

HERCULES TECHNOLOGY GROWTH CAPITAL INC

Form 10-Q

August 11, 2006

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549
FORM 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
For The Quarterly Period Ended June 30, 2006**

OR

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

Commission File Number: 814-00702

**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.
(Exact Name of Registrant as Specified in its Charter)**

**Maryland
(State or Jurisdiction of
Incorporation or Organization)**

**743113410
(IRS Employer
Identification No.)**

**525 University Ave., Suite 700
Palo Alto, California 94301
(Address of Principal Executive Offices)**

**94301
(Zip Code)**

(650) 289-3060

(Registrant's Telephone Number, Including Area Code)

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer

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

On August 1, 2006, there were 13,646,857 shares outstanding of the Registrant's common stock, \$0.001 par value.

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

ITEM 1. FINANCIAL STATEMENTS

**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.
CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES**

	June 30, 2006 (unaudited)	December 31, 2005
Assets		
Investments, at value (cost of \$190,355,515 and \$176,004,865, respectively)	\$ 193,571,348	\$ 176,673,226
Deferred loan origination revenue	(3,222,094)	(2,729,982)
Cash and cash equivalents	23,211,755	15,362,447
Interest receivable	2,089,839	1,479,375
Prepaid expenses	564,422	1,310,594
Deferred Tax Asset		1,454,000
Property and equipment, net	84,662	77,673
Other assets	939,176	20,546
Total assets	217,239,108	193,647,879
Liabilities		
Accounts payable	679,984	150,081
Income tax payable		1,709,000
Accrued liabilities	2,230,038	1,436,468
Short-term loan payable	61,000,000	76,000,000
Total liabilities	63,910,022	79,295,549
Net assets	\$ 153,329,086	\$ 114,352,330
Net assets consist of:		
Par value	\$ 13,647	\$ 9,802
Paid-in capital in excess of par value	153,637,428	114,524,833
Distributable earnings (accumulated deficit)	(321,989)	(182,305)
Total net assets	\$ 153,329,086	\$ 114,352,330
Shares of common stock outstanding (\$0.001 par value, 30,000,000 authorized)	13,646,857	9,801,965
Net asset value per share	\$ 11.24	\$ 11.67

See notes to consolidated financial statements (unaudited).

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.
CONSOLIDATED SCHEDULE OF INVESTMENTS
June 30, 2006
(unaudited)

Portfolio Company	Industry	Type of Investment ⁽¹⁾	Principal Amount	Cost ⁽²⁾	Value ^{(3) (4)}
Acceleron Pharmaceuticals, Inc.(2.62%)*	Biopharmaceuticals	Senior Debt Matures June 2009 Interest rate 10.25%	\$ 4,000,000	\$ 3,942,412	\$ 3,942,412
		Preferred Stock Warrants		69,106	67,835
Total Acceleron Pharmaceuticals, Inc.				4,011,518	4,010,247
Aveo Pharmaceuticals, Inc. (4.89%)	Biopharmaceuticals	Senior Debt Matures September 2009 Interest rate 10.50%	\$ 7,500,000	7,500,000	7,500,000
		Preferred Stock Warrants			
Total Aveo Pharmaceuticals, Inc.				7,500,000	7,500,000
Guava Technologies, Inc. (2.95%)	Biopharmaceuticals	Senior Debt Matures July 2009 Interest rate Prime + 3.25%	\$ 4,500,000	4,412,168	4,412,168
		Preferred Stock Warrants		105,399	103,501
Total Guava Technologies, Inc.				4,517,567	4,515,669
Labopharm USA, Inc. (5.50%)(6)	Biopharmaceuticals	Senior Debt Matures July 2008 Interest rate 11.95%	\$ 8,369,594	8,428,130	8,428,130
Total Labopharm USA, Inc.				8,428,130	8,428,130
Merrimack Pharmaceuticals, Inc.(5.15%)	Biopharmaceuticals	Senior Debt Matures October 2008 Interest rate 11.15%	\$ 7,559,592	7,461,010	7,461,010
		Preferred Stock Warrants		155,456	438,523
Total Merrimack Pharmaceuticals, Inc.				7,616,466	7,899,533
Omrix Biopharmaceuticals, Inc. (0.17%)	Biopharmaceuticals	Common Stock Warrants		11,370	266,493
Total Omrix Biopharmaceuticals, Inc.				11,370	266,493
Paratek Pharmaceuticals, Inc. (5.59%)	Biopharmaceuticals	Senior Debt Matures June 2008 Interest rate 10.60%	\$ 8,518,130	8,430,349	8,430,349

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	Preferred Stock Warrants		137,396	138,967
Total Paratek Pharmaceuticals, Inc.			8,567,745	8,569,316
Quatrux Pharmaceuticals Company (3.93%)	Biopharmaceuticals Senior Debt Matures January 2010 Interest rate Prime + 3.00% \$ 6,000,000		5,807,190	5,807,190
	Preferred Stock Warrants		220,354	220,703
Total Quatrux Pharmaceuticals Company			6,027,544	6,027,893
	See notes to consolidated financial statements (unaudited).			

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.
CONSOLIDATED SCHEDULE OF INVESTMENTS
June 30, 2006
(unaudited)

Portfolio Company	Industry	Type of Investment⁽¹⁾	Principal Amount	Cost⁽²⁾	Value⁽³⁾⁽⁴⁾
Sirtris Pharmaceuticals, Inc. (6.52%)	Biopharmaceuticals	Senior Debt Matures April 2011 Interest rate 10.60%	\$ 10,000,000	\$ 9,915,612	\$ 9,915,612
		Preferred Stock Warrants		88,829	86,414
Total Sirtris Pharmaceuticals, Inc.				10,004,441	10,002,026
TransOral Pharmaceuticals, Inc. (2.61%)	Biopharmaceuticals	Senior Debt Matures October 2009 Interest rate 10.69%	\$ 4,000,000	3,966,152	3,966,152
		Preferred Stock Warrants		35,630	34,429
Total TransOral Pharmaceuticals, Inc.				4,001,782	4,000,581
Total Biopharmaceuticals (39.93%)				60,686,563	61,219,888
Atrenta, Inc. (3.28%)	Software	Senior Debt Matures June 2009 Interest rate 11.50%	\$ 5,000,000	4,900,603	4,900,603
		Preferred Stock Warrants		102,396	102,633
		Preferred Stock Warrants		33,760	33,677
Total Atrenta, Inc.				5,036,759	5,036,913
Compete, Inc. (2.61%)	Software	Senior Debt Matures March 2009 Interest rate Prime + 3.50%	\$ 4,000,000	3,944,643	3,944,643
		Preferred Stock Warrants		62,067	60,205
Total Compete, Inc.				4,006,710	4,004,848
Concuity, Inc. (2.40%)	Software	Senior Debt Matures March 2008 Interest rate 9.95%	\$ 3,678,540	3,676,498	3,676,498
		Preferred Stock Warrants		3,500	

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Total Concuity, Inc.				3,679,998	3,676,498
GameLogic, Inc. (1.96%)	Software	Senior Debt Matures December 2009 Interest rate Prime + 4.125%	\$ 3,000,000	2,949,901	2,949,901
		Preferred Stock Warrants		52,604	50,857
Total GameLogic, Inc.				3,002,505	3,000,758
Gomez, Inc. (1.13%)	Software	Senior Debt Matures December 2007 Interest rate 12.25%	\$ 1,719,873	1,703,345	1,703,345
		Preferred Stock Warrants		35,000	28,159
Total Gomez, Inc.				1,738,345	1,731,504

See notes to consolidated financial statements (unaudited).

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.
CONSOLIDATED SCHEDULE OF INVESTMENTS
June 30, 2006
(unaudited)

Portfolio Company	Industry	Type of Investment ⁽¹⁾	Principal Amount	Cost ⁽²⁾	Value
HighRoads, Inc. (1.54%)	Software	Senior Debt Matures February 2009 Interest rate 11.25%	\$ 2,349,845	\$ 2,311,555	\$ 2,311,555
		Preferred Stock Warrants		44,466	44,466
HighRoads, Inc.				2,356,021	2,356,021
HighRoads Software, Inc. (3.07%)	Software	Senior Debt Matures February 2008 Interest rate 10.00%	\$ 4,699,490	4,666,262	4,666,262
		Preferred Stock Warrants		55,963	55,963
HighRoads Software, Inc.				4,722,225	4,722,225
HighRoads Systems, Inc. (1.96%)	Software	Senior Debt Matures September 2009 Interest rate Prime + 3.00%	\$ 3,000,000	2,967,945	2,967,945
		Preferred Stock Warrants		33,742	33,742
HighRoads Systems, Inc.				3,001,687	3,001,687
HighRoads Agency, Inc. (1.97%) ⁽⁶⁾	Software	Senior Debt Matures July 2008 Interest rate 12.00%	\$ 4,000,000	3,934,808	3,934,808
		Preferred Stock Warrants		96,370	96,370
HighRoads Agency, Inc.				4,031,178	4,031,178
HighRoads Proficiency, Inc. (1.31%)	Software	Revolving Line of Credit Matures March 2007 Interest rate Prime + 2.00%	\$ 2,000,000	1,965,243	1,965,243
		Preferred Stock Warrants		52,135	52,135
HighRoads Proficiency, Inc.				2,017,378	2,017,378
HighRoads Division, Inc. (0.02%)	Software	Preferred Stock Warrants		39,339	39,339
HighRoads Sportvision, Inc.				39,339	39,339
HighRoads Media Corp. (1.75%)	Software	Subordinated Debt Matures December 2007 Interest rate 11.25%	\$ 2,663,637	2,640,498	2,640,498

	Preferred Stock Warrants		49,000	3
Falisma Corp.			2,689,498	2,67
Software (23.00%)			36,321,643	35,27
Market Force Information, Inc. (1.31%)	Consumer & Business Products	Subordinated Debt		
		Matures May 2009		
		Interest rate 10.45%	\$ 2,000,000	1,978,685
		Preferred Stock Warrants	23,823	2
Market Force Information, Inc.			2,002,508	2,00
	See notes to consolidated financial statements (unaudited).			

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.
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June 30, 2006
(unaudited)

Portfolio Company	Industry	Type of Investment ⁽¹⁾	Principal Amount	Cost ⁽²⁾	Value ^{(3) (4)}
Wageworks, Inc. (11.34%)	Consumer & Business Products	Senior Debt Matures November 2008 Interest rate Prime + 4.00%	\$ 16,365,835	\$ 16,197,859	\$ 16,197,859
Wageworks, Inc. (0.16%)		Preferred Stock Warrants		251,964	1,191,677
		Preferred Stock		249,995	249,995
Total Wageworks, Inc.				16,699,818	17,639,521
Total Consumer & Business Products (12.81%)				18,702,326	19,641,666
IKANO Communications, Inc. (0.07%)	Communications & Networking	Preferred Stock Warrants		45,460	42,450
		Preferred Stock Warrants		72,344	69,660
Total IKANO Communications, Inc.				117,804	112,110
Interwise, Inc. (1.61%)	Communications & Networking	Senior Debt Matures August 2008 Interest rate 17.50%	\$ 2,467,438	2,467,438	2,467,438
Total Interwise, Inc.				2,467,438	2,467,438
Optovia Corporation (3.26%)	Communications & Networking	Senior Debt Matures Septebmer 2006 Interest rate Prime + 7.25%	\$ 5,000,000	5,000,000	5,000,000
Total Optovia Corporation				5,000,000	5,000,000
Pathfire, Inc. (3.27%)	Communications & Networking	Senior Debt Matures December 2008 Interest rate Prime + 3.65%	\$ 5,000,000	4,949,028	4,949,028
		Preferred Stock Warrants		63,276	63,960
Total Pathfire, Inc.				5,012,304	5,012,990
Ping Identity Corporation (1.96%)	Communications & Networking	Senior Debt Matures June 2009 Interest rate 11.25%	\$ 3,000,000	2,953,652	2,953,652
		Preferred Stock Warrants		51,801	50,090
Total Ping Identity Corporation				3,005,453	3,003,740

Rivulet Communications, Inc. (2.29%)	Communications & Networking	Senior Debt Matures September 2009 Interest rate Prime + 2.75%	\$ 3,500,000	3,451,959	3,451,959
		Preferred Stock Warrants		50,710	49,020
Rivulet Communications, Inc. (0.16%)		Preferred Stock		250,000	250,000
Total Rivulet Communications, Inc.				3,752,669	3,750,979
	See notes to consolidated financial statements (unaudited).				

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.
CONSOLIDATED SCHEDULE OF INVESTMENTS
June 30, 2006
(unaudited)

Portfolio Company	Industry	Type of Investment ⁽¹⁾	Principal Amount	Cost ⁽²⁾	Value ⁽³⁾
Simpler Networks Corp. (3.68%)	Communications & Networking	Senior Debt Matures July 2009 Interest rate 11.75%	\$5,000,000	\$ 4,863,209	\$ 4,863,209
Simpler Networks Corp. (0.33%)		Preferred Stock Warrants		160,241	772,000
Simpler Networks Corp.		Preferred Stock		500,000	500,000
				5,523,450	6,136,209
Communications & Networking (16.63%)				24,879,118	25,483,209
Medtronic, Inc. (1.09%)	Medical Devices & Equipment	Senior Debt Matures June 2008 Interest rate Prime + 6.00%	\$1,652,109	1,607,292	1,607,292
Medtronic, Inc. (0.33%)		Preferred Stock Warrants		67,225	65,000
Medtronic, Inc.		Preferred Stock		500,000	500,000
				2,174,517	2,172,292
Gynesonics, Inc. (0.01%)	Medical Devices & Equipment	Senior Debt Matures October 2009 Interest rate Prime + 1.25%		1,254	1,254
Gynesonics, Inc.		Preferred Stock Warrants		17,552	17,552
				18,806	18,806
Optiscan Biomedical, Corp. (0.94%)	Medical Devices & Equipment	Senior Convertible Term Loan Matures March 2008 Interest rate 15.00%	\$1,423,169	1,368,646	1,368,646
Optiscan Biomedical, Corp. (0.65%)		Preferred Stock Warrants		80,486	80,486
Optiscan Biomedical, Corp.		Preferred Stock		1,000,000	1,000,000
				2,449,132	2,448,132
Power Medical Interventions, Inc. (2.17%)	Medical Devices & Equipment	Senior Debt Matures June 2008 Interest rate 10.71%	\$3,282,949	3,258,997	3,258,997
Power Medical Interventions, Inc.		Common Stock Warrants		39,195	55,000
				3,298,192	3,314,000

x Technologies Corp. (3.49%) ⁽⁶⁾	Medical Devices & Equipment	Senior Debt Matures December 2008 Interest rate 12.40% Preferred Stock Warrants	\$5,500,000	5,247,774 313,108	5,247,774 103,108
Xillix Technologies Corp.				5,560,882	5,351,882
Medical Devices & Equipment (8.68%)				13,501,529	13,306,882

See notes to consolidated financial statements (unaudited).

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.
CONSOLIDATED SCHEDULE OF INVESTMENTS
June 30, 2006
(unaudited)

Portfolio Company	Industry	Type of Investment⁽¹⁾	Principal Amount	Cost⁽²⁾	Value^{(3) (4)}
Affinity Express, Inc. (1.01%)	Internet Consumer & Business Services	Senior Debt Matures November 2007 Interest rate 13.50%	\$ 1,318,547	\$ 1,301,761	\$ 1,301,761
		Common Stock Warrants		17,000	185,369
		Common Stock Warrants		15,000	55,941
Affinity Express, Inc. (0.16%)		Preferred Stock		250,000	250,000
Total Affinity Express, Inc.				1,583,761	1,793,071
Hedgestreet, Inc. (1.31%)	Internet Consumer & Business Services	Senior Debt Matures March 2009 Interest rate Prime + 3.25%	\$ 2,000,000	1,953,956	1,953,956
		Preferred Stock Warrants		54,956	55,045
Total Hedgestreet, Inc.				2,008,912	2,009,001
Invoke Solutions, Inc. (1.96%)	Internet Consumer & Business Services	Senior Debt Matures December 2008 Interest rate 11.25%	\$ 3,000,000	2,964,696	2,964,696
		Preferred Stock Warrants		43,826	44,042
Total Invoke Solutions, Inc.				3,008,522	3,008,738
RazorGator Interactive Group, Inc. (2.63%)	Internet Consumer & Business Services	Senior Debt Matures January 2008 Interest rate 9.95%	\$ 3,446,622	3,440,097	3,440,097
		Preferred Stock Warrants		13,050	588,025
RazorGator Interactive Group, Inc. (1.11%)		Preferred Stock		1,000,000	1,708,178
Total RazorGator Interactive Group, Inc.				4,453,147	5,736,300
Total Internet Consumer & Business Services (8.18%)				11,054,342	12,547,110

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Cornice, Inc. (7.93%)	Electronics & Computer Hardware	Senior Debt			
		Matures November 2008			
		Interest rate Prime + 4.50%	\$ 4,269,228	4,286,994	4,286,994
		Revolving Line of Credit			
		Matures November 2006			
		Interest rate Prime + 3.00%	\$ 7,783,279	7,612,523	7,612,523
		Preferred Stock Warrants	101,597	98,945	
		Preferred Stock Warrants	35,353	34,060	
		Preferred Stock Warrants	135,403	131,869	
Total Cornice, Inc.			12,171,870	12,164,391	
Sling Media, Inc. (0.94%)	Electronics & Computer Hardware	Preferred Stock Warrants	38,968	944,475	
		Preferred Stock	500,000	500,000	
Total Sling Media, Inc.			538,968	1,444,475	
See notes to consolidated financial statements (unaudited).					

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.
CONSOLIDATED SCHEDULE OF INVESTMENTS
June 30, 2006
(unaudited)

Portfolio Company	Industry	Type of Investment⁽¹⁾	Principal Amount	Cost ⁽²⁾	Value^{(3) (4)}
ViDeOnline Communications, Inc. (0.33%)	Electronics & Computer Hardware	Senior Debt Matures May 2009 Interest rate 15.00%	\$ 500,000	\$ 500,000	\$ 500,000
		Preferred Stock			
		Warrants			
Total ViDeOnline Communications, Inc.				500,000	500,000
Total Electronics & Computer Hardware (9.20%)				13,210,838	14,108,866
Ageia Technologies (5.23%)	Semiconductors	Senior Debt Matures August 2008 Interest rate 10.25%	\$ 8,000,000	7,931,118	7,931,118
		Preferred Stock			
		Warrants		99,190	92,020
Ageia Technologies (0.33%)		Preferred Stock		500,000	500,000
Total Ageia Technologies				8,530,308	8,523,138
Cradle Technologies (1.28%)	Semiconductors	Senior Debt Matures December 2008 Interest rate Prime + 4.70%	\$ 1,947,643	1,883,883	1,883,883
		Preferred Stock			
		Warrants		79,150	78,480
Total Cradle Technologies				1,963,033	1,962,363
Total Semiconductors (6.84%)				10,493,341	10,485,501
Lilliputian Systems, Inc. (0.98%)	Energy	Senior Debt Matures March 2010 Interest rate 9.75%	\$ 1,500,000	1,457,355	1,457,355
		Preferred Stock			
		Warrants		48,460	48,604
Total Lilliputian Systems, Inc.				1,505,815	1,505,959

Total Energy (0.98%)	1,505,815	1,505,959
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Total Investments (126.25%)	\$ 190,355,515	\$ 193,571,348
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* Value as a percent of net assets

(1) All debt investments are income producing. Preferred and common stock and all warrants are non-income producing.

(2) Tax cost at June 30, 2006 equals book cost. Gross unrealized appreciation, gross unrealized depreciation, and net appreciation totaled \$4,507,950, \$1,292,117 and \$3,215,833, respectively.

(3) Except for a warrant in one publicly traded company, all investments are restricted at June 30, 2006 and were valued at fair value as determined in good faith by the Board of Directors. No

unrestricted securities of the same issuer are outstanding. The Company uses the Standard Industrial Code for classifying the industry grouping of its portfolio companies.

- (4) Citigroup has an equity participation right on loans collateralized under the Citigroup facility. The value of their participation right on unrealized gains in the related equity investments was approximately \$378,347 at June 30, 2006 and is included in accrued liabilities and reduces the unrealized gain recognized by the Company at June 30, 2006.
- (5) All investments are less than 5% owned.
- (6) Non-U.S. company or the company's principal place of business is outside of the

United States.

See notes to consolidated financial statements (unaudited).

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.
CONSOLIDATED SCHEDULE OF INVESTMENTS
DECEMBER 31, 2005

Portfolio Company	Industry	Type of Investment ⁽¹⁾	Principal Amount	Cost ⁽²⁾	Value ⁽³⁾⁽⁴⁾
Accelaron Pharmaceuticals, Inc. (3.50%)*	Biopharmaceuticals	Senior Debt			
		Matures June 2009			
		Interest rate 10.25%	\$4,000,000	\$3,932,539	\$ 3,932,539
		Preferred Stock			
		Warrants		69,106	68,054
Total Accelaron Pharmaceuticals, Inc.				4,001,645	4,000,593
Guava Technologies, Inc. (3.94%)	Biopharmaceuticals	Senior Debt			
		Matures July 2009			
		Interest rate Prime + 3.25%	\$4,500,000	4,397,111	4,397,111
		Preferred Stock			
		Warrants		105,399	103,837
Total Guava Technologies, Inc.				4,502,510	4,500,948
Labopharm USA, Inc. (8.63%)	Biopharmaceuticals	Senior Debt			
		Matures July 2008			
		Interest rate 11.95%	\$9,837,901	9,869,420	9,869,420
Labopharm USA, Inc. (1.20%)		Common Stock		112,335	1,367,268
Total Labopharm USA, Inc.				9,981,755	11,236,688
Merrimack Pharmaceuticals, Inc. (7.89%)	Biopharmaceuticals	Senior Debt			
		Matures October 2008			
		Interest rate 11.15%	\$9,000,000	8,878,668	8,878,668
		Preferred Stock			
		Warrants		155,456	140,675
Total Merrimack Pharmaceuticals, Inc.				9,034,124	9,019,343
Omrix Biopharmaceuticals, Inc. (4.16%)	Biopharmaceuticals	Senior Debt			
		Matures March 2008			
		Interest rate 11.45%	\$4,709,994	4,701,782	4,701,782
		Common Stock			
		Warrants		11,370	58,399

See notes to consolidated financial statements (unaudited).

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.
CONSOLIDATED SCHEDULE OF INVESTMENTS
December 31, 2005

Portfolio Company	Industry	Type of Investment ⁽¹⁾	Principal Amount	Cost ⁽²⁾	Value ⁽³⁾⁽⁴⁾
Metreo, Inc. (1.11%)	Software	Senior Debt Matures November 2007 Interest rate 12.95%	\$ 500,000	\$ 4,525,714	\$ 1,266,000
		Preferred Stock Warrants		50,000	
Total Metreo, Inc.				4,575,714	1,266,000
Proficiency, Inc. (3.51%)	Software	Senior Debt Matures July 2008 Interest rate 12.00%	\$ 4,000,000	3,917,802	3,917,802
		Preferred Stock Warrants		96,370	94,105
Total Proficiency, Inc.				4,014,172	4,011,907
Sportvision, Inc. (3.08%)	Software	Senior Debt Matures June 2008 Interest rate 9.95%	\$ 3,518,716	3,488,119	3,488,119
		Preferred Stock Warrants		39,339	38,523
Total Sportvision, Inc.				3,527,458	3,526,642
Talisma Corp. (2.99%)	Software	Subordinated Debt Matures December 2007 Interest rate 11.25%	\$ 3,410,120	3,378,814	3,378,814
		Preferred Stock Warrants		49,000	43,428
Total Talisma Corp.				3,427,814	3,422,242
Total Software (25.37%)				32,344,099	29,010,961
Wageworks, Inc. (17.12%)	Consumer & Business Products	Senior Debt Matures November 2008 Interest rate Prime + 4.00%	\$ 18,583,966	18,379,995	18,379,995
		Preferred Stock Warrants		251,964	1,197,735
Wageworks, Inc. (0.22%)		Preferred Stock		249,995	249,995
Total Wageworks, Inc.				18,881,954	19,827,725

Total Consumer & Business Products (17.34%)				18,881,954	19,827,725
IKANO Communications, Inc. (14.44%)	Communications Senior Debt & Networking	Matures December 2008 Interest rate 9.25%	\$ 16,454,540	16,402,789	16,402,789
		Preferred Stock Warrants		45,460	43,710
		Preferred Stock Warrants		72,344	71,000
Total IKANO Communications, Inc.				16,520,593	16,517,499
Interwise, Inc. (2.46%)	Communications Senior Debt & Networking	Matures August 2008 Interest rate 17.50%	\$ 2,809,653	2,809,653	2,809,653
Total Interwise, Inc.				2,809,653	2,809,653
Occam Networks, Inc. (2.79%)	Communications Senior Debt & Networking	Matures December 2007 Interest rate 11.95%	\$ 2,559,827	2,540,021	2,540,021
		Preferred Stock Warrants		14,000	286,364
		Common Stock Warrants		17,000	368,935
Total Occam Networks, Inc.				2,571,021	3,195,320
Optovia Corporation (4.37%)	Communications Senior Debt & Networking	Matures September 2006 Interest rate Prime + 7.25%	\$ 5,000,000	5,000,000	5,000,000
Total Optovia Corporation				5,000,000	5,000,000
	See notes to consolidated financial statements (unaudited).				

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CONSOLIDATED SCHEDULE OF INVESTMENTS
December 31, 2005

Portfolio Company	Industry	Type of Investment ⁽¹⁾	Principal Amount	Cost ⁽²⁾	Value ⁽³⁾
Pathfire, Inc. (4.38%)	Communications & Networking	Senior Debt Matures December 2008 Interest rate Prime + 3.65%	\$5,000,000	\$ 4,938,482	\$ 4,938,482
		Preferred Stock Warrants		63,276	64,100
Pathfire, Inc.				5,001,758	5,002,600
Total Communications & Networking (28.44%)				31,903,025	32,525,000
Adiana, Inc. (1.76%)	Medical Devices & Equipment	Senior Debt Matures June 2008 Interest rate Prime + 6.00%	\$2,000,000	1,943,979	1,943,979
		Preferred Stock Warrants		67,225	66,400
Adiana, Inc. (0.44%)		Preferred Stock		500,000	500,000
Adiana, Inc.				2,511,204	2,510,300
Optiscan Biomedical, Corp. (1.54%)	Medical Devices & Equipment	Senior Convertible Term Loan Matures March 2008 Interest rate 15.00%	\$1,753,164	1,683,063	1,683,063
		Preferred Stock Warrants		80,486	81,100
Optiscan Biomedical, Corp. (0.87%)		Preferred Stock		1,000,000	1,000,000
Optiscan Biomedical, Corp.				2,763,549	2,764,200
Power Medical Interventions, Inc. (3.52%)	Medical Devices & Equipment	Senior Debt Matures June 2008 Interest rate 10.71%	\$4,000,000	3,969,515	3,969,515
		Common Stock Warrants		39,195	56,400
Power Medical Interventions, Inc.				4,008,710	4,026,000
Xillix Technologies Corp. (4.83%)	Medical Devices & Equipment	Senior Debt Matures December 2008 Interest rate 12.40%	\$5,500,000	5,195,589	5,195,589
		Preferred Stock Warrants		313,108	325,600
Xillix Technologies Corp.				5,508,697	5,521,200
Total Medical Devices & Equipment (12.96%)				14,792,160	14,821,800

finity Express, Inc. (1.54%)	Internet Consumer & Business Services	Senior Debt Matures November 2007 Interest rate 13.50%	\$ 1,583,531	1,560,450	1,560,450
		Common Stock Warrants		17,000	187,900
		Common Stock Warrants		15,000	12,900
finity Express, Inc. (0.22%)		Preferred Stock		250,000	250,000
al Affinity Express, Inc.				1,842,450	2,011,300
oke Solutions, Inc. (1.31%)	Internet Consumer & Business Services	Senior Debt Matures December 2008 Interest rate 11.25%	\$ 1,500,000	1,457,391	1,457,391
		Preferred Stock Warrants		43,826	44,100
al Invoke Solutions, Inc.				1,501,217	1,501,500
orGator Interactive Group, Inc. (3.64%)	Internet Consumer & Business Services	Senior Debt Matures January 2008 Interest rate 9.95%	\$ 4,104,553	4,095,853	4,095,853
		Preferred Stock Warrants		13,050	64,800
orGator Interactive Group, Inc. (0.87%)		Preferred Stock		1,000,000	1,000,000
al RazorGator Interactive Group, Inc.				5,108,903	5,160,600
al Internet Consumer & Business Service (7.58%)				8,452,570	8,673,500

See notes to consolidated financial statements (unaudited).

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.
CONSOLIDATED SCHEDULE OF INVESTMENTS
December 31, 2005

Portfolio Company	Industry	Type of Investment⁽¹⁾	Principal Amount	Cost⁽²⁾	Value⁽³⁾⁽⁴⁾
Cornice Inc. (11.24%)	Electronics & Computer	Senior Debt			
		Matures November 2008			
	Hardware	Interest rate Prime + 4.50%	\$5,000,000	\$ 4,915,455	\$ 4,915,455
		Revolving Line of Credit			
		Matures November 2006			
		Interest rate Prime + 3.00%	\$7,834,131	7,663,375	7,663,375
		Preferred Stock Warrants		101,597	99,336
		Preferred Stock Warrants		35,353	34,230
		Preferred Stock Warrants		135,403	132,390
Total Cornice, Inc.			12,851,183	12,844,786	
Sling Media, Inc. (4.29%)	Electronics & Computer	Senior Debt			
		Matures January 2009			
	Hardware	Interest rate 10.25%	\$4,000,000	3,965,029	3,965,029
		Preferred Stock Warrants		38,968	945,365
Total Sling Media, Inc.			4,003,997	4,910,394	
Total Electronics & Computer Hardware (15.53%)				16,855,180	17,755,180
Ageia Technologies (7.00%)	Semiconductor	Senior Debt			
		Matures August 2008			
	Ageia Technologies	Interest rate 10.25%	\$8,000,000	7,914,586	7,914,586
		Preferred Stock Warrants		99,190	93,518
	Preferred Stock		500,000	500,000	
Total Ageia Technologies			8,513,776	8,508,104	
Cradle Technologies (1.75%)	Semiconductors	Senior Debt			
		Matures December 2008			
		Interest rate Prime + 4.70%	\$2,000,000	1,923,049	1,923,049
	Preferred Stock Warrants		79,150	78,730	

Total Cradle Technologies	2,002,199	2,001,779
Total Semiconductors (9.20%)	10,515,975	10,509,883
Total Investments (154.50%)	\$176,004,865	\$176,673,226

* Value as a percent of net assets

(1) All debt investments are income producing. Preferred and common stock and all warrants are non-income producing.

(2) Tax cost at December 31, 2005 equals book cost. Gross unrealized appreciation, gross unrealized depreciation, and net appreciation totaled \$4,035,789, \$3,367,428 and \$668,361, respectively, at December 31, 2005.

(3) Except for common stock held in Labopharm Biopharmaceuticals, all investments are restricted at December 31, 2005 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) Citigroup has an equity participation right on warrants collateralized under the Citigroup facility. The value of their participation right on unrealized gains in the related equity investments was approximately \$342,000 at December 31, 2005 and is included in accrued.
- (5) All investments are less than 5% owned.

See notes to consolidated financial statements (unaudited).

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HERCULES TECHNOLOGY GROWTH CAPITAL, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	Three Months Ended June		Six Months Ended June 30,	
	2006	2005	2006	2005
Investment income:				
Interest	\$ 6,175,831	\$ 1,720,281	\$ 11,810,370	\$ 2,395,885
Fees	612,080	192,543	1,464,674	270,912
Total investment income	6,787,911	1,912,824	13,275,044	2,666,797
Operating expenses:				
Interest	1,357,893	444,444	3,034,875	444,444
Loan fees	286,688	433,333	537,481	