares Common Stock

And

673,223 Warrants to Purchase Common Stock

And

673,223 Shares of Common Stock Issuable upon

Exercise of the Warrants

We are a specialty finance company that provides debt and equity growth capital to technology-related companies at all stages of development. We primarily finance privately-held companies backed by leading venture capital and private equity firms and also may finance certain publicly-traded companies. We originate our investments through our principal office located in Silicon Valley, as well as additional offices in the Boston, Boulder and Chicago areas. Our goal is to be the capital provider of choice for technology-related companies requiring sophisticated and customized financing solutions. We invest primarily in structured mezzanine debt and, to a lesser extent, in senior debt and equity investments.

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

This prospectus relates to:

- the resale of up to 3,801,965 shares of our common stock, par value $0.001 per share;
- the resale of up to 673,223 warrants to purchase shares of our common stock; and
- the issuance and sale of up to 673,223 shares of our common stock which are initially issuable upon the exercise of the warrants.

The common stock and warrants which are offered for resale by this prospectus are offered for the accounts of the current holders of such common stock and warrants, whom we refer to as the selling holders. The selling holders may sell the common stock, the warrants, and the common stock issuable upon exercise of the warrants, from time to time, directly to purchasers or through underwriters, broker-dealers or agents, who may receive compensation in the form of discounts, concessions or commissions. The common stock and warrants may be sold in one or more transactions at fixed prices, prevailing market prices at the time of sale, prices related to prevailing market prices, varying prices determined at the time of sale or negotiated prices.

We will not receive any of the proceeds from the shares of common stock and warrants sold by the selling holders. We may, however, receive cash consideration in connection with the exercise of the warrants for cash. We have agreed to bear specific expenses in connection with the registration and sale of the common stock and warrants being offered by the selling holders.

Our common stock is traded on the Nasdaq National Market under the symbol HTGC. The last reported sale price for our common stock on January 18, 2006 was $11.50 per share. Our warrants are quoted on the OTC Bulletin Board under the symbol HTGCW There can be no assurance that an active public market for the warrants will develop, or if such a market develops, it will be maintained. We do not intend to apply, and are not obligated to apply, to list the warrants on any national securities exchange or the Nasdaq National Market.

An investment in our common stock and warrants involves risks and involves a heightened risk of total loss of investment. In addition, the companies in which we invest are subject to special risks. See Risk Factors beginning on page 9 to read about risks that you should consider before investing in our common stock, including the risk of leverage.

This prospectus contains important information you should know before investing in our common stock or warrants. Please read it before making an investment decision and keep it for future reference. Shares of closed-end investment companies have in the past frequently traded at a discount to their net asset value. If our shares trade at a discount to net asset value, it may increase the risk of loss for purchasers in this offering.

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

We file annual, quarterly and current reports, proxy statements and other information about us with the Securities and Exchange Commission. The information is available free of charge by contacting us at 525 University Avenue, Suite 700, Palo Alto, California 94301 or by telephone calling collect at (650) 289-3060 or on our website at www.herculestech.com. The SEC also maintains a website at www.sec.gov that contains such information.

The date of this prospectus is January , 2006

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You should rely only on the information contained in this prospectus. We have not authorized any dealer, salesperson or other person to provide you with different information or to make representations as to matters not stated in this prospectus. If anyone provides you with different or inconsistent information, you should not rely on it. This prospectus is not an offer to sell, or a solicitation of an offer to buy, any shares of common stock or warrants by any person in any jurisdiction where it is unlawful for that person to make such an offer or solicitation or to any person in any jurisdiction to whom it is unlawful to make such an offer or solicitation. The information in this prospectus is accurate only as of its date, and under no circumstances should the delivery of this prospectus or the sale of any common stock or warrants imply that the information in this prospectus is accurate as of any later date or that the affairs of Hercules Technology Growth Capital, Inc. have not changed since the date hereof.

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SUMMARY

This summary highlights some of the information in this prospectus and may not contain all of the information that is important to you. You should read carefully the more detailed information set forth under Risk Factors and the other information included in this prospectus. The following summary is qualified in its entirety by reference to the more detailed information and financial statements appearing elsewhere in this prospectus. In this prospectus, unless the context otherwise requires, the Company, Hercules Technology Growth Capital, we, us and our refer to Hercules Technology Growth Capital, Inc. and our wholly-owned subsidiaries Hercules Technology II, L.P. and Hercules Technology SBIC Management, LLC.

Our Company

We are a specialty finance company that provides debt and equity growth capital to technology-related and life-sciences companies at all stages of development. We primarily finance privately-held companies backed by leading venture capital and private equity firms and also may invest in select publicly-traded companies that lack access to public capital or are sensitive to equity ownership dilution. We originate our investments through our principal office located in Silicon Valley, as well as our additional offices in the Boston, Boulder and Chicago areas. Our goal is to be the capital provider of choice for technology-related and life sciences companies requiring sophisticated and customized financing solutions. We invest primarily in structured mezzanine debt and, to a lesser extent, in senior debt and equity. 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.

We focus our investments in companies active in technology industry sub-sectors characterized by products or services that require advanced technologies, including computer software and hardware, networking systems, semiconductors, semiconductor capital equipment, information technology infrastructure or services, Internet consumer and business services, telecommunications, telecommunications equipment, media and life sciences. Within the life sciences sub-sector, we focus on medical devices, bio-pharmaceutical, health care services and information systems companies. We refer to all of these companies as technology-related companies and intend, under normal circumstances, to invest at least 80% of the value of our assets in such businesses.

Our investment objective is to maximize our portfolio s total return by generating current income from our debt investments and capital appreciation from our equity-related investments. We are an internally managed, non-diversified closed-end investment company that has elected to be treated as a business development company under the Investment Company Act of 1940, which we refer to as the 1940 Act, and we intend to elect to be treated as a regulated investment company, or RIC, under Subchapter M of the Internal Revenue Code as of January 1, 2006.

We focus our investments in companies active in technology industry sub-sectors characterized by products or services that require advanced technologies, including computer software and hardware, networking systems, semiconductors, semiconductor capital equipment, information technology infrastructure or services, Internet consumer and business services, telecommunications, telecommunications equipment, media and life sciences. Within the life science sub-sector, we focus on medical devices, bio-pharmaceutical, health care services and information systems companies. We refer to all of these companies as technology-related companies and intend, under normal circumstances to invest at least 80% of our assets in such businesses.

Our portfolio is comprised of, and we anticipate that our portfolio will continue to be comprised of, investments in technology-related companies at various stages of their development. Our emphasis is on private companies following or in connection with their first institutional round of equity financing, which we refer to as emerging-growth companies, and private companies in later rounds of financing, which we refer to as expansion-stage companies. To a lesser extent, we make investments in established companies comprised of private companies in one of their final rounds of equity financing prior to a liquidity event or select publicly-traded companies that lack access to public capital or are sensitive to equity ownership dilution.

We commenced investment operations in September 2004 and through September 30, 2005 we entered into binding agreements to invest approximately $152.2 million in structured mezzanine debt with 24 companies (including $1.0 million in debt converted into equity in the third quarter of 2005). As of September 30, 2005, our investment portfolio included structured mezzanine debt investments in 23 portfolio companies representing approximately $129.0 million of invested capital, additional unfunded contractual commitments of $15.7 million to these 23 portfolio companies, and a contractual commitment of $7.5 million to one company that was unfunded at September 30, 2005. In addition, we invested $2.25 million in preferred stock of four portfolio companies and exercised a stock participation right to convert $1.0 million of debt to an equity investment in one portfolio company in connection with its new round of preferred financing for approximately $36.0 million. Our investment portfolio totaled $130.4 million at September 30, 2005, compared with $87.3 million at June 30, 2005. The unrealized gain on our investment portfolio totaled $1.7 million at the end of the third quarter as compared with $1.0 million at the end of the second quarter of 2005.

As of September 30, 2005, the weighted average investment rating of our investments was 2.17. At September 30, 2005, Grade 2 investments totaled $118.8 million, or 91.1% of the total portfolio; Grade 3 investments totaled $2.1 million,

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or 1.6% of the portfolio; and Grade 4 investments totaled $9.5 million, or 7.3% of the total portfolio. For a description of our investment grading process, see Business Loan and Compliance Administration. In October 2005, one portfolio company repaid its outstanding loan of $7.5 million and the warrants issued in connection with the loan were cancelled.

The following table summarizes our investments in our portfolio companies at fair value as of September 30, 2005.

Company	Principal Business	Fair Value Of Investment
Labopharm USA, Inc.	Biopharmaceuticals	$ 11,000,011
Merrimack Pharmaceuticals, Inc.	Biopharmaceuticals	9,005,516
Omrix Biopharmaceuticals, Inc.	Biopharmaceutical	5,049,909
Paratek Pharmaceuticals, Inc.	Biopharmaceuticals	5,017,343
Predicant Biosciences, Inc.	Biopharmaceuticals	115,477
Concuity, Inc.	Software	4,997,180
Gomez, Inc.	Software	2,433,333
Inxight Software, Inc.	Software	4,998,484
Metreo, Inc.	Software	4,540,992
Proficiency, Inc.	Software	4,001,653
Sportvision, Inc.	Software	3,814,802
Talisma Corp.	Software	3,776,794
Wageworks, Inc.	Consumer and Business Products	11,725,285
Ikano Communications, Inc.	Communications and Networking	16,504,253
Interwise, Inc.	Communications and Networking	3,000,000
Luminous Networks, Inc.	Communications and Networking	7,508,395
Occam Networks, Inc.	Communications and Networking	3,368,271
Adiana, Inc.	Medical Devices and Equipment	2,503,528
OptiScan Biomedical Corporation	Medical Devices and Equipment	2,925,446
Power Medical Interventions, Inc.	Medical Devices and Equipment	4,004,000
Affinity Express, Inc.	Internet Consumer and Business Services	2,136,279
Razorgator Interactive Group, Inc.	Internet Consumer and Business Services	5,477,624
Sling Media, Inc.	Electronics and Computer Hardware	4,000,550
Ageia Technologies, Inc.	Semiconductors	8,498,120
	Total investments	$ 130,403,245

Our management team, which includes Manuel A. Henriquez, our co-founder, Chairman, President and Chief Executive Officer, is currently comprised of 13 professionals who have, on average, more than 15 years of experience in venture capital, structured finance, commercial lending or acquisition finance with the types of technology-related companies that we are targeting. We believe that we can leverage the experience and relationships of our management team to successfully identify attractive investment opportunities, underwrite prospective portfolio companies and structure customized financing solutions.

Our Market Opportunity

We believe that technology-related companies compete in one of the largest and most rapidly growing sectors of the U.S. economy and that continued growth is supported by ongoing innovation and performance improvements in technology products as well as the adoption of technology across virtually all industries in response to competitive pressures. We believe

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that an attractive market opportunity exists for a specialty finance company focused primarily on structured mezzanine investments in technology-related and life-science companies for the following reasons:

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

Unfulfilled Demand for Structured Debt Financing by Technology-Related Companies. Private debt capital from specialty finance companies continues to be an important source of funding for technology-related companies. We believe that this demand is currently unfulfilled, in part because the historically largest structured lenders to technology-related companies have exited the market while at the same time lending requirements of traditional lenders have become more stringent. We therefore believe we entered the structured lending market at an opportune time.

Structured Mezzanine Debt Products Complement Equity Financing from Venture Capital and Private Equity Funds. We believe that our structured mezzanine debt products will provide an additional source of growth capital for technology-related companies that may otherwise only be able to obtain equity financing through incremental investments by their existing investors. Generally, we believe emerging-growth and expansion-stage companies target a portion of their capital to be debt in an attempt to achieve a higher valuation through internal growth prior to subsequent equity financing rounds or liquidity events.

Lower Valuations for Private Technology-Related Companies. During the downturn in technology-related industries that began in 2000, the markets saw sharp and broad declines in valuations of venture capital and private equity-backed technology-related companies. We believe that the valuations currently assigned to these companies in private financing rounds will allow us to build a portfolio of equity-related securities at attractive valuation levels.

Our Business Strategy

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

Leverage the Experience and Industry Relationships of Our Management Team. We have assembled a team of senior investment professionals with extensive experience as venture capitalists, commercial lenders, and originators of structured debt and equity investments in technology-related companies. Members of our management team also have operational, research and development and finance experience with technology-related companies. We have established contacts with leading venture capital and private equity fund sponsors, public and private companies, research institutions and other industry participants, which should enable us to identify and attract well-positioned prospective portfolio companies.

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

Provide Customized Financing Complementary to Financial Sponsors Capital. We offer a broad range of investment structures and have the flexibility to structure our investments to suit the particular needs of our portfolio companies. We believe that our debt investments will be viewed as an attractive source of capital and that many venture capital and private equity fund sponsors encourage their portfolio companies to use debt financing as a means of potentially enhancing equity returns, minimizing equity dilution and increasing valuations prior to a subsequent equity financing round or a liquidity event.

Invest at Various Stages of Development. We provide growth capital to technology-related companies at all stages of development, which we believe provides us with a broader range of potential investment opportunities than those available to many of our competitors, who generally choose to make investments during a particular stage in a company s development.

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

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Deal Sourcing Through Our Proprietary Database. We have developed a proprietary and comprehensive structured query language-based (SQL) database system to track various aspects of our investment process, including sourcing, originations, transaction monitoring and post-investment performance. As of September 30, 2005, our proprietary SQL-based database system included over 7,500 technology-related companies and over 1,410 venture capital private equity sponsor/investors, as well as various other industry contacts.

Rights Offering

On January 19, 2006, we filed a registration statement with the Securities and Exchange Commission relating to the issuance by us to our stockholders of rights to subscribe for approximately 3,275,000 shares of our common stock at a subscription price to be determined. The rights will be issued to then existing stockholders of record after the effectiveness of the registration statement relating to the rights.

General Information

Our principal executive offices are located at 525 University Avenue, Suite 700, Palo Alto, California 94301, and our telephone number is (650) 289-3060. We also have offices in Waltham, Massachusetts, Boston, Massachusetts, Boulder, Colorado and the Chicago, Illinois area. We maintain a website on the Internet at www.herculestech.com. Information contained in our website is not incorporated by reference into this prospectus, and you should not consider that information to be part of this prospectus.

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The Offering

Common Stock Offered By the Selling Holders(1)	Up to 4,475,188 shares
Warrants Offered By the Selling Holders	Up to 673,223 warrants
Common Stock to be Outstanding After this Offering	9,801,965 shares
Exercisability	The warrants are exercisable at any time or from time to time until the expiration date.
Expiration Date	June 17, 2009
Exercise Price	Each warrant entitles the holder thereof to purchase 1 share of common stock at $10.57 per share.
Use of Proceeds	We will not receive any proceeds from the sale of the common stock or warrants by the selling holders. However, upon any exercise of the warrants for cash, we will receive cash consideration equal to the exercise price of the warrants. We anticipate that proceeds received by us from the exercise of the warrants, if any, will be used to invest in portfolio companies in accordance with our investment objective and strategy described in this prospectus and to pay our operating expenses. Pending such uses and investments, we will invest the net proceeds primarily in cash, cash equivalents, U.S. government securities or high-quality debt securities maturing one year or less from the time of investment. See Use of Proceeds.
Listing	Our common stock is traded on the Nasdaq National Market under the symbol HTGC. Our warrants are quoted on the OTC Bulletin Board under the symbol HTGCW . We do not intend to apply, and are not obligated to apply, to list the warrants on any national securities exchange or the Nasdaq National Market.
Trading	There can be no assurance that an active public market for the warrants will develop, or if such a market develops, it will be maintained. Our warrants are quoted on the OTC Bulletin Board under the symbol HTGCW . We do not intend to apply, and are not obligated to apply, to list the warrants on any national securities exchange or the Nasdaq National Market. Shares of closed-end investment companies have in the past frequently traded at discounts to their net asset values. This characteristic of closed-end investment companies is separate and distinct from the risk that our net asset value per share may decline. We cannot predict whether our shares will trade above, at or below our net asset value.
Taxation	From incorporation through December 31, 2005, we were taxed as a corporation under Subchapter C of the Internal Revenue Code. We will elect to be treated for federal income tax purposes as a RIC as of January 1, 2006. As a RIC, we generally will not pay corporate-level federal income taxes on any ordinary income or capital gains that we distribute to our stockholders as dividends. We may be required, however, to pay corporate-level federal income taxes on gains built into our assets as of the effective date of our RIC election. See Certain U.S. Federal Income Tax Consequences Conversion to Regulated Investment Company Status. To obtain and maintain the federal income tax benefits of RIC status, we must meet specified source-of-income and asset diversification requirements and distribute annually an amount equal to at least 90% of the sum of our net ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any, out of assets legally available for distribution. See Distributions.

(1) Includes 673,223 shares of common stock issuable upon exercise of the warrants.

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Distributions	On December 9, 2005, we declared a dividend of $0.30 per share for stockholders of record on January 6, 2006. The dividend will be distributed on January 27, 2006. On October 27, 2005, we declared a dividend of $0.025 per share for stockholders of record on November 1, 2005. The dividend totaled approximately $245,000, which was distributed on November 17, 2005. We intend to continue to distribute quarterly dividends to our stockholders following our election to be treated as a RIC. We intend to distribute quarterly dividends to our stockholders following our election to be treated as a RIC. The amount of our quarterly distributions will be determined by our Board of Directors out of assets legally available for distribution. We intend to elect to be treated as a RIC as of January 1, 2006, and as such, to distribute thereafter to our stockholders annually at least 90% of the sum of our net ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any. In addition, prior to the end of our first tax year as a RIC, we will be required to make a distribution to our stockholders equal to the amount of any earnings and profits from the period prior to our RIC election. Currently, we intend to retain some or all of our realized net long-term capital gains in order to build our per share net asset value. As a result, we will elect to make deemed distributions of such amounts to our stockholders. We may, in the future, make actual distributions to our stockholders of some or all of our realized net long-term capital gains.
Dividend Reinvestment Plan	We have adopted an opt-out dividend reinvestment plan through which distributions are paid to stockholders in the form of additional shares of our common stock, unless a stockholder elects to receive cash. See Dividend Reinvestment Plan. Those stockholders whose shares are held by a broker or other financial intermediary may receive distributions in cash by notifying their broker or other financial intermediary of their election.
Leverage	We borrow funds to make additional investments, and we have granted, and may in the future grant, a security interest in our assets to a lender in connection with any such borrowings, including any borrowings by any of our subsidiaries. We use this practice, which is known as leverage, to attempt to increase returns to our common stockholders. However, leverage involves significant risks. See Risk Factors. With certain limited exceptions, we are only allowed to borrow amounts such that our asset coverage, as defined in the 1940 Act, equals at least 200% after such borrowing. The amount of leverage that we employ will depend on our assessment of market and other factors at the time of any proposed borrowing. As of September 30, 2005, we had outstanding $25 million in aggregate principal amount of indebtedness under our bridge loan facility. See Obligations and Indebtedness Bridge Financing. On August 1, 2005, we entered into a securitized credit facility to provide us with additional leverage. In October 2005, we drew $5.0 million under this securitized credit facility. See Obligations and Indebtedness Securitized Credit Facility. If our subsidiary is able to obtain a license under the Small Business Investment Act of 1958, we intend to borrow money from the Small Business Administration.
Principal Risk Factors	Investing in us involves certain risks relating to our structure and our investment objective that you should consider before deciding whether to invest. In addition, we expect that our portfolio will continue to consist primarily of securities issued by privately-held technology-related companies, which generally require additional capital to become profitable. These investments may involve a high degree of business and financial risk, and they are generally illiquid. Our portfolio companies typically will require additional outside capital beyond our investment in order to succeed or to fully repay the amounts owed to us. A large number of entities compete for the same kind of investment opportunities as we seek. We borrow funds to make our investments in portfolio companies. As a result, we are exposed to the risks of leverage, which may be considered a speculative investment technique. Borrowings magnify the potential for gain and loss on amounts invested and, therefore increase the risks associated with investing in our common stock and warrants. Also, we are subject to certain risks associated with valuing our portfolio, changing interest rates, accessing additional capital, fluctuating quarterly results, and operating in a regulated environment. See Risk Factors beginning on page 9 for a discussion of factors you should carefully consider before deciding whether to invest in our common stock or warrants.

Certain Anti-Takeover Measures	Our charter and bylaws, as well as certain statutes and regulations, contain provisions that may have the effect of discouraging a third party from making an acquisition proposal for our company. This could delay or prevent a transaction that could give our stockholders the opportunity to realize a premium over the price for their securities.
Where You Can Find Additional Information	We have filed with the Securities and Exchange Commission, or SEC, a shelf registration statement on Form N-2, including any amendments thereto and related exhibits, under the Securities Act of 1933, which we refer to as the Securities Act, with respect to our shares of common stock and warrants being offered by this prospectus. The shelf registration statement contains additional information about us, the selling stockholders, our shares of common stock and our warrants being offered by this prospectus. We file annual, quarterly and current periodic reports, proxy statements and other information with the SEC under the Securities Exchange Act of 1934, which we refer to as the Exchange Act. This information is available at the SEC s public reference room at 100 F St., N.E., Washington, D.C. 20549. You may obtain information about the operation of the SEC s public reference room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an Internet website, at www.sec.gov, that contains reports, proxy and information statements, and other information regarding issuers, including us, that file documents electronically with the SEC.

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Fees and Expenses

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

Stockholder Transaction Expenses (as a percentage of the public offering price):	
Offering expenses borne by us	0.1%[1]
Dividend reinvestment plan fees	%[2]
Total stockholder transaction expenses (as a percentage of the public offering price)	0.1%
Annual Expenses (as a percentage of net assets attributable to common stock): [3]	
Operating expenses	4.7%[4][5]
Interest payments on borrowed funds	1.2%[6]
Fees paid in connection with borrowed funds	0.8%[7]
Total annual expenses	6.7%[8]

(1) The percentage reflects estimated offering expenses of approximately $100,000.
(2) The expenses associated with the administration of our dividend reinvestment plan are included in operating expenses . We pay all brokerage commissions incurred with respect to open market purchases, if any, made by the administrator under the plan. For more details about the plan, see Dividend Reinvestment Plan .
(3) Net assets attributable to common stock equals net assets (i.e., total assets less total liabilities), which were approximately $115 million at September 30, 2005.
(4) Operating expenses represent our operating expenses based on annualized actual results for the nine months ended September 30, 2005.
(5) We do not have an investment adviser and are internally managed by our executive officers under the supervision of our Board of Directors. As a result, we do not pay investment advisory fees, but instead we pay the operating costs associated with employing investment management professionals.
(6) Interest payments on borrowed funds represents interest payments on borrowed funds based on annualized actual results for the nine months ended September 30, 2005. The Company did not borrow funds until April 12, 2005 and therefore did not make interest payments prior to that date.
(7) Fees paid in connection with borrowed funds represents fees paid in connection with borrowed funds based on annualized actual results for the nine months ended September 30, 2005. The Company did not borrow funds until April 12, 2005 and therefore did not incur fees in connection with the borrowed funds prior to that date.
(8) Total annual expenses is the sum of operating expenses , interest payments on borrowed funds and fees paid in connection with borrowed funds.

Example

The following example demonstrates the projected dollar amount of total cumulative expenses that would be incurred over various periods with respect to a hypothetical investment in our common stock. These amounts are based upon our payment of annual operating expenses at the levels set forth in the table above and assume no additional leverage.

	1 year	**3 years**	**5 years**	**10 years**
You would pay the following expenses on a $1,000 investment, assuming a 5% annual return	$ 70.35	$ 206.78	$ 337.72	$ 642.45

The example and the expenses in the tables above should not be considered a representation of our future expenses, and actual expenses may be greater or lesser than those shown. Moreover, while the example assumes, as required by the applicable rules of the SEC, a 5% annual return, our performance will vary and may result in a return greater or lesser than 5%. In addition, while the example assumes reinvestment of all dividends and distributions at net asset value,

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participants in our dividend reinvestment plan may receive shares valued at the market price in effect at that time. This price may be at, above or below net asset value. See Dividend Reinvestment Plan for additional information regarding our dividend reinvestment plan.

Selected Financial Data

The selected financial data set forth below should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and the financial statements and related notes included elsewhere in this prospectus. The selected balance sheet data as of the end of fiscal 2004 presented below, and the selected income statement data for the period from February 2, 2004 through the end of fiscal 2004, have been derived from our audited financial statements included elsewhere herein, which have been audited by Ernst & Young LLP, an independent registered public accounting firm. The selected balance sheet data as of September 30, 2005 presented below and the selected income statement data for the nine months then ended have been derived from our unaudited financial statements included elsewhere herein. The historical data are not necessarily indicative of results to be expected for any future period.

	Period from February 2, 2004 to December 31, 2004(1)	Nine months ended September 30, 2005(1)
Statement of operations data:		
Investment Income:		
Interest	$ 214,100	$ 5,815,004
Fees		511,791
Total investment Income	214,100	6,326,795
Operating expenses:		
Interest		1,030,217
Loan Fees		686,666
Compensation and benefits	1,164,504	2,351,924
General and administrative	388,885	1,464,024
Stock-based compensation (2)	680,000	195,000
Organization costs	15,000	
Depreciation	7,533	15,357
Total operating expenses	2,255,922	