HERCULES TECHNOLOGY GROWTH CAPITAL INC
Form 10-Q
May 02, 2013
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# 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 March 31, 2013**

**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 Incorporation or Organization)** | **(IRS Employer Identification No.)** |
| **400 Hamilton Ave., Suite 310 Palo Alto, California** | **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 that 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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this Chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ¨ No ¨

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

| | | | |
|---|---|---|---|
| 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 April 30, 2013, there were 61,554,003 shares outstanding of the Registrant s common stock, $0.001 par value.

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**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.**

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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**

**(unaudited)**

**(dollars in thousands, except per share data)**

| | March 31, 2013 | December 31, 2012 |
|---|---|---|
| **Assets** | | |
| Investments: | | |
| Non-control/Non-affiliate investments (cost of $957,508 and $896,031, respectively) | $ 953,788 | $ 894,428 |
| Affiliate investments (cost of $20,196 and $18,307, respectively) | 14,196 | 11,872 |
| Total investments, at fair value (cost of $977,704 and $914,338, respectively) | 967,984 | 906,300 |
| Cash and cash equivalents | 206,928 | 182,994 |
| Restricted Cash | 810 | |
| Interest receivable | 9,674 | 9,635 |
| Other assets | 25,790 | 24,714 |
| Total assets | $ 1,211,186 | $ 1,123,643 |
| **Liabilities** | | |
| Accounts payable and accrued liabilities | $ 8,456 | $ 11,575 |
| Long-term Liabilities (Convertible Senior Note) | 71,707 | 71,436 |
| Asset-Backed Notes | 120,051 | 129,300 |
| 2019 Notes | 170,364 | 170,364 |
| Long-term SBA Debentures | 225,000 | 225,000 |
| Total liabilities | $ 595,578 | $ 607,675 |
| Commitments and Contingencies (Note 9) | | |
| **Net assets consist of:** | | |
| Common stock, par value | 62 | 53 |
| Capital in excess of par value | 660,833 | 564,508 |
| Unrealized depreciation on investments | (8,281) | (7,947) |
| Accumulated realized losses on investments | (34,925) | (36,916) |
| Distributions in excess of investment income | (2,081) | (3,730) |
| **Total net assets** | $ 615,608 | $ 515,968 |
| **Total liabilities and net assets** | $ 1,211,186 | $ 1,123,643 |
| **Shares of common stock outstanding ($0.001 par value, 100,000,000 authorized)** | 61,554 | 52,925 |

| | | | | |
|---|---|---|---|---|
| **Net asset value per share** | $ | 10.00 | $ | 9.75 |

See notes to consolidated financial statements.

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The following table presents the assets and liabilities of our consolidated variable interest entity ( VIE ). The assets of the VIE can only be used to settle obligations of the consolidated VIE, and the creditors (or beneficial interest holders) do not have recourse to our general credit. These assets and liabilities are included in the Consolidated Statements of Assets and Liabilities above.

| **(Unaudited, in thousands)** | **March 31, 2013** | **December 31, 2012** |
|---|---|---|
| **ASSETS** | | |
| Restricted Cash | $ 810 | $ |
| Total investments, at fair value (cost of $219,853 and $0, respectively) | 218,142 | 226,997 |
| Total assets | $ 218,952 | $ 226,997 |
| **LIABILITIES** | | |
| Asset-Backed Notes | $ 120,051 | $ 129,300 |
| Total liabilities | $ 120,051 | $ 129,300 |

See notes to consolidated financial statements.

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**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.**

**CONSOLIDATED STATEMENTS OF OPERATIONS**

**(unaudited)**

**(in thousands, except per share data)**

| | Three Months Ended March 31, | |
|---|---|---|
| | **2013** | **2012** |
| Investment income: | | |
| Interest Income | | |
| Non-control/Non-affiliate investments | $ 28,319 | $ 20,281 |
| Affiliate investments | 610 | 6 |
| Control investments | | 13 |
| Total interest income | 28,929 | 20,300 |
| Fees | | |
| Non-control/Non-affiliate investments | 2,028 | 2,067 |
| Total fees | 2,028 | 2,067 |
| Total investment income | 30,957 | 22,367 |
| Operating expenses: | | |
| Interest | 7,631 | 3,896 |
| Loan fees | 1,079 | 1,076 |
| General and administrative | 2,252 | 1,817 |
| Employee Compensation: | | |
| Compensation and benefits | 3,798 | 3,395 |
| Stock-based compensation | 1,165 | 808 |
| Total employee compensation | 4,963 | 4,203 |
| Total operating expenses | 15,925 | 10,992 |
| Net investment income | 15,032 | 11,375 |
| Net realized (losses) gains on investments | | |
| Non-control/Non-affiliate investments | 1,991 | 2,877 |
| Total net realized (loss) gain on investments | 1,991 | 2,877 |
| Net unrealized (depreciation) appreciation on investments | | |
| Non-control/Non-affiliate investments | (768) | 1,751 |
| Affiliate investments | 434 | 1,076 |
| Control investments | | 26 |
| Total net unrealized (depreciation) appreciation on investments | (334) | 2,853 |
| Total net realized (unrealized) gain | 1,657 | 5,730 |
| Net increase in net assets resulting from operations | $ 16,689 | $ 17,105 |
| Net investment income before investment gains and losses per common share: | | |

| | | | | |
|---|---|---|---|---|
| Basic | $ | 0.27 | $ | 0.24 |
| Change in net assets per common share: | | | | |
| Basic | $ | 0.30 | $ | 0.36 |
| Diluted | $ | 0.30 | $ | 0.36 |
| Weighted average shares outstanding | | | | |
| Basic | | 53,682 | | 47,018 |
| Diluted | | 53,823 | | 47,210 |

See notes to consolidated financial statements.

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**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.**

**CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS**

**(unaudited)**

**(dollars and shares in thousands)**

| | Common Stock | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Shares | Par Value | Capital in excess of par value | Unrealized Appreciation on Investments | Accumulated Realized Gains (Losses) on Investments | Distributions in Excess of Investment Income | Provision for Income Taxes on Investment Gains | Net Assets |
| **Balance at December 31, 2011** | 43,853 | $ 44 | $ 484,244 | $ (3,431) | $ (43,042) | $ (6,432) | $ (342) | $ 431,041 |
| Net increase in net assets resulting from operations | | | | 2,853 | 2,877 | 11,375 | | 17,105 |
| Issuance of common stock | 5,425 | 5 | 49,773 | | | | | 49,778 |
| Issuance of common stock under restricted stock plan | 620 | 1 | | | | | | 1 |
| Issuance of common stock as stock dividend | 62 | | 670 | | | | | 670 |
| Retired shares from net issuance | (239) | | (2,562) | | | | | (2,562) |
| Dividends declared | | | | | | (11,412) | | (11,412) |
| Stock-based compensation | | | 826 | | | | | 826 |
| **Balance at March 31, 2012** | 49,721 | $ 50 | $ 532,951 | $ (578) | $ (40,165) | $ (6,469) | $ (342) | $ 485,447 |
| **Balance at December 31, 2012** | 52,925 | $ 53 | $ 564,509 | $ (7,947) | $ (36,916) | $ (3,389) | $ (342) | $ 515,968 |
| Net increase in net assets resulting from operations | | | | (334) | 1,991 | 15,032 | | 16,689 |
| Issuance of common stock | 80 | | 910 | | | | | 910 |
| Issuance of common stock under restricted stock plan | 531 | 1 | (1) | | | | | |
| Issuance of common stock as stock dividend | 40 | | 488 | | | | | 488 |
| Retired shares from net issuance | (72) | | (1,808) | | | | | (1,808) |
| Public Offering | 8,050 | 8 | 95,550 | | | | | 95,558 |
| Dividends declared | | | | | | (13,382) | | (13,382) |
| Stock-based compensation | | | 1,185 | | | | | 1,185 |
| **Balance at March 31, 2013** | 61,554 | $ 62 | $ 660,833 | $ (8,281) | $ (34,925) | $ (1,739) | $ (342) | $ 615,608 |

See notes to consolidated financial statements.

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**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**(unaudited)**

**(dollars in thousands)**

| | For the Three Months Ended March 31, 2013 | 2012 |
|---|---|---|
| Cash flows from operating activities: | | |
| Net increase in net assets resulting from operations | $ 16,689 | $ 17,105 |
| Adjustments to reconcile net increase in net assets resulting from operations to net cash used in operating activities: | | |
| Purchase of investments | (139,095) | (64,961) |
| Principal payments received on investments | 75,987 | 35,533 |
| Proceeds from sale of investments | 5,212 | 8,726 |
| Net unrealized (appreciation) / depreciation on investments | 334 | (2,853) |
| Net realized (gain) / loss on investments | (1,991) | (2,877) |
| Accretion of paid-in-kind principal | (555) | (280) |
| Accretion of loan discounts | (1,455) | (916) |
| Accretion of loan discount on Convertible Senior Notes | 271 | 271 |
| Accretion of loan exit fees | (1,819) | (2,685) |
| Change in deferred loan origination revenue | 313 | (198) |
| Unearned fees related to unfunded commitments | (856) | (2,360) |
| Amortization of debt fees and issuance costs | 938 | 913 |
| Depreciation | 68 | 71 |
| Stock-based compensation and amortization of restricted stock grants | 1,185 | 826 |
| Change in operating assets and liabilities: | | |
| Interest and fees receivable | (41) | (143) |
| Prepaid expenses and other assets | 33 | (75) |
| Accounts payable | (250) | (51) |
| Accrued liabilities | (2,682) | (3,733) |
| **Net cash used in operating activities** | (47,714) | (17,687) |
| Cash flows from investing activities: | | |
| Purchases of capital equipment | (24) | (12) |
| Investment in restricted cash | (810) | |
| Other long-term assets | (30) | |
| Net cash used in investing activities | (864) | (12) |
| Cash flows from financing activities: | | |
| Proceeds from issuance of common stock, net | 94,660 | 47,218 |
| Dividends paid | (12,894) | (10,742) |
| Repayments of credit facilities | (9,254) | (34,818) |
| Net cash provided by financing activities | 72,512 | 1,658 |
| Net increase / (decrease) in cash | 23,934 | (16,041) |
| Cash and cash equivalents at beginning of year | 182,994 | 64,474 |

| | | |
|---|---|---|
| Cash and cash equivalents at end of year | $ 206,928 | $ 48,433 |

See notes to consolidated financial statements.

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**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.**

**CONSOLIDATED SCHEDULE OF INVESTMENTS**

**March 31, 2013**

**(unaudited)**

**(dollars in thousands)**

| Portfolio Company | Sub-Industry | Type of Investment(1) | Principal Amount | Cost(2) | Value(3) |
|---|---|---|---|---|---|
| **Maturity: Upon Liquidation** | | | | | |
| Paratek Pharmaceuticals, Inc. | Drug Discovery & Development | Senior Debt(9)<br>Matures upon liquidation<br><br>Interest rate Fixed 10.00% | $ 45 | $ 45 | $ 45 |
| | | Senior Debt(9)<br>Matures upon liquidation<br><br>Interest rate Fixed 10.00% | $ 36 | 31 | 31 |
| | | Senior Debt(9)<br>Matures upon liquidation<br><br>No initial interest rate | $ 28 | 28 | 28 |
| Total Paratek Pharmaceuticals, Inc. | | | | 104 | 104 |
| **Maturity: Under 1 Year Maturity** | | | | | |
| Chroma Therapeutics, Ltd.(5)(10) | Drug Discovery & Development | Senior Debt<br>Matures November 2013<br><br>Interest rate Prime + 7.75% or<br><br>Floor rate of 12.00% | $ 3,007 | 3,714 | 3,675 |
| **Maturity: 1-5 Years Maturity** | | | | | |
| ADMA Biologics, Inc. | Drug Discovery & Development | Senior Debt<br>Matures April 2016<br><br>Interest rate Prime + 2.75% or<br><br>Floor rate of 8.50% | $ 5,000 | 4,844 | 4,844 |
| Anthera Pharmaceuticals Inc.(3) | Drug Discovery & Development | Senior Debt(11)<br>Matures December 2014<br><br>Interest rate Prime + 7.30% or<br><br>Floor rate of 10.55% | $ 18,199 | 18,574 | 18,574 |
| Aveo Pharmaceuticals, Inc.(3) | Drug Discovery & Development | Senior Debt(11)<br>Matures September 2015<br><br>Interest rate Prime + 7.15% or<br><br>Floor rate of 11.90% | $ 26,500 | 26,500 | 27,030 |
| Cell Therapeutics, Inc.(3) | Drug Discovery & Development | Senior Debt<br>Matures October 2016 | $ 10,000 | 9,670 | 9,670 |

| | | | | | |
|---|---|---|---|---|---|
| | | Interest rate Prime + 9.00% or<br><br>Floor rate of 12.25% | | | |
| Cempra, Inc.(3) | Drug Discovery & Development | Senior Debt(11)<br>Matures December 2015<br><br>Interest rate Prime + 6.30% or<br><br>Floor rate of 9.55% | $ 10,000 | 9,898 | 9,815 |
| Concert Pharmaceuticals, Inc. | Drug Discovery & Development | Senior Debt(4)<br>Matures October 2015<br><br>Interest rate Prime + 3.25% or<br><br>Floor rate of 8.50% | $ 20,000 | 19,687 | 18,946 |
| Coronado BioSciences, Inc.(3) | Drug Discovery & Development | Senior Debt(11)<br>Matures March 2016<br><br>Interest rate Prime + 6.00% or<br><br>Floor rate of 9.25% | $ 15,000 | 14,838 | 14,430 |
| Dicerna Pharmaceuticals, Inc. | Drug Discovery & Development | Senior Debt<br>Matures January 2015<br><br>Interest rate Prime + 4.40% or<br><br>Floor rate of 10.15% | $ 8,168 | 8,039 | 7,921 |
| Insmed, Inc. | Drug Discovery & Development | Senior Debt(11)<br>Matures January 2016<br><br>Interest rate Prime + 4.75% or<br><br>Floor rate of 9.25% | $ 20,000 | 19,438 | 19,498 |
| Merrimack Pharmaceuticals, Inc. | Drug Discovery & Development | Senior Debt<br>Matures May 2016<br><br>Interest rate Prime + 5.30% or<br><br>Floor rate of 10.55% | $ 40,000 | 39,840 | 39,840 |

See notes to consolidated financial statements.

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**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.**

**CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)**

**March 31, 2013**

**(unaudited)**

**(dollars in thousands)**

| Portfolio Company | Sub-Industry | Type of Investment(1) | Principal Amount | Cost(2) | Value(3) |
|---|---|---|---|---|---|
| Neuralstem, Inc.(3) | Drug Discovery & Development | Senior Debt<br>Matures June 2016<br>Interest rate Prime + 7.75% or<br>Floor rate of 11.00% | $ 8,000 | $ 7,654 | $ 7,654 |
| NeurogesX, Inc.(3) | Drug Discovery & Development | Senior Debt<br>Matures February 2015<br>Interest rate Prime + 7.50% or<br>Floor rate of 10.75% | $ 4,041 | 4,429 | 4,397 |
| **Total Debt Drug Discovery & Development (30.28%)*** | | | | 187,229 | 186,398 |
| **Maturity: Under 1 Year Maturity** | | | | | |
| PeerApp, Inc. | Communications & Networking | Senior Debt(4)<br>Matures April 2013<br>Interest rate Prime + 7.50% or<br>Floor rate of 11.50% | $ 159 | 248 | 248 |
| **Maturity: 1-5 Years Maturity** | | | | | |
| Bridgewave Communications | Communications & Networking | Senior Debt<br>Matures March 2016<br>Interest rate Fixed 8.00% | $ 7,500 | 7,163 | 4,369 |
| OpenPeak, Inc. | Communications & Networking | Senior Debt(11)<br>Matures July 2015<br>Interest rate Prime + 8.75% or<br>Floor rate of 12.00% | $ 14,129 | 14,330 | 14,472 |
| UPH Holdings, Inc.(8) | Communications & Networking | Senior Debt<br>Matures April 2015<br>Interest rate Libor + 11.00% or | $ 6,600 | 6,489 | 3,478 |

| | | | | | | |
|---|---|---|---|---|---|---|
| | | Floor rate of 13.50% | | | | |
| | | Senior Debt<br>Matures September 2015<br><br>Interest rate Libor + 11.00% or<br><br>Floor rate of 13.50% | $ | 338 | 333 | 178 |
| | | Senior Debt<br>Matures January 2017<br><br>Interest rate Libor + 11.00% or<br><br>Floor rate of 13.50% | $ | 3,594 | 3,594 | 1,894 |
| Total UPH Holdings, Inc. | | | | | 10,416 | 5,550 |
| **Total Debt Communications & Networking (4.00%)*** | | | | | 32,157 | 24,639 |
| **Maturity: 1-5 Years Maturity** | | | | | | |
| Clustrix, Inc. | Electronics & Computer Hardware | Senior Debt<br><br>Matures December 2015<br><br>Interest rate Prime + 6.50% or<br><br>Floor rate of 9.75% | $ | 696 | 669 | 678 |
| Identive Group, Inc. | Electronics & Computer Hardware | Senior Debt<br><br>Matures November 2015<br><br>Interest rate Prime + 7.75% or<br><br>Floor rate 11.00% | $ | 7,500 | 7,562 | 7,562 |
| OCZ Technology Group, Inc.(3) | Electronics & Computer Hardware | Senior Debt<br><br>Matures April 2016<br><br>Interest rate Prime + 8.75% or<br><br>Floor rate of 12.50%,<br><br>PIK Interest 3.00% | $ | 10,000 | 9,473 | 9,473 |
| **Total Debt Electronics & Computer Hardware (2.88%)** | | | | | 17,704 | 17,713 |
| **Maturity: Upon Liquidation** | | | | | | |
| Tada Innovations, Inc. | Software | Senior Debt(9)<br>Matures upon liquidation<br><br>Interest rate Fixed 8.00% | $ | 100 | 100 | |

See notes to consolidated financial statements.

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**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.**

**CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)**

**March 31, 2013**

**(unaudited)**

**(dollars in thousands)**

| Portfolio Company | Sub-Industry | Type of Investment[1] | Principal Amount | Cost[2] | Value[3] |
|---|---|---|---|---|---|
| **Maturity: 1-5 Years Maturity** | | | | | |
| Box, Inc. | Software | Senior Debt[4] Matures March 2016 Interest rate Prime + 3.75% or Floor rate of 7.50% | $ 10,000 | $ 9,947 | $ 9,513 |
| | | Senior Debt[4] Matures July 2014 Interest rate Prime + 5.25% or Floor rate of 8.50% | $ 866 | 930 | 919 |
| | | Senior Debt[11] Matures July 2016 Interest rate Prime + 5.13% or Floor rate of 8.88% | $ 20,000 | 20,211 | 19,574 |
| Total Box, Inc. | | | | 31,088 | 30,006 |
| Clickfox, Inc. | Software | Senior Debt Matures November 2015 Interest rate Prime + 8.25% or Floor rate of 11.50% | $ 7,788 | 7,209 | 7,443 |
| EndPlay,Inc. | Software | Senior Debt Matures August 2015 Interest rate Prime + 7.35% or Floor rate 10.6% | $ 2,000 | 1,945 | 1,945 |
| Hillcrest Laboratories, Inc | Software | Senior Debt Matures July 2015 Interest rate Prime + 7.50% or Floor rate of 10.75% | $ 3,764 | 3,701 | 3,664 |
| JackBe Corporation | Software | Senior Debt Matures January 2016 Interest rate Prime + 7.25% or | $ 3,000 | 2,922 | 2,929 |

| | | | | | |
|---|---|---|---|---|---|
| | | Floor rate of 10.50% | | | |
| Kxen, Inc. | Software | Senior Debt(4)<br>Matures January 2015<br><br>Interest rate Prime + 5.08% or<br><br>Floor rate of 8.33% | $ 2,078 | 2,126 | 1,980 |
| Neos Geosolutions, Inc. | Software | Senior Debt<br>Matures May 2016<br><br>Interest rate Prime + 5.75% or<br><br>Floor rate of 9.50% | $ 4,000 | 3,955 | 3,955 |
| **Total Debt Software (8.44%)*** | | | | 53,046 | 51,922 |
| **Maturity: Under 1 Year Maturity** | | | | | |
| Althea Technologies, Inc. | Specialty Pharmaceuticals | Senior Debt<br>Matures October 2013<br><br>Interest rate Prime + 7.70% or<br><br>Floor rate of 10.95% | $ 6,933 | 7,285 | 7,285 |
| Quatrx Pharmaceuticals Company | Specialty Pharmaceuticals | Senior Debt(9)<br>Matures March 2014<br><br>Interest rate Fixed 8.00% | $ 1,888 | 1,888 | 2,767 |
| **Total Debt Specialty Pharmaceuticals (1.63%)*** | | | | 9,173 | 10,052 |
| **Maturity: 1-5 Years Maturity** | | | | | |
| Achronix Semiconductor Corporation | Semiconductors | Senior Debt<br>Matures January 2015<br><br>Interest rate Prime + 10.60% or<br><br>Floor rate of 13.85% | $ 1,653 | 1,618 | 1,602 |
| **Total Debt Semiconductors (0.26%)*** | | | | 1,618 | 1,602 |

See notes to consolidated financial statements.

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**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.**

**CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)**

**March 31, 2013**

**(unaudited)**

**(dollars in thousands)**

| Portfolio Company | Sub-Industry | Type of Investment(1) | Principal Amount | Cost(2) | Value(3) |
|---|---|---|---|---|---|
| **Maturity: Under 1 Year Maturity** | | | | | |
| Alexza Pharmaceuticals, Inc.(3) | Drug Delivery | Senior Debt(11) Matures October 2013 Interest rate Prime + 6.50% or Floor rate of 10.75% | $ 3,594 | $ 3,994 | $ 3,994 |
| **Maturity: 1-5 Years Maturity** | | | | | |
| AcelRX Pharmaceuticals, Inc.(3) | Drug Delivery | Senior Debt(11) Matures December 2014 Interest rate Prime + 3.25% or Floor rate of 8.50% | $ 14,452 | 14,402 | 14,108 |
| BIND Therapeutics, Inc. | Drug Delivery | Senior Debt Matures July 2014 Interest rate Prime + 7.45% or Floor rate of 10.70% | $ 2,838 | 2,875 | 2,926 |
| Intelliject, Inc. | Drug Delivery | Senior Debt(11) Matures June 2016 Interest rate Prime + 5.75% or Floor rate of 11.00% | $ 15,000 | 14,705 | 15,155 |
| Nupathe, Inc.(3) | Drug Delivery | Senior Debt Matures May 2016 Interest rate Prime - 3.25% or Floor rate of 9.85% | $ 8,500 | 8,220 | 8,220 |
| Revance Therapeutics, Inc. | Drug Delivery | Senior Debt Matures March 2015 Interest rate Prime + 6.60% or Floor rate of 9.85% | $ 16,594 | 16,582 | 16,379 |
| **Total Debt Drug Delivery (9.87%)*** | | | | 60,778 | 60,782 |
| **Maturity: Under 1 Year Maturity** | | | | | |
| Loku, Inc. | | Senior Debt(9) | | | |

| | | | | | |
|---|---|---|---|---|---|
| | Internet Consumer & Business Services | Matures June 2013<br>Interest rate Fixed 6.00% | $ 100 | 100 | 100 |
| Tectura Corporation | Internet Consumer & Business Services | Revolving Line of Credit<br>Matures July 2013<br>Interest rate LIBOR + 8.00% or<br>Floor rate of 11.00% | $ 16,340 | 18,033 | 17,663 |
| | | Senior Debt<br>Matures April 2013<br>Interest rate LIBOR + 10.00% or<br>Floor rate of 13.00% | $ 563 | 553 | 553 |
| | | Senior Debt<br>Matures July 2013<br>Interest rate LIBOR + 10.00% or<br>Floor rate of 13.00% | $ 1,000 | 1,000 | 1,000 |
| Total Tectura Corporation | | | | 19,586 | 19,216 |
| **Maturity: 1-5 Years Maturity** | | | | | |
| Ahhha, Inc.(8) | Internet Consumer & Business Services | Senior Debt<br>Matures January 2015<br>Interest rate Fixed 12.00% | $ 350 | 347 | |
| Blurb, Inc. | Internet Consumer & Business Services | Senior Debt<br>Matures December 2015<br>Interest rate Prime + 5.25% or<br>Floor rate 8.50% | $ 8,000 | 7,749 | 7,547 |
| Education Dynamics, LLC | Internet Consumer & Business Services | Senior Debt<br>Matures March 2016<br>Interest rate Fixed 12.50%,<br>PIK Interest 1.50% | $ 26,750 | 26,386 | 25,563 |

See notes to consolidated financial statements.

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**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.**

**CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)**

**March 31, 2013**

**(unaudited)**

**(dollars in thousands)**

| Portfolio Company | Sub-Industry | Type of Investment(1) | Principal Amount | Cost(2) | Value(3) |
|---|---|---|---|---|---|
| Just.Me, Inc. | Internet Consumer & Business Services | Senior Debt<br>Matures June 2015<br>Interest rate Prime + 2.50% or<br>Floor rate 5.75% | $ 750 | $ 737 | $ 689 |
| | | Senior Debt<br>Matures June 2015<br>Interest rate Prime + 5.00% or<br>Floor rate 8.25% | $ 750 | 732 | 709 |
| Total Just.Me, Inc. | | | | 1,469 | 1,398 |
| NetPlenish, Inc. | Internet Consumer & Business Services | Senior Debt<br>Matures April 2015<br>Interest rate Fixed 10.00% | $ 500 | 492 | 460 |
| Reply! Inc. | Internet Consumer & Business Services | Senior Debt(11)<br>Matures September 2015<br>Interest rate Prime + 6.875% or<br>Floor rate of 10.125% | $ 11,749 | 11,638 | 11,525 |
| | | Senior Debt(11)<br>Matures September 2015<br>Interest rate Prime + 7.25% or<br>Floor rate of 11.00% | $ 2,000 | 1,957 | 2,005 |
| | | Senior Debt<br>Matures February 2016<br>Interest rate Prime + 7.25% or<br>Floor rate of 10.50% | $ 3,000 | 2,977 | 2,977 |
| Total Reply! Inc. | | | | 16,572 | 16,507 |
| Second Rotation, Inc. | Internet Consumer & Business Services | Senior Debt<br>Matures April 2016 | $ 12,142 | 12,013 | 12,013 |

| | | | | | |
|---|---|---|---|---|---|
| | | Interest rate Prime + 7.00% or<br>Floor rate of 10.25%,<br>PIK interest 2.50% | | | |
| ShareThis, Inc. | Internet Consumer & Business Services | Senior Debt<br>Matures June 2016<br>Interest rate Prime + 7.50% or<br>Floor rate of 10.75% | $ 15,000 | 14,349 | 14,349 |
| Tectura Corporation | Internet Consumer & Business Services | Senior Debt<br>Matures December 2014<br>Interest rate LIBOR + 10.00% or<br>Floor rate of 13.00% | $ 6,468 | 6,412 | 6,230 |
| Trulia, Inc.(3) | Internet Consumer & Business Services | Senior Debt(11)<br>Matures September 2015<br>Interest rate Prime + 2.75% or<br>Floor rate of 6.00% | $ 5,000 | 4,934 | 4,794 |
| | | Senior Debt(11)<br>Matures September 2015<br>Interest rate Prime + 5.50% or<br>Floor rate of 8.75% | $ 5,000 | 4,933 | 4,640 |
| Total Trulia, Inc. | | | | 9,867 | 9,434 |
| Vaultlogix, Inc. | Internet Consumer & Business Services | Senior Debt<br>Matures September 2016<br>Interest rate LIBOR + 8.50% or<br>Floor rate of 10.00%,<br>PIK interest 2.50% | $ 7,500 | 7,740 | 7,680 |
| | | Senior Debt<br>Matures September 2015<br>Interest rate LIBOR + 7.00% or<br>Floor rate of 8.50% | $ 9,903 | 9,864 | 9,580 |
| Total Vaultlogix, Inc. | | | | 17,604 | 17,260 |

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**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.**

**CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)**

**March 31, 2013**

**(unaudited)**

**(dollars in thousands)**

| Portfolio Company | Sub-Industry | Type of Investment[1] | Principal Amount | Cost[2] | Value[3] |
|---|---|---|---|---|---|
| Wavemarket, Inc. | Internet Consumer & Business Services | Senior Debt[11] Matures September 2015 Interest rate Prime + 5.75% or Floor rate of 9.50% | $ 10,000 | $ 9,876 | $ 9,458 |
| **Total Debt Internet Consumer & Business Services (22.67%)*** | | | | 142,822 | 139,535 |
| **Maturity: Under 1 Year Maturity** | | | | | |
| InXpo, Inc. | Information Services | Senior Debt Matures March 2014 Interest rate Prime + 7.50% or Floor rate of 10.75% | $ 2,550 | 2,432 | 2,316 |
| **Maturity: 1-5 Years Maturity** | | | | | |
| Cha Cha Search, Inc. | Information Services | Senior Debt Matures February 2015 Interest rate Prime + 6.25% or Floor rate of 9.50% | $ 2,364 | 2,334 | 2,277 |
| Eccentex Corporation | Information Services | Senior Debt[11] Matures May 2015 Interest rate Prime + 7.00% or Floor rate of 10.25% | $ 966 | 949 | 449 |
| Jab Wireless, Inc. | Information Services | Senior Debt Matures November 2017 Interest rate Prime + 6.75% or Floor rate of 8.00% | $ 30,000 | 29,861 | 29,850 |
| RichRelevance, Inc. | Information Services | Senior Debt Matures January 2015 Interest rate Prime + 3.25% or Floor rate of 7.50% | $ 3,778 | 3,762 | 3,661 |
| Womensforum.com, Inc. | Information Services | Senior Debt[11] | | | |

| | | | | | |
|---|---|---|---|---|---|
| | | Matures October 2016<br><br>Interest rate LIBOR + 6.50% or<br><br>Floor rate of 9.25% | $ 8,000 | 7,853 | 7,853 |
| | | Senior Debt[11]<br>Matures October 2016<br><br>Interest rate LIBOR + 7.50% or<br><br>Floor rate of 10.25% | $ 4,500 | 4,451 | 4,451 |
| Total Womensforum.com, Inc. | | | | 12,304 | 12,304 |
| **Total Debt Information Services (8.26%)*** | | | | 51,642 | 50,857 |
| **Maturity: Upon Liquidation** | | | | | |
| Novasys Medical, Inc. | Medical Device & Equipment | Senior Debt[9]<br>Matures upon liquidation<br><br>Interest rate Fixed 8.00% | $ 65 | 65 | 65 |
| **Maturity: Under 1 Year Maturity** | | | | | |
| Gynesonics, Inc. | Medical Device & Equipment | Senior Debt<br>Matures October 2013<br><br>Interest rate Prime + 8.25% or<br><br>Floor rate of 11.50% | $ 3,073 | 3,178 | 3,178 |
| Optiscan Biomedical, Corp.[6] | Medical Device & Equipment | Senior Debt<br>Matures December 2013<br><br>Interest rate Prime + 8.20% or<br><br>Floor rate of 11.45% | $ 8,260 | 9,101 | 9,265 |
| Oraya Therapeutics, Inc. | Medical Device & Equipment | Senior Debt[9]<br>Matures December 2013<br><br>Interest rate Fixed 7.00% | $ 500 | 500 | 500 |

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**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.**

**CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)**

**March 31, 2013**

**(unaudited)**

**(dollars in thousands)**

| Portfolio Company | Sub-Industry | Type of Investment[1] | Principal Amount | Cost[2] | Value[3] |
|---|---|---|---|---|---|
| **Maturity: 1-5 Years Maturity** | | | | | |
| Lanx, Inc. | Medical Device & Equipment | Senior Debt<br>Matures October 2016<br>Interest rate Prime + 8.00% or<br>Floor rate of 11.75% | $ 15,000 | $ 14,651 | $ 15,101 |
| | | Revolving Line of Credit<br>Matures October 2015<br>Interest rate Prime + 6.75% or<br>Floor rate of 10.50% | $ 5,500 | 5,313 | 5,276 |
| Total Lanx, Inc. | | | | 19,964 | 20,377 |
| Medrobotics Corporation | Medical Device & Equipment | Senior Debt<br>Matures March 2016<br>Interest rate Prime + 7.85% or<br>Floor rate of 11.10% | $ 5,000 | 4,766 | 4,766 |
| MELA Sciences, Inc. | Medical Device & Equipment | Senior Debt<br>Matures November 2016<br>Interest rate Prime + 7.20% or<br>Floor rate of 10.45% | $ 6,000 | 5,919 | 5,919 |
| NinePoint Medical, Inc. | Medical Device & Equipment | Senior Debt<br>Matures January 2016<br>Interest rate Prime + 5.85% or<br>Floor rate of 9.10% | $ 7,000 | 6,805 | 6,805 |
| Oraya Therapeutics, Inc. | Medical Device & Equipment | Senior Debt[11]<br>Matures September 2015<br>Interest rate Prime + 5.50% or<br>Floor rate of 10.25% | $ 9,711 | 9,542 | 9,678 |

| | | | | | |
|---|---|---|---|---|---|
| United Orthopedic Group, Inc. | Medical Device & Equipment | Senior Debt<br>Matures July 2016<br>Interest rate Prime + 8.60% or<br>Floor rate of 11.85% | $ 25,000 | 24,215 | 24,215 |
| SonaCare Medical, LLC | Medical Device & Equipment | Senior Debt(11)<br>Matures April 2016<br>Interest rate Prime + 7.75% or<br>Floor rate of 11.00% | $ 6,000 | 5,919 | 5,855 |
| **Total Debt Medical Device & Equipment (14.72%)*** | | | | 89,974 | 90,623 |
| **Maturity: 1-5 Years Maturity** | | | | | |
| Navidea Biopharmaceuticals, Inc. (pka Neoprobe)(3) | Diagnostic | Senior Debt<br>Matures December 2014<br>Interest rate Prime + 6.75% or<br>Floor rate of 10.00% | $ 5,086 | 5,086 | 5,147 |
| Tethys Bioscience Inc. | Diagnostic | Senior Debt(11)<br>Matures December 2015<br>Interest rate Prime + 8.40% or<br>Floor rate of 11.65% | $ 10,000 | 10,057 | 9,614 |
| **Total Debt Diagnostic (2.40%)*** | | | | 15,143 | 14,761 |

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**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.**

**CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)**

**March 31, 2013**

**(unaudited)**

**(dollars in thousands)**

| Portfolio Company | Sub-Industry | Type of Investment[1] | Principal Amount | Cost[2] | Value[3] |
|---|---|---|---|---|---|
| **Maturity: Under 1 Year Maturity** | | | | | |
| Labcyte, Inc. | Biotechnology Tools | Senior Debt<br>Matures May 2013<br>Interest rate Prime + 8.60% or<br>Floor rate of 11.85% | $ 315 | $ 394 | $ 394 |
| **Maturity: 1-5 Years Maturity** | | | | | |
| Labcyte, Inc. | Biotechnology Tools | Senior Debt[11]<br>Matures June 2016<br>Interest rate Prime + 6.70% or<br>Floor rate of 9.95% | $ 5,000 | 4,932 | 4,980 |
| **Total Debt Biotechnology Tools (0.87%)*** | | | | 5,326 | 5,374 |
| **Maturity: 1-5 Years Maturity** | | | | | |
| MedCall, LLC | Healthcare Services, Other | Senior Debt<br>Matures January 2016<br>Interest rate 7.79% or<br>Floor rate of 9.50% | $ 4,778 | 4,727 | 4,606 |
| | | Senior Debt<br>Matures January 2016<br>Interest rate LIBOR +8.00% or<br>Floor rate of 10.00% | $ 3,931 | 3,873 | 3,801 |
| Total MedCall, LLC | | | | 8,600 | 8,407 |
| Pacific Child & Family Associates, LLC | Healthcare Services, Other | Senior Debt<br>Matures January 2015<br>Interest rate LIBOR + 8.00% or<br>Floor rate of 11.50% | $ 2,737 | 2,741 | 2,686 |
| | | Senior Debt<br>Matures January 2015<br>Interest rate LIBOR + 11.00% or | $ 5,900 | 6,641 | 6,382 |

| | | | | | |
|---|---|---|---|---|---|
| | | Floor rate of 14.00%, PIK interest 3.75% | | | |
| Total Pacific Child & Family Associates, LLC | | | | 9,382 | 9,068 |
| ScriptSave (Medical Security Card Company, LLC) | Healthcare Services, Other | Senior Debt<br>Matures February 2016<br>Interest rate LIBOR + 8.75% or<br>Floor rate of 11.25% | $ 14,067 | 13,893 | 13,941 |
| **Total Debt Health Services, Other (5.10%)*** | | | | 31,875 | 31,416 |
| **Maturity: 1-5 Years Maturity** | | | | | |
| Entrigue Surgical, Inc. | Surgical Devices | Senior Debt<br>Matures December 2014<br>Interest rate Prime + 5.90% or<br>Floor rate of 9.65% | $ 2,183 | 2,168 | 2,171 |
| Transmedics, Inc. | Surgical Devices | Senior Debt(11)<br>Matures November 2015<br>Interest rate Fixed 12.95% | $ 7,250 | 7,097 | 7,097 |
| **Total Debt Surgical Devices (1.51%)*** | | | | 9,265 | 9,268 |
| **Maturity: 1-5 Years Maturity** | | | | | |
| Westwood One Communications | Media/Content/ Info | Senior Debt<br>Matures October 2016<br>Interest rate LIBOR + 6.50% or<br>Floor rate of 8.00% | $ 19,614 | 18,253 | 17,890 |
| Women s Marketing, Inc. | Media/Content/ Info | Senior Debt<br>Matures May 2016<br>Interest rate Libor + 9.50% or<br>Floor rate of 12.00%, PIK interest 3.00% | $ 9,681 | 10,092 | 10,189 |
| | | Senior Debt(11)<br>Matures November 2015<br>Interest rate Libor + 7.50% or<br>Floor rate of 10.00% | $ 15,612 | 15,389 | 15,175 |
| Total Women s Marketing, Inc. | | | | 25,481 | 25,364 |

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**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.**

**CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)**

**March 31, 2013**

**(unaudited)**

**(dollars in thousands)**

| Portfolio Company | Sub-Industry | Type of Investment[1] | Principal Amount | Cost[2] | Value[3] |
|---|---|---|---|---|---|
| Zoom Media Corporation | Media/Content/ Info | Senior Debt<br>Matures December 2015<br>Interest rate Prime + 7.25% or<br>Floor rate of 10.50%,<br>PIK interest 3.75% | $ 5,000 | $ 4,738 | $ 4,738 |
| | Media/Content/ Info | Revolving Line of Credit<br>Matures December 2014<br>Interest rate Prime + 5.25% or<br>Floor rate of 8.50% | $ 3,500 | 3,238 | 3,238 |
| Total Zoom Media Corporation | | | | 7,976 | 7,976 |
| **Total Debt Media/Content/Info (8.32%)*** | | | | 51,710 | 51,230 |
| **Maturity: Under 1 Year Maturity** | | | | | |
| BrightSource Energy, Inc. | Clean Tech | Senior Debt<br>Matures January 2014<br>Interest rate Prime + 8.25% or<br>Floor rate of 11.50% | $ 35,000 | 34,645 | 34,645 |
| Solexel, Inc. | Clean Tech | Senior Debt<br>Matures June 2013<br>Interest rate Prime + 8.25% or<br>Floor rate of 11.50% | $ 1,476 | 1,474 | 1,474 |
| | | Senior Debt<br>Matures June 2013<br>Interest rate Prime + 7.25% or<br>Floor rate of 10.50% | $ 169 | 169 | 169 |
| Total Solexel, Inc. | | | | 1,643 | 1,643 |
| **Maturity: 1-5 Years Maturity** | | | | | |
| Alphabet Energy, Inc. | Clean Tech | Senior Debt<br>Matures February 2015 | $ 1,772 | 1,679 | 1,679 |

| | | | | | |
|---|---|---|---|---|---|
| | | Interest rate Prime + 5.75% or<br>Floor rate of 9.00% | | | |
| American Supercondutor Corporation(3) | Clean Tech | Senior Debt(11)<br>Matures December 2014<br>Interest rate Prime + 7.25% or<br>Floor rate of 11.00% | $ 8,077 | 8,139 | 8,344 |
| Comverge, Inc. | Clean Tech | Senior Debt<br>Matures November 2017<br>Interest rate LIBOR + 8.00% or<br>Floor rate of 9.50% | $ 20,000 | 19,605 | 19,605 |
| | Clean Tech | Senior Debt<br>Matures November 2017<br>Interest rate LIBOR + 9.50% or<br>Floor rate of 11.00% | $ 14,000 | 13,754 | 13,754 |
| Total Comverge, Inc. | | | | 33,359 | 33,359 |
| Enphase Energy, Inc.(3) | Clean Tech | Senior Debt(11)<br>Matures June 2014<br>Interest rate Prime + 5.75% or<br>Floor rate of 9.00% | $ 3,167 | 3,169 | 3,135 |
| | Clean Tech | Senior Debt<br>Matures August 2016<br>Interest rate Prime + 8.25% or<br>Floor rate of 11.50% | $ 7,400 | 7,353 | 7,353 |
| Total Enphase Energy, Inc. | | | | 10,522 | 10,488 |
| Glori Energy, Inc. | Clean Tech | Senior Debt(11)<br>Matures June 2015<br>Interest rate Prime + 6.75% or<br>Floor rate of 10.00% | $ 8,000 | 7,913 | 7,961 |
| Integrated Photovoltaics, Inc. | Clean Tech | Senior Debt<br>Matures February 2015<br>Interest rate Prime + 7.38% or<br>Floor rate of 10.63% | $ 2,305 | 2,239 | 2,237 |

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**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.**

**CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)**

**March 31, 2013**

**(unaudited)**

**(dollars in thousands)**

| Portfolio Company | Sub-Industry | Type of Investment[1] | Principal Amount | Cost[2] | Value[3] |
|---|---|---|---|---|---|
| Polyera Corporation | Clean Tech | Senior Debt<br>Matures June 2016<br>Interest rate Prime + 6.75% or<br>Floor rate of 10.00% | $ 3,000 | $ 2,971 | $ 2,971 |
| Redwood Systems, Inc. | Clean Tech | Senior Debt<br>Matures February 2016<br>Interest rate Prime + 6.50% or<br>Floor rate of 9.75% | $ 5,000 | 4,993 | 4,993 |
| SCIenergy, Inc. | Clean Tech | Senior Debt[4]<br>Matures September 2015<br>Interest rate Prime + 8.75% or<br>Floor rate 12.00% | $ 5,296 | 5,194 | 5,353 |
| Stion Corporation | Clean Tech | Senior Debt[4]<br>Matures February 2015<br>Interest rate Prime + 6.75% or<br>Floor rate of 10.00% | $ 6,732 | 6,765 | 6,754 |
| TAS Energy, Inc. | Clean Tech | Senior Debt<br>Matures February 2015<br>Interest rate Prime + 7.75% or<br>Floor rate of 11.00% | $ 10,000 | 9,630 | 9,630 |
| | | Senior Debt<br>Matures February 2015<br>Interest rate Prime + 6.25% or<br>Floor rate of 9.50% | $ 5,000 | 4,782 | 4,782 |
| Total TAS Energy, Inc. | | | | 14,412 | 14,412 |
| **Total Debt Clean Tech (21.90%)*** | | | | 134,474 | 134,839 |

| | | |
|---|---|---|
| **Total Debt (143.11%)** | $ 893,936 | $ 881,011 |

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**CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)**

**March 31, 2013**

**(unaudited)**

**(dollars in thousands)**

| Portfolio Company | Sub-Industry | Type of Investment[1] | Series | Shares | Cost[2] | Value[3] |
|---|---|---|---|---|---|---|
| ADMA Biologics, Inc. | Drug Discovery & Development | Common Stock Warrants | | 25,000 | $ 129 | $ 115 |
| Acceleron Pharmaceuticals, Inc. | Drug Discovery & Development | Common Stock Warrants | | 46,446 | 39 | 55 |
| | | Preferred Stock Warrants | Series B | 110,270 | 35 | 45 |
| Total Warrants Acceleron Pharmaceuticals, Inc. | | | | 156,716 | 74 | 100 |
| Anthera Pharmaceuticals Inc.[3] | Drug Discovery & Development | Common Stock Warrants | | 321,429 | 984 | 61 |
| Cell Therapeutics, Inc.[3] | Drug Discovery & Development | Common Stock Warrants | | 679,040 | 300 | 322 |
| Cempra, Inc.[3] | Drug Discovery & Development | Common Stock Warrants | | 39,038 | 187 | 49 |
| Chroma Therapeutics, Ltd.[5][10] | Drug Discovery & Development | Preferred Stock Warrants | Series D | 325,261 | 490 | 500 |
| Concert Pharmaceuticals, Inc. | Drug Discovery & Development | Preferred Stock Warrants | Series C | 400,000 | 367 | 133 |
| Coronado Biosciences, Inc.[3] | Drug Discovery & Development | Common Stock Warrants | | 73,009 | 142 | 292 |
| Dicerna Pharmaceuticals, Inc. | Drug Discovery & Development | Common Stock Warrants | | 50,000 | 28 | 15 |
| | | Preferred Stock Warrants | Series A | 525,000 | 236 | 161 |
| | | Preferred Stock Warrants | Series B | 660,000 | 311 | 202 |
| Total Warrants Dicerna Pharmaceuticals, Inc. | | | | 1,235,000 | 575 | 378 |

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**CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)**

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**(unaudited)**

**(dollars in thousands)**

| Portfolio Company | Sub-Industry | Type of Investment[1] | Series | Shares | Cost[2] | Value[3] |
|---|---|---|---|---|---|---|
| EpiCept Corporation[3] | Drug Discovery & Development | Common Stock Warrants | | 325,204 | $ 4 | $ |
| Horizon Pharma, Inc.[3] | Drug Discovery & Development | Common Stock Warrants | | 22,408 | 231 | |
| Insmed, Incorporated[3] | Drug Discovery & Development | Common Stock Warrants | | 329,931 | 570 | 1,482 |
| Merrimack Pharmaceuticals, Inc.[3] | Drug Discovery & Development | Common Stock Warrants | | 302,143 | 155 | 644 |
| Neuralstem, Inc.[3] | Drug Discovery & Development | Common Stock Warrants | | 608,695 | 295 | 291 |
| NeurogesX, Inc.[3] | Drug Discovery & Development | Common Stock Warrants | | 3,421,500 | 503 | 71 |
| Portola Pharmaceuticals, Inc. | Drug Discovery & Development | Preferred Stock Warrants | Series B | 687,023 | 151 | 268 |
| **Total Warrants Drug Discovery & Development (0.76%)*** | | | | | 5,157 | 4,706 |
| Bridgewave Communications | Communications & Networking | Preferred Stock Warrants | Series 5 | 2,942,618 | 753 | |
| Intelepeer, Inc. | Communications & Networking | Preferred Stock Warrants | Series C | 117,958 | 102 | 184 |
| Neonova Holding Company | Communications & Networking | Preferred Stock Warrants | Series A | 450,000 | 94 | 21 |
| OpenPeak, Inc. | Communications & Networking | Preferred Stock Warrants | Series E | 25,646 | 149 | 11 |
| PeerApp, Inc. | Communications & Networking | Preferred Stock Warrants | Series B | 298,779 | 61 | 64 |
| Peerless Network, Inc. | Communications & Networking | Preferred Stock Warrants | Series A | 135,000 | 94 | 384 |
| Ping Identity Corporation | Communications & Networking | Preferred Stock Warrants | Series B | 1,136,277 | 52 | 118 |
| UPH Holdings, Inc.[8] | Communications & Networking | Common Stock Warrants | | 145,877 | 131 | |
| Purcell Systems, Inc. | Communications & Networking | Preferred Stock Warrants | Series B | 110,000 | 123 | 69 |
| Stoke, Inc. | Communications & Networking | Preferred Stock Warrants | Series C | 158,536 | 53 | 184 |
| | | Preferred Stock Warrants | Series D | 72,727 | 65 | 80 |
| Total Stoke, Inc. | | | | 231,263 | 118 | 264 |
| **Total Warrants Communications & Networking (0.18%)*** | | | | | 1,677 | 1,115 |
| Atrenta, Inc. | Software | Preferred Stock Warrants | Series D | 392,670 | 121 | 325 |
| Box, Inc. | Software | Preferred Stock Warrants | Series C | 271,070 | 117 | 2,380 |
| | | Preferred Stock Warrants | Series B | 199,219 | 73 | 3,408 |
| | | Preferred Stock Warrants | Series D-1 | 62,255 | 193 | 319 |
| Total Box, Inc. | | | | 532,544 | 383 | 6,107 |
| Braxton Technologies, LLC. | Software | Preferred Stock Warrants | Series A | 168,750 | 188 | |
| Central Desktop, Inc. | Software | Preferred Stock Warrants | Series B | 522,823 | 108 | 186 |
| Clickfox, Inc. | Software | Preferred Stock Warrants | Series B | 1,038,563 | 329 | 364 |
| | | Preferred Stock Warrants | Series C | 592,019 | 730 | 234 |
| Total Clickfox, Inc. | | | | 1,630,582 | 1,059 | 598 |
| Daegis Inc. (pka Unify Corporation)[3] | Software | Common Stock Warrants | | 718,860 | 1,434 | 77 |
| Endplay, Inc. | Software | Preferred Stock Warrants | Series B | 180,000 | 67 | 21 |
| Forescout Technologies, Inc. | Software | Preferred Stock Warrants | Series D | 399,687 | 99 | 348 |
| Hillcrest Laboratories, Inc. | Software | Preferred Stock Warrants | Series E | 1,865,650 | 55 | 54 |
| JackBe Corporation | Software | Preferred Stock Warrants | Series C | 180,000 | 73 | 56 |
| Kxen, Inc. | Software | Preferred Stock Warrants | Series D | 184,614 | 47 | 7 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Neos Geosolutions, Inc. | Software | Preferred Stock Warrants | Series 3 | 221,150 | 22 | 23 |
| Rockyou, Inc. | Software | Preferred Stock Warrants | Series B | 41,266 | 117 | |
| SugarSync Inc. | Software | Preferred Stock Warrants | Series CC | 332,726 | 78 | 168 |
| | | Preferred Stock Warrants | Series DD | 107,526 | 34 | 41 |
| Total SugarSync Inc. | | | | 440,252 | 112 | 209 |
| Tada Innovations, Inc. | Software | Preferred Stock Warrants | Series A | 20,833 | 25 | |
| White Sky, Inc. | Software | Preferred Stock Warrants | Series B-2 | 124,295 | 54 | 3 |
| WildTangent, Inc. | Software | Preferred Stock Warrants | Series 3A | 100,000 | 238 | 55 |
| **Total Warrants Software (1.31%)*** | | | | | 4,202 | 8,069 |

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**(unaudited)**

**(dollars in thousands)**

| Portfolio Company | Sub-Industry | Type of Investment(1) | Series | Shares | Cost(2) | Value(3) |
|---|---|---|---|---|---|---|
| Clustrix, Inc. | Electronics & Computer Hardware | Preferred Stock Warrants | Series B | 49,732 | $ 12 | $ 6 |
| OCZ Technology Group, Inc.(3) | Electronics & Computer Hardware | Common Stock Warrants | | 688,073 | 619 | 648 |
| Shocking Technologies, Inc. | Electronics & Computer Hardware | Preferred Stock Warrants | Series A-1 | 181,818 | 63 | 201 |
| **Total Warrant Electronics & Computer Hardware (0.14%)*** | | | | | 694 | 855 |
| Althea Technologies, Inc. | Specialty Pharmaceuticals | Preferred Stock Warrants | Series D | 502,273 | 309 | 4,237 |
| Quatrx Pharmaceuticals Company | Specialty Pharmaceuticals | Preferred Stock Warrants | Series E | 340,534 | 308 | |
| **Total Warrants Specialty Pharmaceuticals (0.69%)*** | | | | | 617 | 4,237 |
| IPA Holdings, LLC | Consumer & Business Products | Common Stock Warrants | | 650,000 | 275 | 368 |
| Market Force Information, Inc. | Consumer & Business Products | Preferred Stock Warrants | Series A | 99,286 | 24 | 87 |
| Seven Networks, Inc. | Consumer & Business Products | Preferred Stock Warrants | Series C | 1,821,429 | 174 | 80 |
| ShareThis, Inc. | Consumer & Business Products | Preferred Stock Warrants | Series B | 535,905 | 547 | 498 |
| Wavemarket, Inc. | Consumer & Business Products | Preferred Stock Warrants | Series E | 1,083,333 | 106 | 62 |
| **Total Warrant Consumer & Business Products (0.18%)*** | | | | | 1,126 | 1,095 |
| Achronix Semiconductor Corporation | Semiconductors | Preferred Stock Warrants | Series D | 360,000 | 160 | 105 |
| Enpirion, Inc. | Semiconductors | Preferred Stock Warrants | Series D | 239,872 | 157 | |
| iWatt, Inc. | Semiconductors | Preferred Stock Warrants | Series C | 558,748 | 46 | 16 |
| | | Preferred Stock Warrants | Series D | 1,954,762 | 582 | 316 |
| Total iWatt, Inc. | | | | 2,513,510 | 628 | 332 |
| Kovio Inc. | Semiconductors | Preferred Stock Warrants | Series B | 319,352 | 92 | 30 |
| **Total Warrants Semiconductors (0.07%)*** | | | | | 1,037 | 437 |
| AcelRX Pharmaceuticals, Inc.(3) | Drug Delivery | Common Stock Warrants | | 274,508 | 356 | 564 |
| Alexza Pharmaceuticals, Inc.(3) | Drug Delivery | Common Stock Warrants | | 37,639 | 645 | 2 |
| BIND Therapeutics, Inc. | Drug Delivery | Preferred Stock Warrants | Series C-1 | 150,000 | 291 | 422 |
| Intelliject, Inc. | Drug Delivery | Preferred Stock Warrants | Series B | 82,500 | 594 | 965 |
| NuPathe, Inc.(3) | Drug Delivery | Common Stock Warrants | | 106,631 | 139 | 166 |
| Revance Therapeutics, Inc. | Drug Delivery | Preferred Stock Warrants | Series D | 269,663 | 557 | 577 |
| Transcept Pharmaceuticals, Inc.(3) | Drug Delivery | Common Stock Warrants | | 61,452 | 87 | 55 |
| **Total Warrant Drug Delivery (0.45%)*** | | | | | 2,669 | 2,751 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Blurb, Inc. | Internet Consumer & Business Services | Preferred Stock Warrants | Series B | 439,336 | 323 | 318 |
| | | Preferred Stock Warrants | Series C | 234,280 | 636 | 505 |
| Total Blurb, Inc. | | | | 673,616 | 959 | 823 |
| Invoke Solutions, Inc. | Internet Consumer & Business Services | Common Stock Warrants | | 53,084 | 38 | |
| Just.Me | Internet Consumer & Business Services | Preferred Stock Warrants | Series A | 102,299 | 20 | 29 |
| Prism Education Group, Inc. | Internet Consumer & Business Services | Preferred Stock Warrants | Series B | 200,000 | 43 | |
| Reply! Inc. | Internet Consumer & Business Services | Preferred Stock Warrants | Series B | 137,225 | 320 | 769 |
| Second Rotation, Inc. | Internet Consumer & Business Services | Preferred Stock Warrants | Series D | 151,827 | 165 | 202 |
| Tectura Corporation | Internet Consumer & Business Services | Preferred Stock Warrants | Series B-1 | 253,378 | 51 | |
| **Total Warrants Internet Consumer & Business Services (0.30%)*** | | | | | 1,596 | 1,823 |

See notes to consolidated financial statements.

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**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.**

**CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)**

**March 31, 2013**

**(unaudited)**

**(dollars in thousands)**

| Portfolio Company | Sub-Industry | Type of Investment[1] | Series | Shares | Cost[2] | Value[3] |
|---|---|---|---|---|---|---|
| Buzznet, Inc. | Information Services | Preferred Stock Warrants | Series B | 19,962 | $ 9 | $ |
| Cha Cha Search, Inc. | Information Services | Preferred Stock Warrants | Series F | 48,232 | 58 | 7 |
| Eccentex Corporation | Information Services | Preferred Stock Warrants | Series A | 408,719 | 31 | |
| Intelligent Beauty, Inc. | Information Services | Preferred Stock Warrants | Series B | 190,234 | 230 | 611 |
| InXpo, Inc. | Information Services | Preferred Stock Warrants | Series C | 648,400 | 98 | 32 |
| | | Preferred Stock Warrants | Series C-1 | 582,015 | 48 | 43 |
| Total InXpo, Inc. | | | | 1,230,415 | 146 | 75 |
| Jab Wireless, Inc. | Information Services | Preferred Stock Warrants | Series A | 266,567 | 265 | 343 |
| RichRelevance, Inc. | Information Services | Preferred Stock Warrants | Series D | 112,749 | 98 | 39 |
| Solutionary, Inc. | Information Services | Preferred Stock Warrants | Series A-2 | 111,311 | 96 | 62 |
| **Total Warrants Information Services (0.18%)*** | | | | | 933 | 1,137 |
| EKOS Corporation | Medical Device & Equipment | Preferred Stock Warrants | Series C | 4,448,135 | 327 | |
| Gelesis, Inc.[6] | Medical Device & Equipment | | LLC Interest | 263,688 | 78 | 108 |
| Lanx, Inc. | Medical Device & Equipment | Preferred Stock Warrants | Series C | 1,203,369 | 441 | 755 |
| Medrobotics Corporation | Medical Device & Equipment | Preferred Stock Warrants | Series D | 424,008 | 343 | 404 |
| NinePoint Medical, Inc. | Medical Device & Equipment | Preferred Stock Warrants | Series A | 350,000 | 170 | 204 |
| Novasys Medical, Inc. | Medical Device & Equipment | Preferred Stock Warrants | Series D | 580,447 | 131 | |
| | | Common Stock Warrants | | 109,449 | 2 | |
| Total Novasys Medical, Inc. | | | | 689,896 | 133 | |
| Optiscan Biomedical, Corp.[6] | Medical Device & Equipment | Preferred Stock Warrants | Series D | 6,206,187 | 1,252 | 432 |
| Oraya Therapeutics, Inc. | Medical Device & Equipment | Preferred Stock Warrants | Series C | 716,948 | 676 | 266 |
| | | Common Stock Warrants | | 95,498 | 66 | 47 |
| Total Oraya Therapeutics, Inc. | | | | 812,446 | 742 | 313 |
| United Orthopedic Group, Inc. | Medical Device & Equipment | Preferred Stock Warrants | Series A | 423,076 | 608 | 599 |
| SonaCare Medical, LLC | Medical Device & Equipment | Preferred Stock Warrants | Series G | 141,388 | 188 | 110 |
| **Total Warrants Medical Device & Equipment (0.47%)*** | | | | | 4,282 | 2,925 |
| Navidea Biopharmaceuticals, Inc. (pka Neoprobe)[3] | Diagnostic | Common Stock Warrants | | 333,333 | 244 | 318 |
| Tethys Bioscience, Inc. | Diagnostic | Preferred Stock Warrants | Series E | 617,683 | 147 | 117 |
| **Total Warrants Diagnostic (0.07%)*** | | | | | 391 | 435 |
| Labcyte, Inc. | Biotechnology Tools | Preferred Stock Warrants | Series C | 1,127,624 | 323 | 254 |
| NuGEN Technologies, Inc. | Biotechnology Tools | Preferred Stock Warrants | Series B | 204,545 | 45 | 202 |
| | | Preferred Stock Warrants | Series C | 30,114 | 33 | 11 |
| Total NuGEN Technologies, Inc. | | | | 234,659 | 78 | 213 |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Total Warrants Biotechnology Tools (0.08%)*** | | | | | 401 | 467 |
| Entrigue Surgical, Inc. | Surgical Devices | Preferred Stock Warrants | Series B | 62,500 | 87 | |
| Transmedics, Inc. | Surgical Devices | Preferred Stock Warrants | Series B | 40,436 | 225 | |
| | | Preferred Stock Warrants | Series D | 175,000 | 100 | 227 |
| Total Transmedics, Inc. | | | | 215,436 | 325 | 227 |
| Gynesonics, Inc. | Surgical Devices | Preferred Stock Warrants | Series C | 1,756,444 | 412 | 343 |
| **Total Warrants Surgical Devices (0.09%)*** | | | | | 824 | 570 |
| Everyday Health, Inc. (pka Waterfront Media, Inc.) | Media/Content/ Info | Preferred Stock Warrants | Series C | 110,018 | 60 | 76 |
| Glam Media, Inc. | Media/Content/ Info | Preferred Stock Warrants | Series D | 407,457 | 482 | |
| Zoom Media Group, Inc. | Media/Content/ Info | Preferred Stock Warrants | n/a | 1,204 | 348 | 337 |
| **Total Warrants Media/Content/Info (0.07%)*** | | | | | 890 | 413 |

See notes to consolidated financial statements.

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**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.**

**CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)**

**March 31, 2013**

**(unaudited)**

**(dollars in thousands)**

| Portfolio Company | Sub-Industry | Type of Investment[1] | Series | Shares | Cost[2] | Value[3] |
|---|---|---|---|---|---|---|
| Alphabet Energy, Inc. | Clean Tech | Preferred Stock Warrants | Series A | 86,328 | $ 83 | $ 141 |
| American Superconductor Corporation[3] | Clean Tech | Common Stock Warrants | | 139,275 | 244 | 123 |
| BrightSource Energy, Inc. | Clean Tech | Preferred Stock Warrants | Series D | 174,999 | 779 | 156 |
| Calera, Inc. | Clean Tech | Preferred Stock Warrants | Series C | 44,529 | 513 | |
| EcoMotors, Inc. | Clean Tech | Preferred Stock Warrants | Series B | 437,500 | 308 | 490 |
| Enphase Energy, Inc.[3] | Clean Tech | Common Stock Warrants | | 37,500 | 102 | 55 |
| Fulcrum Bioenergy, Inc. | Clean Tech | Preferred Stock Warrants | Series C-1 | 187,265 | 211 | 133 |
| Glori Energy, Inc. | Clean Tech | Preferred Stock Warrants | Series C | 145,932 | 165 | 71 |
| GreatPoint Energy, Inc. | Clean Tech | Preferred Stock Warrants | Series D-1 | 393,212 | 548 | |
| Integrated Photovoltaics, Inc. | Clean Tech | Preferred Stock Warrants | Series A-1 | 390,000 | 82 | 108 |
| Polyera Corporation | Clean Tech | Preferred Stock Warrants | Series C | 161,575 | 69 | 70 |
| Propel Biofuels, Inc. | Clean Tech | Preferred Stock Warrants | Series C | 3,200,000 | 211 | 227 |
| Redwood Systems, Inc. | Clean Tech | Preferred Stock Warrants | Series C | 331,250 | 3 | |
| SCIenergy, Inc. | Clean Tech | Preferred Stock Warrants | Series D | 1,061,168 | 361 | 163 |
| Solexel, Inc. | Clean Tech | Preferred Stock Warrants | Series B | 245,682 | 1,161 | 9 |
| Stion Corporation | Clean Tech | Preferred Stock Warrants | Series E | 110,226 | 317 | 142 |
| TAS Energy, Inc. | Clean Tech | Preferred Stock Warrants | Series A | 37,406 | 299 | 272 |
| Trilliant, Inc. | Clean Tech | Preferred Stock Warrants | Series A | 320,000 | 162 | 54 |
| **Total Warrants Clean Tech (0.36%)*** | | | | | 5,618 | 2,214 |
| **Total Warrants (5.40%)** | | | | | $ 32,114 | $ 33,249 |
| Aveo Pharmaceuticals, Inc.[3] | Drug Discovery & Development | Common Stock | | 167,864 | 842 | 1,234 |
| Dicerna Pharmaceuticals, Inc. | Drug Discovery & Development | Preferred Stock | Series B | 502,684 | 502 | 454 |
| Inotek Pharmaceuticals Corp. | Drug Discovery & Development | Preferred Stock | Series C | 15,334 | 1,500 | |
| Merrimack Pharmaceuticals, Inc.[3] | Drug Discovery & Development | Common Stock | | 546,448 | 2,000 | 3,333 |
| Paratek Pharmaceuticals, Inc. | Drug Discovery & Development | Preferred Stock | Series H | 244,158 | 1,000 | 376 |
| | | Common Stock | | 47,471 | 5 | 5 |
| Total Paratek Pharmaceuticals, Inc. | | | | 291,629 | 1,005 | 381 |
| **Total Equity Drug Discovery & Development (0.88%)*** | | | | | 5,849 | 5,402 |
| Acceleron Pharmaceuticals, Inc. | Drug Delivery | Preferred Stock | Series B | 186,674 | 69 | 239 |
| | | Preferred Stock | Series B | 600,601 | 243 | 227 |
| | | Preferred Stock | Series C | 93,456 | 97 | 226 |
| | | Preferred Stock | Series E | 43,488 | 61 | 63 |
| | | Preferred Stock | Series F | 19,268 | 1,000 | 1,011 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Total Acceleron Pharmaceuticals, Inc. | | | | 756,813 | 1,470 | 1,766 |
| Merrion Pharma, Plc.(3)(5)(10) | Drug Delivery | Common Stock | | 20,000 | 9 | |
| Nupathe, Inc. | Drug Delivery | Common Stock | | 50,000 | 146 | 162 |
| Transcept Pharmaceuticals, Inc.(3) | Drug Delivery | Common Stock | | 41,570 | 500 | 199 |
| **Total Equity Drug Delivery (0.35%)*** | | | | | 2,125 | 2,127 |
| Trulia, Inc. | Internet Consumer & Business Services | Common Stock | | 29,740 | 141 | 1,005 |
| Philotic, Inc. | Internet Consumer & Business Services | Common Stock | | 8,121 | 93 | |
| **Total Equity Internet Consumers & Business Services (0.16%)*** | | | | | 234 | 1,005 |
| E-band Communications, Corp.(6) | Communications & Networking | Preferred Stock | Series B | 564,972 | 2,000 | |
| | | Preferred Stock | Series C | 649,998 | 372 | |
| | | Preferred Stock | Series D | 847,544 | 508 | |
| | | Preferred Stock | Series E | 1,987,605 | 374 | |

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**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.**

**CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)**

**March 31, 2013**

**(unaudited)**

**(dollars in thousands)**

| Portfolio Company | Sub-Industry | Type of Investment[1] | Series | Shares | Cost[2] | Value[3] |
|---|---|---|---|---|---|---|
| Total E-band Communications, Corp. | | | | 4,050,119 | $ 3,254 | $ |
| Glowpoint, Inc.[3] | Communications & Networking | Common Stock | | 114,192 | 101 | 168 |
| Neonova Holding Company | Communications & Networking | Preferred Stock | Series A | 500,000 | 250 | 190 |
| Peerless Network, Inc. | Communications & Networking | Preferred Stock | Series A | 1,000,000 | 1,000 | 4,031 |
| Stoke, Inc. | Communications & Networking | Preferred Stock | Series E | 152,905 | 500 | 538 |
| **Total Equity Communications & Networking (0.80%)*** | | | | | 5,105 | 4,927 |
| Atrenta, Inc. | Software | Preferred Stock | Series C | 1,196,845 | 508 | 1,058 |
| | | Preferred Stock | Series D | 635,513 | 986 | 1,622 |
| Total Atrenta, Inc. | | | | 1,832,358 | 1,494 | 2,680 |
| Box, Inc. | Software | Preferred Stock | Series C | 390,625 | 500 | 5,172 |
| | | Preferred Stock | Series D | 158,127 | 500 | 2,094 |
| | | Preferred Stock | Series D-1 | 124,511 | 1,000 | 1,648 |
| | | Preferred Stock | Series D-2 | 220,751 | 2,001 | 2,923 |
| | | Preferred Stock | Series E | 38,183 | 500 | 505 |
| Total Box, Inc. | | | | 932,197 | 4,501 | 12,342 |
| Caplinked, Inc. | Software | Preferred Stock | Series A-3 | 53,614 | 52 | 73 |
| Highroads, Inc. | Software | Preferred Stock | Series A-3 | 190,170 | 307 | 297 |
| **Total Equity Software (2.50%)*** | | | | | 6,354 | 15,392 |
| Virident Systems | Electronics & Computer Hardware | Preferred Stock | Series D | 6,546,217 | 5,000 | 5,001 |
| **Total Equity Electronics & Computer Hardware (0.81%)*** | | | | | 5,000 | 5,001 |
| Quatrx Pharmaceuticals Company | Specialty Pharmaceuticals | Preferred Stock | Series E | 166,419 | 750 | |
| **Total Equity Specialty Pharmaceuticals (0.00%)*** | | | | | 750 | |
| Caivis Acquisition Corporation | Consumer & Business Products | Common Stock | Series A | 295,861 | 819 | 598 |
| Facebook, Inc.[3] | Consumer & Business Products | Common Stock | Series B | 307,500 | 9,558 | 7,517 |
| IPA Holdings, LLC | Consumer & Business Products | Preferred Stock | LLC interest | 500,000 | 500 | 539 |
| Market Force Information, Inc. | Consumer & Business Products | Preferred Stock | Series B | 187,970 | 500 | 682 |
| **Total Equity Consumer & Business Products (1.52%)*** | | | | | 11,377 | 9,336 |

| | | | | | | |
|---|---|---|---|---|---|---|
| iWatt, Inc. | Semiconductors | Preferred Stock | Series E | 2,412,864 | 490 | 823 |
| **Total Equity Semiconductors (0.13%)*** | | | | | 490 | 823 |
| Buzznet, Inc. | Information Services | Preferred Stock | Series C | 263,158 | 250 | |
| Good Technologies, Inc. (pka Visto Corporation) | Information Services | Common Stock | | 500,000 | 603 | |
| Solutionary, Inc. | Information Services | Preferred Stock | Series A-1 | 189,495 | 17 | 158 |
| | | Preferred Stock | Series A-2 | 65,834 | 326 | 189 |
| Total Solutionary, Inc. | | | | 255,329 | 343 | 347 |
| **Total Equity Information Services (0.06%)*** | | | | | 1,196 | 347 |
| Gelesis, Inc.(6) | Medical Device & Equipment | | LLC Interest | 674,208 | | 493 |
| | | | LLC Interest | 674,208 | 425 | 691 |
| | | | LLC Interest | 675,676 | 500 | 596 |
| Total Gelesis, Inc. | | | | 2,024,092 | 925 | 1,780 |

See notes to consolidated financial statements.

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**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.**

**CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)**

**March 31, 2013**

**(unaudited)**

**(dollars in thousands)**

| Portfolio Company | Sub-Industry | Type of Investment[1] | Series | Shares | Cost[2] | Value[3] |
|---|---|---|---|---|---|---|
| Lanx, Inc. | Medical Device & Equipment | Preferred Stock | Series C | 1,203,369 | $ 1,000 | $ 1,958 |
| Novasys Medical, Inc. | Medical Device & Equipment | Preferred Stock | Series D-1 | 4,118,444 | 1,000 | |
| Optiscan Biomedical, Corp.[6] | Medical Device & Equipment | Preferred Stock | Series B | 6,185,567 | 3,000 | 476 |
| | | Preferred Stock | Series C-2 | 1,927,309 | 655 | 156 |
| | | Preferred Stock | Series D | 20,251,220 | 1,932 | 1,978 |
| Total Optiscan Biomedical, Corp. | | | | 28,364,096 | 5,587 | 2,610 |
| **Total Equity Medical Device & Equipment (1.03%)*** | | | | | 8,512 | 6,348 |
| NuGEN Technologies, Inc. | Biotechnology Tools | Preferred Stock | Series C | 189,394 | 500 | 756 |
| **Total Equity Biotechnology Tools (0.12%)*** | | | | | 500 | 756 |
| Transmedics, Inc. | Surgical Devices | Preferred Stock | Series B | 88,961 | 1,100 | 53 |
| | | Preferred Stock | Series C | 119,999 | 300 | 131 |
| | | Preferred Stock | Series D | 260,000 | 650 | 720 |
| Total Transmedics, Inc. | | | | 468,960 | 2,050 | 904 |
| Gynesonics, Inc. | Surgical Devices | Preferred Stock | Series B | 219,298 | 250 | 62 |
| | | Preferred Stock | Series C | 656,512 | 282 | 117 |
| | | Preferred Stock | Series C | 1,621,553 | 580 | 605 |
| Total Gynesonics, Inc. | | | | 875,810 | 1,112 | 784 |
| **Total Equity Surgical Devices (0.28%)*** | | | | | 3,162 | 1,688 |
| Everyday Health, Inc. (pka Waterfront Media, Inc.) | Media/Content/ Info | Preferred Stock | Series D | 145,590 | 1,000 | 572 |
| **Total Equity Media/Content/Info (0.09%)*** | | | | | 1,000 | 572 |
| **Total Equity (8.73%)** | | | | | $ 51,654 | $ 53,724 |
| **Total Investments (157.24%)** | | | | | **$ 977,704** | **$ 967,984** |

* Value as a percent of net assets

(1) Preferred and common stock, warrants, and equity interests are generally non-income producing.
(2) Gross unrealized appreciation, gross unrealized depreciation, and net depreciation for federal income tax purposes totaled $39,533 million, $48,528 million and $8,995 million respectively. The tax cost of investments is $978,533 million
(3) Except for warrants in nineteen publicly traded companies and common stock in eight publicly traded companies, all investments are restricted at March 31, 2013 and were valued at fair value as determined in good faith by the Board of Directors. No unrestricted securities of the same issuer are outstanding. The Company uses the Standard Industrial Code for classifying the industry grouping of its portfolio companies.
(4) Debt investments of this portfolio company have been pledged as collateral under the Wells Facility.
(5) Non-U.S. company or the company s principal place of business is outside the United States.
(6) Affiliate investment that is defined under the Investment Company Act of 1940 as a company in which HTGC owns as least 5% but not more than 25% of the voting securities of the Company.
(7) Control investment that is defined under the Investment Company Act of 1940 as a company in which HTGC owners as least 25% but not more than 50% of the voting securities of the Company.
(8) Debt is on non-accrual status at March 31, 2013, and is therefore considered non-income producing.
(9) Convertible Senior Debt
(10) Indicates assets that the Company deems not qualifying assets under section 55(a) of the Investment Company Act of 1940, as amended. Qualifying assets must represent at least 70% of the Company s total assets at the time of acquisition of any additional non-qualifying assets.
(11) Denotes that all or a portion of the loan secures the notes offered in the Debt Securitization (as defined in Note 4).

See notes to consolidated financial statements.

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**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.**

**CONSOLIDATED SCHEDULE OF INVESTMENTS**

**December 31, 2012**

**(dollars in thousands)**

| Portfolio Company | Sub-Industry | Type of Investment[1] | Principal Amount | Cost[2] | Value[3] |
|---|---|---|---|---|---|
| Anthera Pharmaceuticals Inc.[3] | Drug Discovery & Development | Senior Debt[11]<br>Matures December 2014<br>Interest rate Prime + 7.30% or<br>Floor rate of 10.55% | $ 20,532 | $ 20,745 | $ 21,007 |
| Aveo Pharmaceuticals, Inc.[3] | Drug Discovery & Development | Senior Debt[11]<br>Matures September 2015<br>Interest rate Prime + 7.15% or<br>Floor rate of 11.90% | $ 26,500 | 26,500 | 27,030 |
| Cempra, Inc.[3] | Drug Discovery & Development | Senior Debt[11]<br>Matures December 2015<br>Interest rate Prime + 6.30% or<br>Floor rate of 9.55% | $ 10,000 | 9,862 | 9,902 |
| Chroma Therapeutics, Ltd.[5][10] | Drug Discovery & Development | Senior Debt<br>Matures November 2013<br>Interest rate Prime + 7.75% or<br>Floor rate of 12.00% | $ 4,111 | 4,718 | 4,759 |
| Concert Pharmaceuticals, Inc.[4] | Drug Discovery & Development | Senior Debt<br>Matures October 2015<br>Interest rate Prime + 3.25% or<br>Floor rate of 8.50% | $ 20,000 | 19,633 | 18,983 |
| Coronado BioSciences, Inc.[3] | Drug Discovery & Development | Senior Debt[11]<br>Matures March 2016<br>Interest rate Prime + 6.00% or<br>Floor rate of 9.25% | $ 15,000 | 14,761 | 14,761 |
| Dicerna Pharmaceuticals, Inc. | Drug Discovery & Development | Senior Debt<br>Matures January 2015 | $ 9,166 | 8,996 | 8,929 |

| | | | | | |
|---|---|---|---|---|---|
| | | Interest rate Prime + 4.40% or<br><br>Floor rate of 10.15% | | | |
| Insmed, Inc. | Drug Discovery & Development | Senior Debt[11]<br><br>Matures January 2016<br><br>Interest rate Prime + 4.75% or<br><br>Floor rate of 9.25% | $ 20,000 | 19,305 | 19,674 |
| Merrimack Pharmaceuticals, Inc. | Drug Discovery & Development | Senior Debt<br><br>Matures May 2016<br><br>Interest rate Prime + 5.30% or<br><br>Floor rate of 10.55% | $ 40,000 | 39,670 | 39,670 |
| NeurogesX, Inc.[3] | Drug Discovery & Development | Senior Debt<br><br>Matures February 2015<br><br>Interest rate Prime + 7.50% or<br><br>Floor rate of 10.75% | $ 13,662 | 13,645 | 13,884 |
| Paratek Pharmaceuticals, Inc. | Drug Discovery & Development | Senior Debt[9]<br><br>Matures upon liquidation<br><br>Interest rate Fixed 10.00% | $ 45 | 45 | 45 |
| | | Senior Debt[9]<br>Matures upon liquidation<br><br>Interest rate Fixed 10.00% | $ 36 | 31 | 31 |
| Total Paratek Pharmaceuticals, Inc. | | | | 76 | 76 |
| **Total Debt Drug Discovery & Development (34.63%)*** | | | | 177,911 | 178,675 |

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**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.**

**CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)**

**December 31, 2012**

**(dollars in thousands)**

| Portfolio Company | Sub-Industry | Type of Investment[1] | Principal Amount | Cost[2] | Value[3] |
|---|---|---|---|---|---|
| Bridgewave Communications | Communications & Networking | Senior Debt<br>Matures March 2016<br>Interest rate Prime + 8.75% or<br>Floor rate of 12.00% | $ 7,500 | $ 7,003 | $ 4,896 |
| OpenPeak, Inc. | Communications & Networking | Senior Debt[11]<br>Matures July 2015<br>Interest rate Prime + 8.75% or<br>Floor rate of 12.00% | $ 15,000 | 15,008 | 15,158 |
| PeerApp, Inc.[4] | Communications & Networking | Senior Debt<br>Matures April 2013<br>Interest rate Prime + 7.50% or<br>Floor rate of 11.50% | $ 501 | 588 | 588 |
| UPH Holdings, Inc. | Communications & Networking | Senior Debt<br>Matures April 2015<br>Interest rate Libor + 11.00% or<br>Floor rate of 13.50% | $ 7,000 | 6,880 | 6,772 |
| | | Senior Debt<br>Matures September 2015<br>Interest rate Libor + 11.00% or<br>Floor rate of 13.50% | $ 347 | 343 | 333 |
| | | Senior Debt<br>Matures December 2016<br>Interest rate Libor + 11.00% or<br>Floor rate of 13.50% | $ 3,594 | 3,594 | 3,400 |
| Total UPH Holdings, Inc. | | | | 10,817 | 10,505 |
| **Total Debt Communications & Networking (6.04%)*** | | | | 33,416 | 31,147 |

| | | | | | |
|---|---|---|---|---|---|
| Clustrix, Inc. | Electronics & Computer Hardware | Senior Debt<br>Matures December 2015<br>Interest rate Prime + 6.50% or<br>Floor rate of 9.75% | $ 235 | 227 | 227 |
| Identive Group, Inc. | Electronics & Computer Hardware | Senior Debt<br>Matures November 2015<br>Interest rate Prime + 7.75% or<br>Floor rate 11.00% | $ 7,500 | 7,447 | 7,447 |
| **Total Debt Electronics & Computer Hardware (1.49%)** | | | | 7,674 | 7,674 |
| Box, Inc.(4) | Software | Senior Debt<br>Matures March 2016<br>Interest rate Prime + 3.75% or<br>Floor rate of 7.50% | $ 10,000 | 9,910 | 9,353 |
| | | Senior Debt<br>Matures July 2014<br>Interest rate Prime + 5.25% or<br>Floor rate of 8.50% | $ 1,018 | 1,075 | 1,060 |
| | | Senior Debt(11)<br>Matures July 2016<br>Interest rate Prime + 5.13% or<br>Floor rate of 8.88% | $ 20,000 | 20,138 | 19,274 |
| Total Box, Inc. | | | | 31,123 | 29,687 |

See notes to consolidated financial statements.

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**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.**

**CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)**

**December 31, 2012**

**(dollars in thousands)**

| Portfolio Company | Sub-Industry | Type of Investment[1] | Principal Amount | Cost[2] | Value[3] |
|---|---|---|---|---|---|
| Clickfox, Inc. | Software | Senior Debt<br>Matures November 2015<br>Interest rate Prime + 8.25% or<br>Floor rate of 11.50% | $ 8,000 | $ 7,318 | $ 7,558 |
| EndPlay,Inc. | Software | Senior Debt<br>Matures August 2015<br>Interest rate Prime + 7.35% or<br>Floor rate 10.6% | $ 2,000 | 1,930 | 1,930 |
| Hillcrest Laboratories, Inc | Software | Senior Debt<br>Matures July 2015<br>Interest rate Prime + 7.50% or<br>Floor rate of 10.75% | $ 4,000 | 3,923 | 3,860 |
| JackBe Corporation | Software | Senior Debt<br>Matures January 2016<br>Interest rate Prime + 7.25% or<br>Floor rate of 10.50% | $ 3,000 | 2,900 | 2,900 |
| Kxen, Inc.[4] | Software | Senior Debt<br>Matures January 2015<br>Interest rate Prime + 5.08% or<br>Floor rate of 8.33% | $ 2,337 | 2,371 | 2,192 |
| Tada Innovations, Inc. | Software | Senior Debt[9]<br>Matures November 2012<br>Interest rate Fixed 8.00% | $ 100 | 100 | |
| **Total Debt Software (9.33%)*** | | | | 49,665 | 48,127 |
| Althea Technologies, Inc. | Specialty Pharmaceuticals | Senior Debt<br>Matures October 2013<br>Interest rate Prime + 7.70% or<br>Floor rate of 10.95% | $ 7,659 | 7,927 | 7,927 |
| Quatrx Pharmaceuticals Company | Specialty Pharmaceuticals | Senior Debt[9]<br>Matures March 2014 | $ 1,888 | 1,888 | 2,394 |

| | | | | | |
|---|---|---|---|---|---|
| | | Interest rate Fixed 8.00% | | | |
| **Total Debt Specialty Pharmaceuticals (2.00%)*** | | | | 9,815 | 10,321 |
| Achronix Semiconductor Corporation | Semiconductors | Senior Debt<br>Matures January 2015<br>Interest rate Prime + 10.60% or<br>Floor rate of 13.85% | $ 1,847 | 1,803 | 1,783 |
| **Total Debt Semiconductors (0.34%)*** | | | | 1,803 | 1,783 |
| AcelRX Pharmaceuticals, Inc.(3) | Drug Delivery | Senior Debt(11)<br>Matures December 2014<br>Interest rate Prime + 3.25% or<br>Floor rate of 8.50% | $ 16,345 | 16,222 | 15,983 |
| ADMA Biologics, Inc. | Drug Delivery | Senior Debt<br>Matures February 2016<br>Interest rate Prime + 2.75% or<br>Floor rate of 8.50% | $ 4,000 | 3,857 | 3,857 |
| Alexza Pharmaceuticals, Inc.(3) | Drug Delivery | Senior Debt(11)<br>Matures October 2013<br>Interest rate Prime + 6.50% or<br>Floor rate of 10.75% | $ 5,052 | 5,410 | 5,410 |
| BIND Therapeutics, Inc. | Drug Delivery | Senior Debt<br>Matures July 2014<br>Interest rate Prime + 7.45% or<br>Floor rate of 10.70% | $ 3,326 | 3,320 | 3,387 |

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**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.**

**CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)**

**December 31, 2012**

**(dollars in thousands)**

| Portfolio Company | Sub-Industry | Type of Investment[1] | Principal Amount | Cost[2] | Value[3] |
|---|---|---|---|---|---|
| Intelliject, Inc. | Drug Delivery | Senior Debt[11] Matures June 2016 Interest rate Prime + 5.75% or Floor rate of 11.00% | $ 15,000 | $ 14,615 | $ 15,065 |
| Nupathe, Inc.[3] | Drug Delivery | Senior Debt Matures May 2016 Interest rate Prime - 3.25% or Floor rate of 9.85% | $ 8,500 | 8,166 | 8,166 |
| Revance Therapeutics, Inc. | Drug Delivery | Senior Debt Matures March 2015 Interest rate Prime + 6.60% or Floor rate of 9.85% | $ 18,446 | $ 18,330 | $ 18,263 |
| **Total Debt Drug Delivery (13.59%)*** | | | | 69,920 | 70,131 |
| Ahhha, Inc.[8] | Internet Consumer & Business Services | Senior Debt Matures January 2015 Interest rate Fixed 12.00% | $ 350 | 347 | |
| Blurb, Inc. | Internet Consumer & Business Services | Senior Debt Matures December 2015 Interest rate Prime + 5.25% or Floor rate 8.50% | $ 8,000 | 7,708 | 7,429 |
| Education Dynamics, LLC | Internet Consumer & Business Services | Senior Debt Matures March 2016 Interest rate Fixed 12.50%, PIK Interest 1.50% | $ 27,500 | 26,976 | 26,976 |
| Just.Me, Inc. | Internet Consumer & Business Services | Senior Debt Matures June 2015 Interest rate Prime + 2.50% or Floor rate 5.75% | $ 750 | 732 | 680 |

| | | | | | |
|---|---|---|---|---|---|
| | | Senior Debt<br>Matures June 2015<br>Interest rate Prime + 5.00% or<br>Floor rate 8.25% | $ 750 | 727 | 704 |
| Total Just.Me, Inc. | | | | 1,459 | 1,384 |
| Loku, Inc. | Internet Consumer & Business Services | Senior Debt(9)<br>Matures June 2013<br>Interest rate Fixed 6.00% | $ 100 | 100 | 100 |
| NetPlenish, Inc. | Internet Consumer & Business Services | Senior Debt<br>Matures April 2015<br>Interest rate Fixed 10.00% | $ 500 | 490 | 452 |
| Reply! Inc. | Internet Consumer & Business Services | Senior Debt(11)<br>Matures September 2015<br>Interest rate Prime + 6.875% or<br>Floor rate of 10.125% | $ 11,749 | 11,624 | 11,337 |
| | | Senior Debt(11)<br>Matures September 2015<br>Interest rate Prime + 7.25% or<br>Floor rate of 11.00% | $ 2,000 | 1,946 | 1,971 |
| Total Reply! Inc. | | | | 13,570 | 13,308 |
| Second Rotation, Inc. | Internet Consumer & Business Services | Senior Debt<br>Matures August 2015<br>Interest rate Prime + 6.50% or<br>Floor rate of 10.25% , PIK Interest 2.50% | $ 5,843 | 5,860 | 5,880 |

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**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.**

**CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)**

**December 31, 2012**

**(dollars in thousands)**

| Portfolio Company | Sub-Industry | Type of Investment[1] | Principal Amount | Cost[2] | Value[3] |
|---|---|---|---|---|---|
| | | Senior Debt<br>Matures August 2015<br>Interest rate Prime + 6.50% or<br>Floor rate of 10.25% , PIK Interest 1.50% | $ 1,947 | $ 1,888 | $ 1,909 |
| | | Revolving Line of Credit<br>Matures January 2013<br>Interest rate Fixed 10.50%, PIK Interest 0.25% | $ 327 | 313 | 313 |
| Total Second Rotation, Inc. | | | | 8,061 | 8,102 |
| ShareThis, Inc. | Internet Consumer & Business Services | Senior Debt<br>Matures June 2016<br>Interest rate Prime + 7.50% or<br>Floor rate of 10.75% | $ 15,000 | 14,268 | 14,268 |
| Tectura Corporation | Internet Consumer & Business Services | Revolving Line of Credit<br>Matures July 2013<br>Interest rate Libor + 8.00% or<br>Floor rate of 11.00% | $ 16,340 | 17,850 | 17,797 |
| | | Senior Debt<br>Matures December 2014<br>Interest rate Libor + 10.00% or<br>Floor rate of 13.00% | $ 6,978 | 6,908 | 6,827 |
| | | Senior Debt<br>Matures April 2013<br>Interest rate Libor + 10.00% or<br>Floor rate of 13.00% | $ 1,390 | 1,325 | 1,325 |
| Total Tectura Corporation | | | | 26,083 | 25,949 |
| Trulia, Inc.[3] | Internet Consumer & Business Services | Senior Debt[11]<br>Matures September 2015<br>Interest rate Prime + 2.75% or | $ 5,000 | 4,921 | 4,729 |

| | | | | | |
|---|---|---|---|---|---|
| | | Floor rate of 6.00% | | | |
| | | Senior Debt(11) Matures September 2015 Interest rate Prime + 5.50% or Floor rate of 8.75% | $ 5,000 | 4,920 | 4,547 |
| Total Trulia, Inc. | | | | 9,841 | 9,276 |
| Vaultlogix, Inc. | Internet Consumer & Business Services | Senior Debt Matures September 2016 Interest rate LIBOR + 8.50% or Floor rate of 10.00%, PIK interest 2.50% | $ 7,500 | 7,681 | 7,721 |
| | | Senior Debt Matures September 2015 Interest rate LIBOR + 7.00% or Floor rate of 8.50% | $ 10,253 | 10,190 | 9,854 |
| Total Vaultlogix, Inc. | | | | 17,871 | 17,575 |
| Votizen, Inc. | Internet Consumer & Business Services | Senior Debt(9) Matures February 2013 Interest rate Fixed 5.00% | $ 100 | 100 | 6 |
| Wavemarket, Inc. | Internet Consumer & Business Services | Senior Debt(11) Matures September 2015 Interest rate Prime + 5.75% or Floor rate of 9.50% | $ 10,000 | 9,840 | 9,444 |
| **Total Debt Internet Consumer & Business Services (26.02%)*** | | | | 136,714 | 134,269 |

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**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.**

**CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)**

**December 31, 2012**

**(dollars in thousands)**

| Portfolio Company | Sub-Industry | Type of Investment[(1)] | Principal Amount | Cost[(2)] | Value[(3)] |
|---|---|---|---|---|---|
| Cha Cha Search, Inc. | Information Services | Senior Debt<br>Matures February 2015<br>Interest rate Prime + 6.25% or<br>Floor rate of 9.50% | $ 2,641 | $ 2,604 | $ 2,522 |
| Eccentex Corporation | Information Services | Senior Debt[(11)]<br>Matures May 2015<br>Interest rate Prime + 7.00% or<br>Floor rate of 10.25% | $ 1,000 | 977 | 965 |
| InXpo, Inc. | Information Services | Senior Debt<br>Matures March 2014<br>Interest rate Prime + 7.50% or<br>Floor rate of 10.75% | $ 2,550 | 2,466 | 2,434 |
| Jab Wireless, Inc. | Information Services | Senior Debt<br>Matures November 2017<br>Interest rate Prime + 6.75% or<br>Floor rate of 8.00% | $ 30,000 | 29,852 | 29,850 |
| RichRelevance, Inc. | Information Services | Senior Debt<br>Matures January 2015<br>Interest rate Prime + 3.25% or<br>Floor rate of 7.50% | $ 4,245 | 4,210 | 4,068 |
| Womensforum.com, Inc. | Information Services | Senior Debt[(11)]<br>Matures October 2016<br>Interest rate LIBOR + 6.50% or<br>Floor rate of 9.25% | $ 8,000 | 7,838 | 7,838 |
| | | Senior Debt[(11)]<br>Matures October 2016<br>Interest rate LIBOR + 7.50% or<br>Floor rate of 10.25% | $ 4,500 | 4,422 | 4,422 |
| Total Womensforum.com, Inc. | | | | 12,260 | 12,260 |

| | | | | | |
|---|---|---|---|---|---|
| **Total Debt Information Services (10.10%)*** | | | | 52,369 | 52,099 |
| Gynesonics, Inc. | Medical Device & Equipment | Senior Debt<br>Matures October 2013<br>Interest rate Prime + 8.25% or<br>Floor rate of 11.50% | $ 3,912 | 3,975 | 4,014 |
| | | Senior Debt<br>Matures February 2013<br>Interest rate Fixed 8.00% | $ 253 | 247 | 247 |
| | | Senior Debt<br>Matures September 2013<br>Interest rate Fixed 8.00% | $ 36 | 30 | 30 |
| Total Gynesonics, Inc. | | | | 4,252 | 4,291 |
| Lanx, Inc. | Medical Device & Equipment | Senior Debt<br>Matures October 2016<br>Interest rate Prime + 6.50% or<br>Floor rate of 10.25% | $ 15,000 | 14,428 | 14,428 |
| | | Revolving Line of Credit<br>Matures October 2015<br>Interest rate Prime + 5.25% or<br>Floor rate of 9.00% | $ 5,500 | 5,300 | 5,300 |
| Total Lanx, Inc. | | | | 19,728 | 19,728 |
| Novasys Medical, Inc. | Medical Device & Equipment | Senior Debt[9]<br>Matures January 2013<br>Interest rate Fixed 8.00% | $ 65 | 65 | 65 |
| | | Senior Debt[9]<br>Matures August 2013<br>Interest rate Fixed 8.00% | $ 22 | 20 | 20 |
| Total Novasys Medical, Inc. | | | | 85 | 85 |

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**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.**

**CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)**

**December 31, 2012**

**(dollars in thousands)**

| Portfolio Company | Sub-Industry | Type of Investment[1] | Principal Amount | Cost[2] | Value[3] |
|---|---|---|---|---|---|
| Optiscan Biomedical, Corp.[6] | Medical Device & Equipment | Senior Debt<br>Matures December 2013<br>Interest rate Prime + 8.20% or<br>Floor rate of 11.45% | $ 8,260 | $ 8,915 | $ 9,080 |
| | | Senior Debt[9]<br>Matures April 2013<br>Interest rate Fixed 8.00% | $ 288 | 288 | 288 |
| | | Senior Debt[9]<br>Matures September 2013<br>Interest rate Fixed 8.00% | $ 123 | 123 | 123 |
| Total Optiscan Biomedical, Corp. | | | | 9,326 | 9,491 |
| Oraya Therapeutics, Inc. | Medical Device & Equipment | Senior Debt[9]<br>Matures December 2013<br>Interest rate Fixed 7.00% | $ 500 | 500 | 500 |
| | | Senior Debt[11]<br>Matures September 2015<br>Interest rate Prime + 5.50% or<br>Floor rate of 10.25% | $ 10,000 | 9,798 | 10,079 |
| Total Oraya Therapeutics, Inc. | | | | 10,298 | 10,579 |
| USHIFU, LLC | Medical Device & Equipment | Senior Debt[11]<br>Matures April 2016<br>Interest rate Prime + 7.75% or<br>Floor rate of 11.00% | $ 6,000 | 5,856 | 5,856 |
| **Total Debt Medical Device & Equipment (9.69%)*** | | | | 49,545 | 50,030 |
| Navidea Biopharmaceuticals, Inc. (pka Neoprobe)[3] | Diagnostic | Senior Debt<br>Matures December 2014<br>Interest rate Prime + 6.75% or<br>Floor rate of 10.00% | $ 5,741 | 5,691 | 5,752 |
| Tethys Bioscience Inc. | Diagnostic | Senior Debt[11] | | | |

| | | | | | |
|---|---|---|---|---|---|
| | | Matures December 2015<br>Interest rate Prime + 8.40% or<br>Floor rate of 11.65% | $ 10,000 | 9,940 | 10,026 |
| **Total Debt Diagnostic (3.06%)*** | | | | 15,631 | 15,778 |
| Labcyte, Inc. | Biotechnology Tools | Senior Debt<br>Matures May 2013<br>Interest rate Prime + 8.60% or<br>Floor rate of 11.85% | $ 761 | 834 | 834 |
| | | Senior Debt(11)<br>Matures June 2016<br>Interest rate Prime + 6.70% or<br>Floor rate of 9.95% | $ 5,000 | 4,890 | 4,995 |
| Total Labcyte, Inc. | | | | 5,724 | 5,829 |
| **Total Debt Biotechnology Tools (1.13%)*** | | | | 5,724 | 5,829 |
| MedCall, LLC | Healthcare Services, Other | Senior Debt<br>Matures January 2016<br>Interest rate 7.79% or<br>Floor rate of 9.50% | $ 4,908 | 4,844 | 4,695 |
| | | Senior Debt<br>Matures January 2016<br>Interest rate LIBOR +8.00% or<br>Floor rate of 10.00% | $ 4,037 | 3,972 | 3,871 |
| Total MedCall, LLC | | | | 8,816 | 8,566 |

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**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.**

**CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)**

**December 31, 2012**

**(dollars in thousands)**

| Portfolio Company | Sub-Industry | Type of Investment[1] | Principal Amount | Cost[2] | Value[3] |
|---|---|---|---|---|---|
| Pacific Child & Family Associates, LLC | Healthcare Services, Other | Senior Debt Matures January 2015 Interest rate LIBOR + 9.00% or Floor rate of 11.50% | $ 3,661 | $ 3,713 | $ 3,713 |
| | | Revolving Line of Credit Matures January 2015 Interest rate LIBOR + 7.50% or Floor rate of 10.00% | $ 1,500 | 1,490 | 1,490 |
| | | Senior Debt Matures January 2015 Interest rate LIBOR + 11.50% or Floor rate of 14.00%, PIK interest 3.75% | $ 5,900 | 6,562 | 6,562 |
| Total Pacific Child & Family Associates, LLC | | | | 11,765 | 11,765 |
| ScriptSave (Medical Security Card Company, LLC) | Healthcare Services, Other | Senior Debt Matures February 2016 Interest rate LIBOR + 8.75% or Floor rate of 11.25% | $ 16,375 | 16,168 | 16,150 |
| **Total Debt Health Services, Other (7.07%)*** | | | | 36,749 | 36,481 |
| Entrigue Surgical, Inc. | Surgical Devices | Senior Debt Matures December 2014 Interest rate Prime + 5.90% or Floor rate of 9.65% | $ 2,463 | 2,431 | 2,427 |
| Transmedics, Inc. | Surgical Devices | Senior Debt[11] Matures November 2015 Interest rate Fixed 12.95% | $ 7,250 | 7,464 | 7,464 |
| **Total Debt Surgical Devices (1.92%)*** | | | | 9,895 | 9,891 |
| Westwood One Communications | Media/Content/ Info | Senior Debt | | | |

| | | | | | |
|---|---|---|---|---|---|
| | | Matures October 2016<br><br>Interest rate LIBOR + 6.50% or<br><br>Floor rate of 8.00% | $ 20,475 | 18,994 | 17,575 |
| Women s Marketing, Inc. | Media/Content/ Info | Senior Debt<br>Matures May 2016<br><br>Interest rate Libor + 9.50% or<br><br>Floor rate of 12.00%, PIK interest 3.00% | $ 9,681 | 10,002 | 10,002 |
| | | Senior Debt[11]<br>Matures November 2015<br><br>Interest rate Libor + 7.50% or<br><br>Floor rate of 10.00% | $ 16,362 | 16,105 | 15,787 |
| Total Women s Marketing, Inc. | | | | 26,107 | 25,789 |
| Zoom Media Corporation | Media/Content/ Info | Senior Debt<br>Matures December 2015<br><br>Interest rate Prime + 7.25% or<br><br>Floor rate of 10.50%, PIK 3.75% | $ 5,000 | 4,657 | 4,657 |
| | Media/Content/ Info | Revolving Line of Credit<br>Matures December 2014<br><br>Interest rate Prime + 5.25% or<br><br>Floor rate of 8.50% | $ 3,000 | 2,700 | 2,700 |
| Total Zoom Media Corporation | | | | 7,357 | 7,357 |
| **Total Debt Media/Content/Info (9.83%)*** | | | | 52,458 | 50,721 |

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**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.**

**CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)**

**December 31, 2012**

**(dollars in thousands)**

| Portfolio Company | Sub-Industry | Type of Investment[1] | Principal Amount | Cost[2] | Value[3] |
|---|---|---|---|---|---|
| Alphabet Energy, Inc. | Clean Tech | Senior Debt<br>Matures February 2015<br>Interest rate Prime + 5.75% or<br>Floor rate of 9.00% | $ 1,614 | $ 1,531 | $ 1,531 |
| American Supercondutor Corporation[3] | Clean Tech | Senior Debt[11]<br>Matures December 2014<br>Interest rate Prime + 7.25% or<br>Floor rate of 11.00% | $ 9,231 | 9,161 | 9,438 |
| BrightSource Energy, Inc. | Clean Tech | Revolving Line of Credit<br>Matures January 2013<br>Interest rate Prime + 7.25% or<br>Floor rate of 10.50% | $ 35,000 | 34,870 | 34,870 |
| Comverge, Inc. | Clean Tech | Senior Debt<br>Matures November 2017<br>Interest rate LIBOR + 8.00% or<br>Floor rate of 9.50% | $ 20,000 | 19,577 | 19,577 |
| | Clean Tech | Senior Debt<br>Matures November 2017<br>Interest rate LIBOR + 9.50% or<br>Floor rate of 11.00% | $ 14,000 | 13,704 | 13,704 |
| Total Comverge, Inc. | | | | 33,281 | 33,281 |
| Enphase Energy, Inc.[3] | Clean Tech | Senior Debt[11]<br>Matures June 2014<br>Interest rate Prime + 5.75% or<br>Floor rate of 9.00% | $ 3,758 | 3,739 | 3,716 |
| | Clean Tech | Senior Debt<br>Matures August 2016<br>Interest rate Prime + 8.25% or<br>Floor rate of 11.50% | $ 7,400 | 7,321 | 7,321 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Total Enphase Energy, Inc. | | | | | 11,060 | 11,037 |
| Glori Energy, Inc. | Clean Tech | Senior Debt[11]<br>Matures June 2015<br><br>Interest rate Prime + 6.75% or<br><br>Floor rate of 10.00% | $ | 8,000 | 7,832 | 7,988 |
| Integrated Photovoltaics, Inc. | Clean Tech | Senior Debt<br>Matures February 2015<br><br>Interest rate Prime + 7.38% or<br><br>Floor rate of 10.63% | $ | 2,572 | 2,494 | 2,508 |
| Polyera Corporation | Clean Tech | Senior Debt<br>Matures June 2016<br><br>Interest rate Prime + 6.75% or<br><br>Floor rate of 10.00% | $ | 3,000 | 2,952 | 2,952 |
| Redwood Systems, Inc. | Clean Tech | Senior Debt<br>Matures February 2016<br><br>Interest rate Prime + 6.50% or<br><br>Floor rate of 9.75% | $ | 5,000 | 4,965 | 4,965 |
| SCIenergy, Inc.[4] | Clean Tech | Senior Debt<br>Matures September 2015<br><br>Interest rate Prime + 8.75% or<br><br>Floor rate 12.00% | $ | 5,296 | 5,103 | 5,262 |
| Solexel, Inc. | Clean Tech | Senior Debt<br>Matures June 2013<br><br>Interest rate Prime + 8.25% or<br><br>Floor rate of 11.50% | $ | 2,884 | 2,877 | 2,877 |
| | | Senior Debt<br>Matures June 2013<br><br>Interest rate Prime + 7.25% or<br><br>Floor rate of 10.50% | $ | 331 | 330 | 330 |
| Total Solexel, Inc. | | | | | 3,207 | 3,207 |
| Stion Corporation[4] | Clean Tech | Senior Debt<br>Matures February 2015<br><br>Interest rate Prime + 6.75% or<br><br>Floor rate of 10.00% | $ | 7,519 | 7,483 | 7,545 |
| **Total Debt Clean Tech (24.14%)*** | | | | | 123,938 | 124,584 |
| **Total Debt (160.38%)** | | | | | $ 833,228 | $ 827,540 |

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**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.**

**CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)**

**December 31, 2012**

**(dollars in thousands)**

| Portfolio Company | Sub-Industry | Type of Investment[1] | Series | Shares | Cost[2] | Value[3] |
|---|---|---|---|---|---|---|
| Acceleron Pharmaceuticals, Inc. | Drug Discovery & Development | Common Stock Warrants | | 46,446 | $ 39 | $ 53 |
| | | Preferred Stock Warrants | Series A | 426,000 | 69 | 345 |
| | | Preferred Stock Warrants | Series B | 110,270 | 35 | 64 |
| Total Warrants Acceleron Pharmaceuticals, Inc. | | | | 582,716 | 143 | 462 |
| Anthera Pharmaceuticals Inc.[3] | Drug Discovery & Development | Common Stock Warrants | | 321,429 | 984 | 66 |
| Cempra, Inc.[3] | Drug Discovery & Development | Common Stock Warrants | | 39,038 | 187 | 46 |
| Chroma Therapeutics, Ltd.[5][10] | Drug Discovery & Development | Preferred Stock Warrants | Series D | 325,261 | 490 | 500 |
| Concert Pharmaceuticals, Inc.[4] | Drug Discovery & Development | Preferred Stock Warrants | Series C | 400,000 | 367 | 126 |
| Coronado Biosciences, Inc.[3] | Drug Discovery & Development | Common Stock Warrants | | 73,009 | 142 | 81 |
| Dicerna Pharmaceuticals, Inc. | Drug Discovery & Development | Common Stock Warrants | | 50,000 | 28 | 16 |
| | | Preferred Stock Warrants | Series A | 525,000 | 236 | 173 |
| | | Preferred Stock Warrants | Series B | 660,000 | 311 | 217 |
| Total Warrants Dicerna Pharmaceuticals, Inc. | | | | 1,235,000 | 575 | 406 |
| EpiCept Corporation[3] | Drug Discovery & Development | Common Stock Warrants | | 325,204 | 4 | |
| Horizon Pharma, Inc.[3] | Drug Discovery & Development | Common Stock Warrants | | 22,408 | 231 | |
| Insmed, Incorporated[3] | Drug Discovery & Development | Common Stock Warrants | | 329,931 | 570 | 1,316 |
| Merrimack Pharmaceuticals, Inc.[3] | Drug Discovery & Development | Common Stock Warrants | | 302,143 | 155 | 641 |
| NeurogesX, Inc.[3] | Drug Discovery & Development | Common Stock Warrants | | 3,421,500 | 503 | 400 |
| PolyMedix, Inc.[3] | Drug Discovery & Development | Common Stock Warrants | | 627,586 | 480 | 9 |
| Portola Pharmaceuticals, Inc. | Drug Discovery & Development | Preferred Stock Warrants | Series B | 687,023 | 152 | 298 |
| **Total Warrants Drug Discovery & Development (0.84%)*** | | | | | 4,983 | 4,351 |
| Bridgewave Communications | Communications & Networking | Preferred Stock Warrants | Series 5 | 2,942,618 | 753 | |
| Intelepeer, Inc. | Communications & Networking | Preferred Stock Warrants | Series C | 117,958 | 101 | 190 |
| Neonova Holding Company | Communications & Networking | Preferred Stock Warrants | Series A | 450,000 | 94 | 23 |
| OpenPeak, Inc. | Communications & Networking | Preferred Stock Warrants | Series E | 25,646 | 149 | 9 |
| PeerApp, Inc.[4] | Communications & Networking | Preferred Stock Warrants | Series B | 298,779 | 61 | 47 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Peerless Network, Inc. | Communications & Networking | Preferred Stock Warrants | Series A | 135,000 | 95 | 352 |
| Ping Identity Corporation | Communications & Networking | Preferred Stock Warrants | Series B | 1,136,277 | 52 | 112 |
| UPH Holdings, Inc. | Communications & Networking | Common Stock Warrants | | 145,877 | 131 | 52 |
| Purcell Systems, Inc. | Communications & Networking | Preferred Stock Warrants | Series B | 110,000 | 123 | 62 |
| Stoke, Inc. | Communications & Networking | Preferred Stock Warrants | Series C | 158,536 | 53 | 135 |
| | | Preferred Stock Warrants | Series D | 72,727 | 65 | 57 |
| Total Stoke, Inc. | | | | 231,263 | 118 | 192 |
| **Total Warrants Communications & Networking (0.20%)*** | | | | | 1,677 | 1,039 |

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**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.**

**CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)**

**December 31, 2012**

**(dollars in thousands)**

| Portfolio Company | Sub-Industry | Type of Investment[1] | Series | Shares | Cost[2] | Value[3] |
|---|---|---|---|---|---|---|
| Atrenta, Inc. | Software | Preferred Stock Warrants | Series D | 392,670 | $ 121 | $ 322 |
| Box, Inc.[4] | Software | Preferred Stock Warrants | Series C | 271,070 | 117 | 2,235 |
| | | Preferred Stock Warrants | Series B | 199,219 | 73 | 3,242 |
| | | Preferred Stock Warrants | Series D-1 | 62,255 | 194 | 566 |
| Total Box, Inc. | | | | 532,544 | 384 | 6,043 |
| Braxton Technologies, LLC. | Software | Preferred Stock Warrants | Series A | 168,750 | 188 | |
| Central Desktop, Inc. | Software | Preferred Stock Warrants | Series B | 522,823 | 108 | 166 |
| Clickfox, Inc. | Software | Preferred Stock Warrants | Series B | 1,038,563 | 329 | 332 |
| | | Preferred Stock Warrants | Series C | 592,019 | 730 | 213 |
| Total Clickfox, Inc. | | | | 1,630,582 | 1,059 | 545 |
| Daegis Inc. (pka Unify Corporation)[3] | Software | Common Stock Warrants | | 718,860 | 1,434 | 75 |
| Endplay, Inc. | Software | Preferred Stock Warrants | Series B | 180,000 | 67 | 39 |
| Forescout Technologies, Inc. | Software | Preferred Stock Warrants | Series D | 399,687 | 99 | 202 |
| HighRoads, Inc. | Software | Preferred Stock Warrants | Series B | 190,176 | 44 | 9 |
| Hillcrest Laboratories, Inc. | Software | Preferred Stock Warrants | Series E | 1,865,650 | 55 | 70 |
| JackBe Corporation | Software | Preferred Stock Warrants | Series C | 180,000 | 73 | 54 |
| Kxen, Inc.[4] | Software | Preferred Stock Warrants | Series D | 184,614 | 47 | 13 |
| Rockyou, Inc. | Software | Preferred Stock Warrants | Series B | 41,266 | 117 | |
| SugarSync Inc. | Software | Preferred Stock Warrants | Series CC | 332,726 | 78 | 123 |
| | | Preferred Stock Warrants | Series DD | 107,526 | 34 | 30 |
| Total SugarSync Inc. | | | | 440,252 | 112 | 153 |
| Tada Innovations, Inc. | Software | Preferred Stock Warrants | Series A | 20,833 | 25 | |
| White Sky, Inc. | Software | Preferred Stock Warrants | Series B-2 | 124,295 | 54 | 3 |
| WildTangent, Inc. | Software | Preferred Stock Warrants | Series 3A | 100,000 | 238 | 82 |
| **Total Warrants Software (1.51%)*** | | | | | 4,225 | 7,776 |
| Clustrix, Inc. | Electronics & Computer Hardware | Preferred Stock Warrants | Series B | 49,732 | 12 | 13 |
| Luminus Devices, Inc. | Electronics & Computer Hardware | Common Stock Warrants | | 26,386 | 600 | |
| Shocking Technologies, Inc. | Electronics & Computer Hardware | Preferred Stock Warrants | Series A-1 | 181,818 | 63 | 106 |
| **Total Warrant Electronics & Computer Hardware (0.02%)*** | | | | | 675 | 119 |
| Althea Technologies, Inc. | Specialty Pharmaceuticals | Preferred Stock Warrants | Series D | 502,273 | 309 | 889 |
| Pacira Pharmaceuticals, Inc.[3] | Specialty Pharmaceuticals | Common Stock Warrants | | 178,987 | 1,086 | 1,263 |
| Quatrx Pharmaceuticals Company | Specialty Pharmaceuticals | Preferred Stock Warrants | Series E | 340,534 | 528 | |
| **Total Warrants Specialty Pharmaceuticals (0.42%)*** | | | | | 1,923 | 2,152 |
| IPA Holdings, LLC | Consumer & Business Products | Common Stock Warrants | | 650,000 | 275 | 485 |
| Market Force Information, Inc. | Consumer & Business Products | Preferred Stock Warrants | Series A | 99,286 | 24 | 84 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Seven Networks, Inc. | Consumer & Business Products | Preferred Stock Warrants | Series C | 1,821,429 | 174 | 130 |
| ShareThis, Inc. | Consumer & Business Products | Preferred Stock Warrants | Series B | 535,905 | 547 | 543 |
| Wageworks, Inc.(3) | Consumer & Business Products | Common Stock Warrants | | 211,765 | 252 | 2,023 |
| Wavemarket, Inc. | Consumer & Business Products | Preferred Stock Warrants | Series E | 1,083,333 | 106 | 61 |
| **Total Warrant Consumer & Business Products (0.64%)*** | | | | | 1,378 | 3,326 |
| Achronix Semiconductor Corporation | Semiconductors | Preferred Stock Warrants | Series D | 360,000 | 160 | 84 |
| Enpirion, Inc. | Semiconductors | Preferred Stock Warrants | Series D | 239,872 | 157 | |
| iWatt, Inc. | Semiconductors | Preferred Stock Warrants | Series C | 558,748 | 45 | 14 |
| | | Preferred Stock Warrants | Series D | 1,954,762 | 583 | 289 |
| Total iWatt, Inc. | | | | 2,513,510 | 628 | 303 |
| Kovio Inc. | Semiconductors | Preferred Stock Warrants | Series B | 319,352 | 92 | |
| Quartics, Inc. | Semiconductors | Preferred Stock Warrants | Series C | 69,139 | 53 | |
| **Total Warrants Semiconductors (0.08%)*** | | | | | 1,090 | 387 |

See notes to consolidated financial statements.

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**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.**

**CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)**

**December 31, 2012**

**(dollars in thousands)**

| Portfolio Company | Sub-Industry | Type of Investment(1) | Series | Shares | Cost(2) | Value(3) |
|---|---|---|---|---|---|---|
| AcelRX Pharmaceuticals, Inc.(3) | Drug Delivery | Common Stock Warrants | | 274,508 | $ 356 | $ 406 |
| ADMA Biologics, Inc. | Drug Delivery | Common Stock Warrants | | 25,000 | 129 | 128 |
| Alexza Pharmaceuticals, Inc.(3) | Drug Delivery | Common Stock Warrants | | 37,639 | 645 | 8 |
| BIND Biosciences, Inc. | Drug Delivery | Preferred Stock Warrants | Series C-1 | 150,000 | 291 | 446 |
| Intelliject, Inc. | Drug Delivery | Preferred Stock Warrants | Series B | 82,500 | 594 | 574 |
| NuPathe, Inc.(3) | Drug Delivery | Common Stock Warrants | | 106,631 | 139 | 165 |
| Revance Therapeutics, Inc. | Drug Delivery | Preferred Stock Warrants | Series D | 269,663 | 557 | 618 |
| Transcept Pharmaceuticals, Inc.(3) | Drug Delivery | Common Stock Warrants | | 61,452 | 87 | 44 |
| **Total Warrant Drug Delivery (0.46%)*** | | | | | 2,798 | 2,389 |
| Blurb, Inc. | Internet Consumer & Business Services | Preferred Stock Warrants | Series B | 439,336 | 323 | 347 |
| | | Preferred Stock Warrants | Series C | 234,280 | 636 | 218 |
| Total Blurb, Inc. | | | | 673,616 | 959 | 565 |
| Invoke Solutions, Inc. | Internet Consumer & Business Services | Common Stock Warrants | | 53,084 | 38 | |
| Just.Me | Internet Consumer & Business Services | Preferred Stock Warrants | Series A | 102,299 | 20 | 20 |
| Prism Education Group, Inc. | Internet Consumer & Business Services | Preferred Stock Warrants | Series B | 200,000 | 43 | |
| Reply! Inc. | Internet Consumer & Business Services | Preferred Stock Warrants | Series B | 137,225 | 320 | 802 |
| Second Rotation | Internet Consumer & Business Services | Preferred Stock Warrants | Series D | 105,819 | 105 | 113 |
| Tectura Corporation | Internet Consumer & Business Services | Preferred Stock Warrants | Series B-1 | 253,378 | 51 | 12 |
| Trulia, Inc.(3) | Internet Consumer & Business Services | Common Stock Warrants | | 56,053 | 188 | 368 |
| **Total Warrants Internet Consumer & Business Services (0.37%)*** | | | | | 1,724 | 1,880 |
| Buzznet, Inc. | Information Services | Preferred Stock Warrants | Series B | 19,962 | 9 | |
| Cha Cha Search, Inc. | Information Services | Preferred Stock Warrants | Series F | 48,232 | 58 | 5 |
| Eccentex Corporation | Information Services | Preferred Stock Warrants | Series A | 408,719 | 31 | 3 |
| Intelligent Beauty, Inc. | Information Services | Preferred Stock Warrants | Series B | 190,234 | 230 | 579 |
| InXpo, Inc. | Information Services | Preferred Stock Warrants | Series C | 648,400 | 98 | 43 |
| | Information Services | Preferred Stock Warrants | Series C-1 | 267,049 | 25 | 24 |
| Total InXpo, Inc. | Information Services | | | 915,449 | 123 | 67 |
| Jab Wireless, Inc. | Information Services | Preferred Stock Warrants | Series A | 266,567 | 265 | 420 |
| RichRelevance, Inc. | Information Services | Preferred Stock Warrants | Series D | 112,749 | 98 | 28 |
| Solutionary, Inc. | Information Services | Preferred Stock Warrants | Series A-2 | 111,311 | 96 | 5 |
| **Total Warrants Information Services (0.22%)*** | | | | | 910 | 1,107 |
| EKOS Corporation | Medical Device & Equipment | Preferred Stock Warrants | Series C | 4,448,135 | 327 | |
| Gelesis, Inc.(6) | Medical Device & Equipment | | LLC Interest | 263,688 | 78 | 95 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Lanx, Inc. | Medical Device & Equipment | Preferred Stock Warrants | Series C | 1,203,369 | 441 | 445 |
| Novasys Medical, Inc. | Medical Device & Equipment | Preferred Stock Warrants | Series D | 580,447 | 131 | |
| | | Common Stock Warrants | | 109,449 | 2 | |
| Total Novasys Medical, Inc. | | | | 689,896 | 133 | |
| Optiscan Biomedical, Corp.(6) | Medical Device & Equipment | Preferred Stock Warrants | Series D | 6,206,187 | 1,069 | 151 |
| Oraya Therapeutics, Inc. | Medical Device & Equipment | Preferred Stock Warrants | Series C | 716,948 | 676 | 314 |
| | | Common Stock Warrants | | 95,498 | 66 | 62 |
| Total Oraya Therapeutics, Inc. | | | | 812,446 | 742 | 376 |
| USHIFU, LLC | Medical Device & Equipment | Preferred Stock Warrants | Series G | 141,388 | 188 | 188 |
| **Total Warrants Medical Device & Equipment (0.24%)*** | | | | | 2,978 | 1,255 |

See notes to consolidated financial statements.

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**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.**

**CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)**

**December 31, 2012**

**(dollars in thousands)**

| Portfolio Company | Sub-Industry | Type of Investment[1] | Series | Shares | Cost[2] | Value[3] |
|---|---|---|---|---|---|---|
| Navidea Biopharmaceuticals, Inc. (pka Neoprobe)[3] | Diagnostic | Common Stock Warrants | | 333,333 | $ 244 | $ 360 |
| Tethys Bioscience, Inc. | Diagnostic | Preferred Stock Warrants | Series E | 617,683 | 148 | 169 |
| **Total Warrants Diagnostic (0.10%)*** | | | | | 392 | 529 |
| Labcyte, Inc. | Biotechnology Tools | Preferred Stock Warrants | Series C | 1,127,624 | 323 | 247 |
| NuGEN Technologies, Inc. | Biotechnology Tools | Preferred Stock Warrants | Series B | 204,545 | 45 | 161 |
| | | Preferred Stock Warrants | Series C | 30,114 | 33 | 8 |
| Total NuGEN Technologies, Inc. | | | | 234,659 | 78 | 169 |
| **Total Warrants Biotechnology Tools (0.08%)*** | | | | | 401 | 416 |
| Entrigue Surgical, Inc. | Surgical Devices | Preferred Stock Warrants | Series B | 62,500 | 87 | 2 |
| Transmedics, Inc. | Surgical Devices | Preferred Stock Warrants | Series B | 40,436 | 225 | |
| | | Preferred Stock Warrants | Series D | 175,000 | 100 | 100 |
| Total Transmedics, Inc. | | | | | 325 | 100 |
| Gynesonics, Inc. | Surgical Devices | Preferred Stock Warrants | Series A | 123,457 | 18 | 7 |
| | | Preferred Stock Warrants | Series C | 1,474,261 | 387 | 298 |
| Total Gynesonics, Inc. | | | | 1,597,718 | 405 | 305 |
| **Total Warrants Surgical Devices (0.08%)*** | | | | | 817 | 407 |
| Everyday Health, Inc. (pka Waterfront Media, Inc.) | Media/Content/ Info | Preferred Stock Warrants | Series C | 110,018 | 60 | 55 |
| Glam Media, Inc. | Media/Content/ Info | Preferred Stock Warrants | Series D | 407,457 | 482 | |
| Zoom Media Group, Inc. | Media/Content/ Info | Preferred Stock Warrants | n/a | 1,204 | 348 | 346 |
| **Total Warrants Media/Content/Info (0.08%)*** | | | | | 890 | 401 |
| Alphabet Energy, Inc. | Clean Tech | Preferred Stock Warrants | Series A | 79,083 | 68 | 148 |
| American Supercondutor Corporation[3] | Clean Tech | Common Stock Warrants | | 139,275 | 244 | 122 |
| BrightSource Energy, Inc. | Clean Tech | Preferred Stock Warrants | Series D | 58,333 | 675 | 248 |
| Calera, Inc. | Clean Tech | Preferred Stock Warrants | Series C | 44,529 | 513 | |
| EcoMotors, Inc. | Clean Tech | Preferred Stock Warrants | Series B | 437,500 | 308 | 435 |
| Enphase Energy, Inc.[3] | Clean Tech | Common Stock Warrants | | 37,500 | 102 | 17 |
| Fulcrum Bioenergy, Inc. | Clean Tech | Preferred Stock Warrants | Series C-1 | 187,265 | 211 | 104 |
| Glori Energy, Inc. | Clean Tech | Preferred Stock Warrants | Series C | 145,932 | 165 | 62 |
| GreatPoint Energy, Inc. | Clean Tech | Preferred Stock Warrants | Series D-1 | 393,212 | 548 | 1 |
| Integrated Photovoltaics, Inc. | Clean Tech | Preferred Stock Warrants | Series A-1 | 390,000 | 82 | 119 |
| Polyera Corporation | Clean Tech | Preferred Stock Warrants | Series C | 161,575 | 69 | 68 |
| Propel Biofuels, Inc. | Clean Tech | Preferred Stock Warrants | Series C | 3,200,000 | 211 | 317 |
| Redwood Systems, Inc. | Clean Tech | Preferred Stock Warrants | Series C | 331,250 | 3 | 2 |
| SCIenergy, Inc.[4] | Clean Tech | Preferred Stock Warrants | Series D | 1,061,168 | 361 | 145 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Solexel, Inc. | Clean Tech | Preferred Stock Warrants | Series B | 245,682 | 1,161 | 7 |
| Stion Corporation(4) | Clean Tech | Preferred Stock Warrants | Series E | 110,226 | 317 | 167 |
| Trilliant, Inc. | Clean Tech | Preferred Stock Warrants | Series A | 320,000 | 161 | 54 |
| **Total Warrants Clean Tech (0.39%)*** | | | | | 5,199 | 2,016 |
| | | | | | | |
| **Total Warrants (5.73%)** | | | | | $ 32,060 | $ 29,550 |
| Aveo Pharmaceuticals, Inc.(3) | Drug Discovery & Development | Common Stock | | 167,864 | 842 | 1,351 |
| Dicerna Pharmaceuticals, Inc. | Drug Discovery & Development | Preferred Stock | Series B | 502,684 | 502 | 488 |
| Inotek Pharmaceuticals Corp. | Drug Discovery & Development | Preferred Stock | Series C | 15,334 | 1,500 | |
| Merrimack Pharmaceuticals, Inc.(3) | Drug Discovery & Development | Common Stock | | 546,448 | 2,000 | 3,328 |
| Paratek Pharmaceuticals, Inc. | Drug Discovery & Development | Preferred Stock | Series H | 244,158 | 1,000 | 283 |
| | | Common Stock | | 47,471 | 5 | 3 |
| Total Paratek Pharmaceuticals, Inc. | | | | 291,629 | 1,005 | 286 |
| **Total Equity Drug Discovery & Development (1.06%)*** | | | | | 5,849 | 5,453 |

See notes to consolidated financial statements.

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**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.**

**CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)**

**December 31, 2012**

**(dollars in thousands)**

| Portfolio Company | Sub-Industry | Type of Investment(1) | Series | Shares | Cost(2) | Value(3) |
|---|---|---|---|---|---|---|
| Acceleron Pharmaceuticals, Inc. | Drug Delivery | Preferred Stock | Series B | 600,601 | $ 1,000 | $ 915 |
| | | Preferred Stock | Series C | 93,456 | 242 | 205 |
| | | Preferred Stock | Series E | 43,488 | 98 | 174 |
| | | Preferred Stock | Series F | 19,268 | 61 | 77 |
| Total Acceleron Pharmaceuticals, Inc. | | | | 756,813 | 1,401 | 1,371 |
| Merrion Pharma, Plc.(3)(5)(10) | Drug Delivery | Common Stock | | 20,000 | 9 | |
| Nupathe, Inc. | Drug Delivery | Common Stock | | 50,000 | 146 | 142 |
| Transcept Pharmaceuticals, Inc.(3) | Drug Delivery | Common Stock | | 41,570 | 500 | 185 |
| **Total Equity Drug Delivery (0.33%)*** | | | | | 2,056 | 1,698 |
| E-band Communications, Corp.(6) | Communications & Networking | Preferred Stock | Series B | 564,972 | 2,000 | |
| | | Preferred Stock | Series C | 649,998 | 372 | |
| | | Preferred Stock | Series D | 847,544 | 508 | |
| | | Preferred Stock | Series E | 1,987,605 | 374 | |
| Total E-band Communications, Corp. | | | | 4,050,119 | 3,254 | |
| Glowpoint, Inc.(3) | Communications & Networking | Common Stock | | 114,192 | 101 | 227 |
| Neonova Holding Company | Communications & Networking | Preferred Stock | Series A | 500,000 | 250 | 200 |
| Peerless Network, Inc. | Communications & Networking | Preferred Stock | Series A | 1,000,000 | 1,000 | 3,692 |
| Stoke, Inc. | Communications & Networking | Preferred Stock | Series E | 152,905 | 500 | 631 |
| UPH Holdings, Inc. | Communications & Networking | Common Stock | | 742,887 | | 624 |
| **Total Equity Communications & Networking (1.04%)*** | | | | | 5,105 | 5,374 |
| Atrenta, Inc. | Software | Preferred Stock | Series C | 1,196,845 | 508 | 1,042 |
| | | Preferred Stock | Series D | 635,513 | 986 | 1,604 |
| Total Atrenta, Inc. | | | | 1,832,358 | 1,494 | 2,646 |
| Box, Inc.(4) | Software | Preferred Stock | Series C | 390,625 | 500 | 5,117 |
| | | Preferred Stock | Series D | 158,127 | 500 | 2,071 |
| | | Preferred Stock | Series D-1 | 124,511 | 1,000 | 1,632 |
| | | Preferred Stock | Series D-2 | 220,751 | 2,001 | 2,892 |
| | | Preferred Stock | Series E | 38,183 | 500 | 500 |
| Total Box, Inc. | | | | 932,197 | 4,501 | 12,212 |
| Caplinked, Inc. | Software | Preferred Stock | Series A-3 | 53,614 | 52 | 77 |
| **Total Equity Software (2.89%)*** | | | | | 6,047 | 14,935 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Spatial Photonics, Inc. | Electronics & Computer Hardware | Preferred Stock | Series D | 4,717,813 | 268 | |
| Virident Systems | Electronics & Computer Hardware | Preferred Stock | Series D | 6,546,217 | 5,000 | 4,922 |
| **Total Equity Electronics & Computer Hardware (0.95%)*** | | | | | 5,268 | 4,922 |
| Quatrx Pharmaceuticals Company | Specialty Pharmaceuticals | Preferred Stock | Series E | 166,419 | 750 | |
| **Total Equity Specialty Pharmaceuticals (0.00%)*** | | | | | 750 | |
| Caivis Acquisition Corporation | Consumer & Business Products | Common Stock | Series A | 295,861 | 819 | 597 |
| Facebook, Inc.(3) | Consumer & Business Products | Common Stock | Series B | 307,500 | 9,558 | 8,089 |
| IPA Holdings, LLC | Consumer & Business Products | Preferred Stock | LLC interest | 500,000 | 500 | 711 |
| Market Force Information, Inc. | Consumer & Business Products | Preferred Stock | Series B | 187,970 | 500 | 657 |
| Wageworks, Inc.(3) | Consumer & Business Products | Common Stock | Series D | 19,260 | 250 | 343 |
| **Total Equity Consumer & Business Products (2.02%)*** | | | | | 11,627 | 10,397 |
| iWatt, Inc. | Semiconductors | Preferred Stock | Series E | 2,412,864 | 490 | 752 |
| **Total Equity Semiconductors (0.15%)*** | | | | | 490 | 752 |

See notes to consolidated financial statements.

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**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.**

**CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)**

**December 31, 2012**

**(dollars in thousands)**

| Portfolio Company | Sub-Industry | Type of Investment[1] | Series | Shares | Cost[2] | Value[3] |
|---|---|---|---|---|---|---|
| Buzznet, Inc. | Information Services | Preferred Stock | Series C | 263,158 | $ 250 | $ |
| Good Technologies, Inc. (pka Visto Corporation) | Information Services | Common Stock | | 500,000 | 603 | |
| Solutionary, Inc. | Information Services | Preferred Stock | Series A-1 | 189,495 | 18 | 235 |
| | | Preferred Stock | Series A-2 | 65,834 | 325 | 82 |
| Total Solutionary, Inc. | | | | 255,329 | 343 | 317 |
| **Total Equity Information Services (0.06%)*** | | | | | 1,196 | 317 |
| Gelesis, Inc.[6] | Medical Device & Equipment | | LLC Interest | 674,208 | | 435 |
| | | | LLC Interest | 674,208 | 425 | 610 |
| | | | LLC Interest | 675,676 | 500 | 525 |
| Total Gelesis, Inc. | | | | 2,024,092 | 925 | 1,570 |
| Lanx, Inc. | Medical Device & Equipment | Preferred Stock | Series C | 1,203,369 | 1,000 | 1,155 |
| Novasys Medical, Inc. | Medical Device & Equipment | Preferred Stock | Series D-1 | 4,118,444 | 1,000 | |
| Optiscan Biomedical, Corp.[6] | Medical Device & Equipment | Preferred Stock | Series B | 6,185,567 | 3,000 | 314 |
| | | Preferred Stock | Series C-2 | 1,927,309 | 655 | 251 |
| Total Optiscan Biomedical, Corp. | | | | 8,112,876 | 3,655 | 565 |
| **Total Equity Medical Device & Equipment (0.64%)*** | | | | | 6,580 | 3,290 |
| NuGEN Technologies, Inc. | Biotechnology Tools | Preferred Stock | Series C | 189,394 | 500 | 600 |
| **Total Equity Biotechnology Tools (0.12%)*** | | | | | 500 | 600 |
| Transmedics, Inc. | Surgical Devices | Preferred Stock | Series B | 88,961 | 1,100 | |
| | | Preferred Stock | Series C | 119,999 | 300 | |
| | | Preferred Stock | Series D | 260,000 | 650 | 650 |
| Total Transmedics, Inc. | | | | 468,960 | 2,050 | 650 |
| Gynesonics, Inc. | Surgical Devices | Preferred Stock | Series B | 219,298 | 250 | 159 |
| | | Preferred Stock | Series C | 656,512 | 282 | 251 |
| Total Gynesonics, Inc. | | | | 875,810 | 532 | 410 |
| **Total Equity Surgical Devices (0.20%)*** | | | | | 2,582 | 1,060 |
| Everyday Health, Inc. (pka Waterfront Media, Inc.) | Media/Content/ Info | Preferred Stock | Series D | 145,590 | 1,000 | 412 |
| **Total Equity Media/Content/Info (0.08%)*** | | | | | 1,000 | 412 |

| | | | |
|---|---|---|---|
| **Total Equity (9.54%)** | 45,081,540 | $ 49,050 | $ 49,210 |
| | | 49,050 | 49,210 |
| **Total Investments (175.65%)** | | **$ 914,338** | **$ 906,300** |

* Value as a percent of net assets
(1) Preferred and common stock, warrants, and equity interests are generally non-income producing.
(2) Gross unrealized appreciation, gross unrealized depreciation, and net depreciation for federal income tax purposes totaled $19.9 million, $27.6 million and $7.8 million respectively. The tax cost of investments is $916.9 million
(3) Except for warrants in twenty publicly traded companies and common stock in eight publicly traded companies, all investments are restricted at December 31, 2012 and were valued at fair value as determined in good faith by the Board of Directors. No unrestricted securities of the same issuer are outstanding. The Company uses the Standard Industrial Code for classifying the industry grouping of its portfolio companies.
(4) Debt investments of this portfolio company have been pledged as collateral under the Wells Facility.
(5) Non-U.S. company or the company s principal place of business is outside the United States.
(6) Affiliate investment that is defined under the Investment Company Act of 1940 as companies in which HTGC owns as least 5% but not more than 25% of the voting securities of the Company.
(7) Control investment that is defined under the Investment Company Act of 1940 as companies in which HTGC owners as least 25% but not more than 50% of the voting securities of the Company.
(8) Debt is on non-accrual status at December 31, 2012, and is therefore considered non-income producing.
(9) Convertible Senior Debt
(10) Indicates assets that the Company deems not qualifying assets under section 55(a) of the Investment Company Act of 1940, as amended. Qualifying assets must represent at least 70% of the Company s total assets at the time of acquisition of any additional non-qualifying assets.
(11) Denotes that all or a portion of the loan secures the notes offered in the Debt Securitization (as defined in Note 4).

See notes to consolidated financial statements.

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**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 focused on providing senior secured loans to venture capital-backed companies in technology-related markets, including technology, biotechnology, life science, and clean-technology industries at all stages of development. The Company sources its investments through its principal office located in Silicon Valley, as well as through its additional offices in Boston, MA, New York, NY, Chicago, IL, Boulder, CO and McLean, VA. The Company was incorporated under the General Corporation Law of the State of Maryland in December 2003.

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

Hercules Technology II, L.P. ( HT II ), Hercules Technology III, L.P. ( HT III ), and Hercules Technology IV, L.P. ( HT IV ), are Delaware limited partnerships that were formed in January 2005, September 2009 and December 2010, respectively. HT II and HT III were licensed to operate as small business investment companies ( SBICs ), under the authority of the Small Business Administration ( SBA ), on September 27, 2006 and May 26, 2010, respectively. As SBICs, HT II and HT III are subject to a variety of regulations concerning, among other things, the size and nature of the companies in which they may invest and the structure of those investments. The Company also formed Hercules Technology SBIC Management, LLC, or ( HTM ), a limited liability company in November 2003. HTM is a wholly owned subsidiary of the Company and serves as the limited partner and general partner of HT II and HT III (see Note 4).

HT II and HT III hold approximately $152.7 million and $257.5 million in assets, respectively, and accounted for approximately 9.8% and 16.5% of our total assets prior to consolidation at March 31, 2013.

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

The consolidated financial statements include the accounts of the Company and its subsidiaries. All inter-company accounts and transactions have been eliminated in consolidation. In accordance with Article 6 of Regulation S-X under the Securities Act of 1933 and the Securities and Exchange Act of 1934, the Company does not consolidate portfolio company investments. The accompanying consolidated interim financial statements are presented in conformity with U.S. generally accepted accounting principles ( U.S. GAAP ) for interim financial information, and pursuant to the requirements for reporting on Form 10-Q and Article 10 of Regulation S-X under the Securities Act of 1933 and the Securities Exchange Act of 1934. Accordingly, certain disclosures accompanying annual consolidated financial statements prepared in accordance with U.S. GAAP are omitted. In the opinion of management, all adjustments consisting solely of normal recurring accruals considered necessary for the fair presentation of consolidated financial statements for the interim periods have been included. The current period s results of operations are not necessarily indicative of results that ultimately may be achieved for the year. Therefore, the interim unaudited consolidated financial statements and notes should be read in conjunction with the audited consolidated financial statements and notes thereto for the period ended December 31, 2012. The year-end consolidated statement of assets and liabilities data was derived from audited financial statements, but does not include all disclosures required by U.S. GAAP. Financial statements prepared on a U.S. GAAP basis require management to make estimates and assumptions that affect the amounts and disclosures reported in the consolidated financial statements and accompanying notes. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed herein.

**2. Summary of Significant Accounting Policies**

***Principles of Consolidation***

The Consolidated Financial Statements include the accounts of the Company and its subsidiaries and all variable interest entities of which the Company is the primary beneficiary. All intercompany accounts and transactions have been eliminated in consolidation.

A VIE is an entity that either (i) has insufficient equity to permit the entity to finance its activities without additional subordinated financial support or (ii) has equity investors who lack the characteristics of a controlling financial interest. The primary beneficiary of a VIE is the party with both the power to direct the activities of the VIE that most significantly impact the VIE s economic performance and the obligation to absorb the losses or the right to receive benefits that could potentially be significant to the VIE.

To assess whether the Company has the power to direct the activities of a VIE that most significantly impact its economic performance, the Company considers all the facts and circumstances including its role in establishing the VIE and its ongoing rights and responsibilities. This assessment includes identifying the activities that most significantly impact the VIE s economic performance and identifying which party, if any, has power over those activities. In general, the party that makes the most significant decisions affecting the VIE is determined to have the power to direct the activities of a VIE. To assess whether the Company has the obligation to absorb the losses or the right to receive benefits that could potentially be significant to the VIE, the Company considers all of its economic interests, including debt and equity interests, servicing rights and fee arrangements, and any other variable interests in the VIE. If the Company determines that it is the party with the power to make the most significant decisions affecting the VIE, and the Company has a potentially significant interest in the VIE, then its consolidates the VIE.

The Company performs ongoing reassessments, usually quarterly, of whether it is the primary beneficiary of a VIE. The reassessment process considers whether the Company has acquired or divested the power to direct the activities of the VIE through changes in governing documents or other circumstances. The Company also reconsiders whether entities previously determined not to be VIEs have become VIEs, based on certain events, and therefore are subject to the VIE consolidation framework.

***Out-of-Period Items***

During the three-month period ended March 31, 2013, the Company recorded an out-of-period adjustment related to 2012 unrecorded escrow balances which increased total assets and unrealized appreciation by approximately $1.2 million at March 31, 2013. The Company evaluated the total out-of-period adjustments in relation to the current period, which is when they were corrected, as well as the period in which they originated and concluded that these adjustments are not material to both the consolidated quarterly and annual financial statements for all impacted periods. There is no change to net investment income (and by definition, no change to net investment income per share).

***Valuation of Investments***

The Company s investments are carried at fair value in accordance with the 1940 Act and Accounting Standards Codification ( ASC ) topic 820 Fair Value Measurements and Disclosures (formerly known as SFAS No. 157, Fair Value Measurements). At March 31, 2013, 79.9% of the Company s total assets represented investments in portfolio companies that are valued at fair value by the Board of Directors. Value, as defined in Section 2(a)(41) of the 1940 Act, is (i) the market price for those securities for which a market quotation is readily available and (ii) for all other securities and assets, fair value is as determined in good faith by the Board of Directors. The Company s debt securities are primarily invested in venture capital-backed companies in technology-related markets, including technology, biotechnology, life science and clean technology industries. Given the nature of lending to these types of businesses, the Company s investments in these portfolio companies are considered Level 3 assets under ASC 820 because there is no known or accessible market or market indexes for these investment securities to be traded or exchanged. As such, the Company values substantially all of its investments at fair value as determined in good faith pursuant to a consistent valuation policy and the Company s Board of Directors in accordance with the provisions of ASC 820 and the 1940 Act. Due to the inherent uncertainty in determining the fair value of investments that do not have a readily available market value, the fair value of the Company s investments determined in good faith by its Board may differ significantly from the value that would have been used had a readily available market existed for such investments, and the differences could be material.

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

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

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

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

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

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

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

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

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

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

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

In accordance with ASU 2011-04, the following table provides quantitative information about the Company s Level 3 fair value measurements of the Company s investments as of March 31, 2013 (unaudited). In addition to the techniques and inputs noted in the table below, according to the Company s valuation policy the Company may also use other valuation techniques and methodologies when determining the Company s fair value measurements. The below table is not intended to be all-inclusive, but rather provides information on the significant Level 3 inputs as they relate to the Company s fair value measurements.

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| Investment Type - Level Three Debt Investments | Fair Value at March 31, 2013 *(in thousands)* | Valuation Techniques/ Methodologies | Unobservable Input[(a)] | Range |
|---|---|---|---|---|
| Pharmaceuticals - Debt | $ 264,707 | Market Comparable Companies | Hypothetical Market Yield | 13.84% - 19.29% |
| | | | Premium/(Discount) | (2.0%) - 1.0% |
| | | Option Pricing Model[(b)] | Average Industry Volatility[(c)] | 57.97% |
| | | | Risk Free Interest Rate | 0.170% |
| | | | Estimated Time to Exit (in months) | 12.17 |
| Medical Devices - Debt | 60,674 | Market Comparable Companies | Hypothetical Market Yield | 16.77% |
| | | | Premium | 0.00% - 1.00% |
| Technology - Debt | 164,844 | Market Comparable Companies | Hypothetical Market Yield | 12.36% - 19.30% |
| | | | Premium/(Discount) | (2.00%) - 2.00% |
| | | Liquidation | Investment Collateral | $0.00 - $7.08 million |
| Clean Tech - Debt | 105,436 | Market Comparable Companies | Hypothetical Market Yield | 13.03% - 17.17% |
| | | | Premium | 0.00% - 1.00% |
| Lower Middle Market - Debt | 285,350 | Market Comparable Companies | Hypothetical Market Yield | 11.07% - 21.85% |
| | | | Premium | 0.00% - 1.00% |
| | | Broker Quote[(d)] | Price Quotes | 81.0% - 100% of par |
| | | | Market Comparable Index Yield Spreads | 3.50% - 5.93% |
| | | | Par Value | $30.0 million |
| Total Level Three Debt Investments | $ 881,011 | | | |

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

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

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

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

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

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

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

| Investment Type - | Fair Value at March 31, 2013 (unaudited, in thousands) | Valuation Techniques/ Methodologies | Unobservable Input[(a)] | Range |
|---|---|---|---|---|
| Level Three Equity Investments | $ 40,106 | Market Comparable Companies | EBITDA Multiple[(b)] | 4.30x - 24.55x |
| | | | Revenue Multiple[(b)] | 0.59x - 16.29x |
| | | | Discount for Lack of Marketability[(c)] | 10.4% - 25.20% |
| Level Three Warrant Investments | 28,030 | Market Comparable Companies | EBITDA Multiple[(b)] | 4.30x - 24.55x |
| | | | Revenue Multiple[(b)] | 0.59x - 16.29x |
| | | | Discount for Lack of Marketability[(c)] | 10.4% - 25.20% |
| Warrant positions additionally subject to: | | Option Pricing Model | Average Industry Volatility[(d)] | 43.53% - 140.36% |
| | | | Risk-Free Interest Rate | 0.15% - 0.64% |
| | | | Estimated Time to Exit (in months) | 12 - 48 |
| Total Level Three Warrant and Equity Investments | $ 68,136 | | | |

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

Debt Investments

The Company s debt securities are primarily invested in venture capital-backed companies in technology-related markets, including technology, biotechnology, life science and clean technology industries. Given the nature of lending to these types of businesses, the Company s investments in these portfolio companies are considered Level 3 assets under ASC 820 because there is no known or accessible market or market indexes for these investment securities to be traded or exchanged.

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

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

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

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

Equity-Related Securities and Warrants

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

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

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Investments measured at fair value on a recurring basis are categorized in the tables below based upon the lowest level of significant input to the valuations as of March 31, 2013 (unaudited) and as of December 31, 2012. The Company transfers investments in and out of Level 1, 2 and 3 securities as of the beginning balance sheet date, based on changes in the use of observable and unobservable inputs utilized to perform the valuation for the period. During the three-months ended March 31, 2013, there were no transfers in between Levels 1 or 2.

| | | Investments at Fair Value as of March 31, 2013 | | |
|---|---|---|---|---|
| **(in thousands)**<br>**Description** | **3/31/2013** | **Quoted Prices In Active Markets For Identical Assets (Level 1)** | **Significant Other Observable Inputs (Level 2)** | **Significant Unobservable Inputs (Level 3)** |
| Senior secured debt | $ 881,011 | $ | $ | $ 881,011 |
| Preferred stock | 39,016 | | | 39,016 |
| Common stock | 14,708 | 13,618 | | 1,090 |
| Warrants | 33,249 | | 5,219 | 28,030 |
| | $ 967,984 | $ 13,618 | $ 5,219 | $ 949,147 |

| | | Investments at Fair Value as of December 31, 2012 | | |
|---|---|---|---|---|
| **(in thousands)**<br>**Description** | **12/31/2012** | **Quoted Prices In Active Markets For Identical Assets (Level 1)** | **Significant Other Observable Inputs (Level 2)** | **Significant Unobservable Inputs (Level 3)** |
| Senior secured debt | $ 827,540 | $ | $ | $ 827,540 |
| Preferred stock | 33,889 | | | 33,889 |
| Common stock | 15,321 | 13,665 | | 1,656 |
| Warrants | 29,550 | | 7,410 | 22,140 |
| | $ 906,300 | $ 13,665 | $ 7,410 | $ 885,225 |

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The table below presents reconciliation for all financial assets and liabilities measured at fair value on a recurring basis, excluding accrued interest components, using significant unobservable inputs (Level 3) for the three-months ended March 31, 2013 (unaudited) and December 31, 2012.

| (in thousands) | Balance, January 1, 2013 | Net Realized Gains (losses)[1] | Net change in unrealized appreciation or (depreciation)[2] | Purchases | Sales | Repayments | Gross Transfers into Level 3[3] | Gross Transfers out of Level 3[3] | Balances, March 31, 2013 |
|---|---|---|---|---|---|---|---|---|---|
| Senior Debt | $ 827,540 | $ | $ (7,237) | $ 143,715 | $ | $ (82,171) | $ | $ (836) | $ 881,011 |
| Preferred Stock | 33,889 | (268) | 2,507 | 2,112 | | | 776 | | 39,016 |
| Common Stock | 1,656 | 188 | (659) | | (188) | | 93 | | 1,090 |
| Warrant | $ 22,140 | 2,071 | 5,043 | 1,834 | (3,058) | | | | 28,030 |
| Total | $ 885,225 | $ 1,991 | $ (346) | $ 147,661 | $ (3,246) | $ (82,171) | $ 869 | $ (836) | $ 949,147 |

| (in thousands) | Balance, January 1, 2012 | Net Realized Gains (losses)[1] | Net change in unrealized appreciation or depreciation[2] | Purchases | Sales | Repayments | Gross Transfers into Level 3 | Gross Transfers out of Level 3 | Balances, December 31, 2012 |
|---|---|---|---|---|---|---|---|---|---|
| Senior Debt | $ 585,767 | $ (5,178) | $ (2,262) | $ 545,913 | $ (2,000.00) | $ (294,294) | $ | $ (406) | $ 827,540 |
| Preferred Stock | 30,289 | (733) | 4,112 | 10,562 | (6,553) | | 356 | (4,144) | 33,889 |
| Common Stock | 90 | (16) | 5,523 | 9,558 | (45) | | | (13,453) | 1,656 |
| Warrants | 26,284 | 4,413 | (2,453) | 7,362 | (9,211) | | | (4,256) | 22,140 |
| Total | $ 642,430 | $ (1,514) | $ 4,920 | $ 573,395 | $ (17,809) | $ (294,294) | $ 356 | $ (22,259) | $ 885,225 |

(1) Includes net realized gains (losses) recorded as realized gains or losses in the accompanying consolidated statements of operations.
(2) Included in change in net unrealized appreciation or depreciation in the accompanying consolidated statements of operations.
(3) Transfers in/out of Level 3 relate to the conversion of Optiscan Biomedical, Inc., Gynesonics, Inc. and Philotic, Inc. debt to equity.

For the three months ended March 31, 2013, approximately $1.6 million and $4.4 million in unrealized appreciation was recorded for equity and warrant Level 3 investments, respectively, relating to assets still held at the reporting date. For the same period, approximately $7.2 million in unrealized depreciation was recorded for Level 3 debt investments relating to assets still held at the reporting date.

For the year ended December 31, 2012, approximately $3.8 million in unrealized appreciation and $2.2 million in unrealized depreciation was recorded for equity and warrant Level 3 investments, respectively, relating to assets still held at the reporting date. For the same period, approximately $2.3 million in unrealized depreciation was recorded for Level 3 debt investments relating to assets still held at the reporting date.

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

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The following table summarizes our realized and unrealized gain and loss and changes in our unrealized appreciation and depreciation on control and affiliate investments for the three-months ended March 31, 2013 and 2012 (unaudited):

| *(in thousands)* **Portfolio Company** | **Type** | **Fair Value at March 31, 2013** | **Investment Income** | **Unrealized (Depreciation)/ Appreciation** | **Reversal of Unrealized (Depreciation)/ Appreciation** | **Realized Gain/ (Loss)** |
|---|---|---|---|---|---|---|
| | | **March 31, 2013** | | | | |
| Gelesis, Inc. | Non-Controlled Affiliate | $ 1,888 | $ | $ 222 | $ | $ |
| Optiscan BioMedical, Corp. | Non-Controlled Affiliate | 12,308 | 610 | 212 | | |
| **Total** | | $ 14,196 | $ 610 | $ 434 | $ | $ |

| *(in thousands)* **Portfolio Company** | **Type** | **Fair Value at March 31, 2012** | **Investment Income** | **Unrealized (Depreciation)/ Appreciation** | **Reversal of Unrealized (Depreciation)/ Appreciation** | **Realized Gain/ (Loss)** |
|---|---|---|---|---|---|---|
| | | **March 31, 2012** | | | | |
| MaxVision Holding, LLC. | Control | $ 675 | $ 13 | $ 26 | $ | $ |
| E-Band Communications, Corp. | Non-Controlled Affiliate | 1,094 | 6 | 1,076 | | |
| **Total** | | $ 1,769 | $ 19 | $ 1,102 | $ | $ |

At March 31, 2013, the Company did not hold any Control Investments. The Company s investment in MaxVision Holding, L.L.C., a company that was a Control Investment as of March 31, 2012, was liquidated during the year ended December 31, 2012. On July 31, 2012, the Company received payment of $2.0 million for its total debt investments in Maxvision Holding, L.L.C. Approximately $8.7 million of realized losses and $10.5 million of net change in unrealized appreciation was recognized on this control debt and equity investment during the year ended December 31, 2012.

During the year ended December 31, 2012, Gelesis, Inc. and Optiscan BioMedical, Corp. became non-controlled affiliates as companies in which the Company owns 5% or more but less than 25% of the voting securities of the company.

The Company has one additional non-controlled affiliate investment, E-band Communications, Corp, that has a fair value of zero at March 31, 2013, and no investment income, unrealized depreciation, realized depreciation or realized loss for the three-month period ended March 31, 2013.

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A summary of the composition of the Company s investment portfolio as of March 31, 2013 (unaudited) and December 31, 2012 at fair value is shown as follows:

| (in thousands) | March 31, 2013 Investments at Fair Value | March 31, 2013 Percentage of Total Portfolio | December 31, 2012 Investments at Fair Value | December 31, 2012 Percentage of Total Portfolio |
|---|---|---|---|---|
| Senior secured debt with warrants | $ 700,498 | 72.4% | $ 652,041 | 72.0% |
| Senior secured debt | 213,762 | 22.1% | 205,049 | 22.6% |
| Preferred stock | 39,504 | 4.1% | 33,885 | 3.7% |
| Common Stock | 14,220 | 1.4% | 15,325 | 1.7% |
| | $ 967,984 | 100.0% | $ 906,300 | 100.0% |

A summary of the Company s investment portfolio, at value, by geographic location as of March 31, 2013 (unaudited) and December 31, 2012:

| (in thousands) | March 31, 2013 Investments at Fair Value | March 31, 2013 Percentage of Total Portfolio | December 31, 2012 Investments at Fair Value | December 31, 2012 Percentage of Total Portfolio |
|---|---|---|---|---|
| United States | $ 963,809 | 99.6% | $ 901,041 | 99.4% |
| England | 4,175 | 0.4% | 5,259 | 0.6% |
| | $ 967,984 | 100.0% | $ 906,300 | 100.0% |

The following table shows the fair value the Company s portfolio by industry sector at March 31, 2013 (unaudited) and December 31, 2012:

| (in thousands) | March 31, 2013 Investments at Fair Value | March 31, 2013 Percentage of Total Portfolio | December 31, 2012 Investments at Fair Value | December 31, 2012 Percentage of Total Portfolio |
|---|---|---|---|---|
| Drug Discovery & Development | $ 196,506 | 20.3% | $ 188,479 | 20.8% |
| Internet Consumer & Business Services | 142,362 | 14.7% | 136,149 | 15.0% |
| Clean Tech | 137,054 | 14.1% | 126,600 | 14.0% |
| Medical Device & Equipment | 99,896 | 10.3% | 54,575 | 6.0% |
| Software | 75,383 | 7.8% | 70,838 | 7.8% |
| Drug Delivery | 65,660 | 6.8% | 74,218 | 8.2% |
| Information Services | 52,342 | 5.4% | 53,523 | 5.9% |
| Media/Content/Info | 52,215 | 5.4% | 51,534 | 5.7% |
| Healthcare Services, Other | 31,416 | 3.2% | 36,481 | 4.0% |
| Communications & Networking | 30,681 | 3.2% | 37,560 | 4.1% |
| Electronics & Computer Hardware | 23,569 | 2.4% | 12,715 | 1.4% |
| Diagnostic | 15,196 | 1.6% | 16,307 | 1.8% |
| Specialty Pharma | 14,289 | 1.5% | 12,473 | 1.4% |
| Surgical Devices | 11,527 | 1.2% | 11,358 | 1.3% |
| Consumer & Business Products | 10,430 | 1.1% | 13,723 | 1.5% |
| Biotechnology Tools | 6,596 | 0.7% | 6,845 | 0.8% |
| Semiconductors | 2,862 | 0.3% | 2,922 | 0.3% |
| | $ 967,984 | 100.0% | $ 906,300 | 100.0% |

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During the three-months ended March 31, 2013, the Company funded investments in debt securities and equity investments, totaling approximately $136.3 million and $2.0 million, respectively. During the three-months ended March 31, 2013, the Company converted approximately $836,000 of debt to equity in three portfolio companies.

During the year ended December 31, 2012, the Company funded investments in debt securities and equity investments, totaling approximately $486.8 million and $9.7 million, respectively. During the year ended December 31 2012, the Company converted approximately $356,000 of debt to equity in one portfolio company.

No single portfolio investment represents more than 10% of the fair value of the investments as of March 31, 2013 and December 31, 2012.

During the three-month period ended March 31, 2013, the Company recognized net realized gains of approximately $2.0 million on the portfolio. During the three-month period ended March 31, 2013, the Company recorded gross realized gains of approximately $3.6 million from the sale of investments in three portfolio companies. These gains were partially offset by the liquidation of the Company s investments in five portfolio companies of approximately $1.6 million in gross realized losses.

During the three months ended March 31, 2012, the Company recognized net realized gains of approximately $2.9 million on the portfolio. The Company recorded approximately $2.2 million and $1.3 million of realized gains from the sale of equity in BARRX Medical, Inc. and Aegerion Pharmaceuticals, Inc., respectively. These gains were partially offset by realized losses of approximately $460,000 from the sale of the Company s common stock in two public portfolio companies and due to the complete write off of warrants in one private portfolio company that had a cost basis of approximately $355,000.

Loan origination and commitment fees received in full at the inception of a loan are deferred and amortized into fee income as an enhancement to the related loan s yield over the contractual life of the loan. Loan exit fees to be paid at the termination of the loan are accreted into interest income over the contractual life of the loan. The Company had approximately $2.6 million and $2.0 million of unamortized fees at March 31, 2013 and December 31, 2012, respectively, and approximately $8.6 million and $6.8 million in exit fees receivable at March 31, 2013 and December 31, 2012, respectively.

The Company has loans in its portfolio that contain a payment-in-kind ( PIK ) provision. The PIK interest, computed at the contractual rate specified in each loan agreement, is added to the principal balance of the loan and recorded as interest income. To maintain the Company s status as a RIC, this non-cash source of income must be paid out to stockholders in the form of dividends even though the Company has not yet collected the cash. Amounts necessary to pay these dividends may come from available cash or the liquidation of certain investments. The Company recorded approximately $779,000 and $298,000 in PIK income during the three-months ended March 31, 2013 and 2012, respectively.

In certain investment transactions, the Company may provide advisory services. For services that are separately identifiable and external evidence exists to substantiate fair value, income is recognized as earned, which is generally when the investment transaction closes. The Company had no income from advisory services in the three-month period ended March 31, 2013.

In some cases, the Company collateralizes its investments by obtaining a first priority security interest in a portfolio company s assets, which may include their intellectual property. In other cases, the Company may obtain a negative pledge covering a company s intellectual property. At March 31, 2013, approximately 63.9% of the Company s portfolio company loans were secured by a first priority security in all of the assets of the portfolio company (including their intellectual property), 34.6% of portfolio company loans were to portfolio companies that were prohibited from pledging or encumbering their intellectual property and 1.5% of portfolio company loans had an equipment only lien.

### 3. Fair Value of Financial Instruments

Fair value estimates are made at discrete points in time based on relevant information. These estimates may be subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. The Company believes that the carrying amounts of its financial instruments, consisting of cash and cash equivalents, receivables, accounts payable and accrued liabilities approximate the fair values of such items due to the short maturity of such instruments. The Convertible Senior Notes, 2019 Notes payable (the April 2019 Notes and the September 2019 Notes , together the 2019 Notes ), the Asset-Backed Notes and the SBA debentures as sources of liquidity remain a strategic advantage due to their flexible structure, long-term duration, and low fixed interest rates. At March 31, 2013, the April 2019 Notes were trading on the New York Stock Exchange for $1.023 per dollar at par value, and the September 2019 Notes were trading on the New York Stock Exchange for $1.036 per dollar at par value. Based on market quotations on or around March 31, 2013, the Convertible Senior Notes were trading for $1.095 per dollar at par value and the Asset-Backed Notes were trading for $1.005 per dollar at par value. Calculated based on the net present value of payments over the term of the notes using estimated market rates for similar notes and remaining terms, the fair value of the SBA debentures would be approximately $240.0 million, compared to the carrying amount of $225.0 million as of March 31, 2013.

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

The liabilities of the Company below are recorded at amortized cost and not at fair value on the Consolidated Statement of Assets and Liabilities. The following table provides additional information about the level in the fair value hierarchy of the Company s liabilities:

**(in thousands)**

| Description | 3/31/2013 | Identical Assets (Level 1) | Observable Inputs (Level 2) | Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| Convertible Senior Notes | $ 82,125 | $ | $ 82,125 | $ |
| April 2019 Notes | $ 86,450 | $ | $ 86,450 | $ |
| September 2019 Notes | $ 88,967 | $ | $ 88,967 | $ |
| Class A Notes | $ 120,652 | $ | $ | $ 120,652 |
| SBA Debentures | $ 240,019 | $ | $ | $ 240,019 |

### 4. Borrowings Long-term

***SBA Debentures***

On September 27, 2006, HT II received a license to operate as a SBIC under the SBIC program and is able to borrow funds from the SBA against eligible investments and additional contributions to regulatory capital. With the Company s net investment of $38.0 million in HT II as of March 31, 2013, HT II has the capacity to issue a total of $76.0 million of SBA guaranteed debentures, subject to SBA approval, of which $76.0 million was outstanding as of March 31, 2013. As of March 31, 2013, HT II has paid commitment fees of approximately $1.5 million. As of March 31, 2013, the Company held investments in HT II in 49 companies with a fair value of approximately $128.3 million, accounting for approximately 13.3% of the Company s total portfolio.

On May 26, 2010, HT III received a license to operate as a SBIC under the SBIC program and is able to borrow funds from the SBA against eligible investments and additional contributions to regulatory capital. With the Company s net investment of $74.5 million in HT III as of March 31, 2013, HT III has the capacity to issue a total of $149.0 million of SBA guaranteed debentures, subject to SBA approval, of which $149.0 million was outstanding as of March 31, 2013. As of March 31, 2013, HT III has paid commitment fees of approximately $1.5 million. As of March 31, 2013, the Company held investments in HT III in 37 companies with a fair value of approximately $222.9 million, accounting for approximately 23.0% of the Company s total portfolio.

SBICs are designed to stimulate the flow of private equity capital to eligible small businesses. Under present SBA regulations, eligible small businesses include businesses that have a tangible net worth not exceeding $18.0 million and have average annual fully taxed net income not exceeding $6.0 million for the two most recent fiscal years. In addition, SBICs must devote 25.0% of its investment activity to smaller concerns as defined by the SBA.

A smaller concern is one that has a tangible net worth not exceeding $6.0 million and has average annual fully taxed net income not exceeding $2.0 million for the two most recent fiscal years. SBA regulations also provide alternative size standard criteria to determine eligibility, which depend on the industry in which the business is engaged and are based on such factors as the number of employees and gross sales. According to

SBA regulations, SBICs may make long-term loans to small businesses, invest in the equity securities of such businesses and provide them with consulting and advisory services. Through its wholly-owned subsidiaries HT II and HT III, the Company plans to provide long-term loans to qualifying small businesses, and in connection therewith, make equity investments.

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HT II and HT III are periodically examined and audited by the SBA s staff to determine their compliance with SBA regulations. If HT II or HT III fails to comply with applicable SBA regulations, the SBA could, depending on the severity of the violation, limit or prohibit HT II s or HT III s use of debentures, declare outstanding debentures immediately due and payable, and/or limit HT II or HT III from making new investments. In addition, HT II or HT III may also be limited in their ability to make distributions to the Company if they do not have sufficient capital in accordance with SBA regulations. Such actions by the SBA would, in turn, negatively affect the Company because HT II and III are the Company s wholly owned subsidiaries. HT II and HT III were in compliance with the terms of the SBIC s leverage as of March 31, 2013 as a result of having sufficient capital as defined under the SBA regulations.

The rates of borrowings under various draws from the SBA beginning in April 2007 are set semiannually in March and September and range from 2.25% to 5.73%. Interest payments on SBA debentures are payable semiannually. There are no principal payments required on these issues prior to maturity and no prepayment penalties. Debentures under the SBA generally mature ten years after being borrowed. Based on the initial draw down date of April 2007, the initial maturity of SBA debentures will occur in April 2017. In addition, the SBA charges a fee that is set annually, depending on the Federal fiscal year the leverage commitment was delegated by the SBA, regardless of the date that the leverage was drawn by the SBIC. The annual fees related to HT II debentures that pooled on September 22, 2010 were 0.406% and 0.285%, depending upon the year in which the underlying commitment was closed. The annual fees related to HT III debentures that pooled on March 27, 2013, were 0.804%. The annual fees on other debentures have been set at 0.906%. The average amount of debentures outstanding for the three-month period ended March 31, 2013 for HT II was approximately $76.0 million with an average interest rate of approximately 5.30%. The average amount of debentures outstanding for the three-month period ended March 31, 2013 for HT III was approximately $149.0 million with an average interest rate of approximately 3.26%.

HT II and HT III hold approximately $152.7 million and $257.5 million in assets, respectively, and accounted for approximately 9.8% and 16.5% of the Company s total assets prior to consolidation at March 31, 2013.

In January 2011, the Company repaid $25.0 million of SBA debentures under HT II, priced at approximately 6.63%, including annual fees. In April 2011, the SBA approved a $25.0 million dollar commitment for HT III.

In February 2012, the Company repaid $24.25 million of SBA debentures under HT II, priced at 6.63%, including annual fees. In June 2012, the SBA approved a $24.25 million dollar commitment for HT III.

In August 2012, the Company repaid $24.75 million of SBA debentures under HT II, $12.0 million priced at 6.43%, including annual fees and $12.75 million priced at 6.38%, including annual fees.

As of March 31, 2013, the maximum statutory limit on the dollar amount of outstanding SBA guaranteed debentures issued by a single SBIC is $150.0 million, subject to periodic adjustments by the SBA, and a maximum amount of $225.0 million for funds under common control, subject to periodic adjustments by the SBA. In the aggregate, at March 31, 2013 there was $225.0 million principal amount of indebtedness outstanding incurred by our SBIC subsidiaries, the maximum statutory limit on the dollar amount of SBA guaranteed debentures under the SBIC program.

The Company reported the following SBA debentures outstanding on its Consolidated Statement of Assets and Liabilities as of March 31, 2013 (unaudited) and December 31, 2012:

**(in thousands)**

| **Issuance/Pooling Date** | **Maturity Date** | **Interest Rate[1]** | **March 31, 2013** | **December 31, 2012** |
|---|---|---|---|---|
| **SBA Debentures:** | | | | |
| March 26, 2008 | March 1, 2018 | 6.38% | $ 34,800 | $ 34,800 |
| March 25, 2009 | March 1, 2019 | 5.53% | 18,400 | 18,400 |
| September 23, 2009 | September 1, 2019 | 4.64% | 3,400 | 3,400 |
| September 22, 2010 | September 1, 2020 | 3.62% | 6,500 | 6,500 |
| September 22, 2010 | September 1, 2020 | 3.50% | 22,900 | 22,900 |
| March 29, 2011 | March 1, 2021 | 4.37% | 28,750 | 28,750 |
| September 21, 2011 | September 1, 2021 | 3.16% | 25,000 | 25,000 |
| March 21, 2012 | March 1, 2022 | 3.05% | 11,250 | 11,250 |
| March 21, 2012 | March 1, 2022 | 3.28% | 25,000 | 25,000 |
| September 19, 2012 | September 1, 2022 | 3.05% | 24,250 | 24,250 |

| | | | | |
|---|---|---|---|---|
| March 27, 2013 | March 1, 2023 | 3.16% | 24,750 | 24,750 |
| **Total SBA Debentures** | | | **$ 225,000** | **$ 225,000** |

(1) Interest rate includes annual charge

***Wells Facility***

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

On August 1, 2012, the Company entered into an amendment to the Wells Facility. The amendment reduces the interest rate floor by 75 basis points to 4.25% and extends the maturity date by one year to August 2015. Additionally, an amortization period of 12 months was added to pay down the principal balance as of the maturity date, and the unused line fee was reduced.

Borrowings under the Wells Facility will generally bear interest at a rate per annum equal to LIBOR plus 3.50%, with a floor of 4.25% and an advance rate of 50% against eligible loans. The Wells Facility is secured by loans in the borrowing base. The Wells Facility requires payment of a non-use fee on a scale of 0.0% to 0.50% of the average monthly outstanding balance. The monthly payment of a non-use fee thereafter shall depend on the average balance that was outstanding on a scale between 0.0% and 0.50%. For the three-month period ended March 31, 2013, this non-use fee was approximately $94,000. On June 20, 2011 the Company paid an additional $1.1 million in structuring fees in connection with the Wells Facility which is being amortized through the end of the term. At March 31, 2013, there were no borrowings outstanding on this facility.

The Wells Facility includes various financial and operating covenants applicable to the Company and our subsidiaries, in addition to those applicable to Hercules Funding II, LLC. These covenants require the Company to maintain certain financial ratios and a minimum tangible net worth in an amount, when added to outstanding subordinated indebtedness, that is in excess of $362.0 million plus 90% of the cumulative amount of equity raised after June 30, 2012. In addition, the tangible net worth covenant will increase by 90 cents on the dollar for every dollar of equity capital that the Company subsequently raises. As of March 31, 2013, the minimum tangible net worth covenant has increased to $478.5 million as a result of the October 2012 follow-on public offering of 3.1 million shares of common stock for proceeds of approximately $33.6 million and the March 2013 follow-on public offering of 8.1 million shares of common stock for proceeds of approximately $95.8 million. The Wells Facility provides for customary events of default, including, but not limited to, payment defaults, breach of representations or covenants, bankruptcy events and change of control. The Company was in compliance with all covenants at March 31, 2013.

***Union Bank Facility***

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

On March 30, 2012, the Company entered into an amendment to the Union Bank Facility which permitted the Company to issue additional senior notes relating to the offer and sale of our 2019 Notes. On September 17, 2012, the Company entered into an amendment to the Union Bank Facility. Pursuant to the terms of the amendment, the Company is permitted to increase its unsecured indebtedness by an aggregate original principal amount not to exceed $200.0 million incurred after March 30, 2012 in one or more issuances, provided certain conditions are satisfied for each issuance.

On December 17, 2012, the Company further amended the Union Bank Facility to remove RBC from the Union Bank Facility. Following the removal of RBC, the Union Bank Facility consists solely of Union Bank s commitment of $30.0 million. In connection with the amendment, the maximum availability under the Union Bank Facility, subject to a borrowing base, was reduced from $55.0 million to $30.0 million. The Union Bank Facility contains an accordion feature, in which the Company could increase the credit line by up to $95.0 million in the aggregate, funded by commitments from additional lenders and with the agreement of Union Bank and subject to other customary conditions. There can be no assurances that additional lenders will join the Union Bank Facility.

Borrowings under the Union Bank Facility will generally bear interest at a rate per annum equal to LIBOR plus 2.25% with a floor of 4.0%. The Union Bank Facility requires the payment of a non-use fee of 0.50% annually. For the three-month period ended March 31, 2013, this non-use fee was approximately $37,500. The Union Bank Facility is collateralized by debt investments in our portfolio companies, and includes an advance rate equal to 50.0% of eligible loans placed in the collateral pool. The Union Bank Facility generally requires payment of interest on a monthly basis. All outstanding principal is due upon maturity. At March 31, 2013, there were no borrowings outstanding on this facility.

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The Union Bank Facility requires various financial and operating covenants. These covenants require the Company to maintain certain financial ratios and a minimum tangible net worth in an amount, when added to outstanding subordinated indebtedness, that is in excess of $314.0 million plus 90% of the amount of net cash proceeds received from the sale of common stock after March 31, 2011. As of March 31, 2013, the minimum tangible net worth covenant has increased to $472.8 million as a result of the January and October 2012 follow-on public offerings of 5.0 and 3.1 million shares of common stock, respectively, for total net proceeds of approximately $80.9 million and the March 2013 follow-on public offering of 8.1 million shares of common stock for total net proceeds of approximately $95.6 million. The Union Bank Facility will mature on November 1, 2014, approximately three years from the date of issuance, revolving through the first 24 months with a term out provision for the remaining 12 months. Union Bank Facility also provides for customary events of default, including, but not limited to, payment defaults, breach of representations or covenants, bankruptcy events and change of control. The Company was in compliance with all covenants at March 31, 2013.

***Citibank Credit Facility***

The Company, through Hercules Funding Trust I, an affiliated statutory trust, had a securitized credit facility (the Citibank Credit Facility ) with Citigroup Global Markets Realty Corp. which expired under normal terms. During the first quarter of 2009, the Company paid off all principal and interest owed under the Citibank Credit Facility. Citigroup has an equity participation right through a warrant participation agreement on the pool of loans and warrants collateralized under the Citibank Credit Facility. Pursuant to the warrant participation agreement, the Company granted to Citigroup a 10% participation in all warrants held as collateral. However, no additional warrants were included in collateral subsequent to the facility amendment on May 2, 2007. As a result, Citigroup is entitled to 10% of the realized gains on the warrants until the realized gains paid to Citigroup pursuant to the agreement equal $3,750,000 (the Maximum Participation Limit ). The obligations under the warrant participation agreement continue even after the Citibank Credit Facility is terminated until the Maximum Participation Limit has been reached.

During the three-months ended March 31, 2013, the Company reduced its realized gain by approximately $207,000 for Citigroup s participation in the gain on sale of equity securities which were obtained from exercising a portfolio company warrant which was included in the collateral pool. The Company recorded a decrease on participation liability and an increase on unrealized appreciation by a net amount of approximately $181,000 as a result of current quarter depreciation of fair value on the pool of warrants collateralized under the warrant participation agreement. The value of their participation right on unrealized gains in the related equity investments was approximately $132,000 as of March 31, 2013 and is included in accrued liabilities. There can be no assurances that the unrealized appreciation of the warrants will not be higher or lower in future periods due to fluctuations in the value of the warrants, thereby increasing or reducing the effect on the cost of borrowing. Since inception of the agreement, the Company has paid Citigroup approximately $1.6 million under the warrant participation agreement thereby reducing realized gains by this amount. The Company will continue to pay Citigroup under the warrant participation agreement until the Maximum Participation Limit is reached or the warrants expire. Warrants subject to the Citigroup participation agreement are set to expire between April 2013 and January 2017.

***Convertible Senior Notes***

In April 2011, the Company issued $75.0 million in aggregate principal amount of its 6.00% convertible senior notes (the Convertible Senior Notes ) due 2016.

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

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

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

The Convertible Senior Notes are accounted for in accordance with ASC 470-20 (previously FASB Staff Position No. APB 14- 1, Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement) ). In accounting for the Convertible Senior Notes, the Company estimated at the time of issuance that the values of the debt and the embedded conversion feature of the Convertible Senior Notes were approximately 92.8% and 7.2%, respectively. The original issue discount of 7.2% attributable to the conversion feature of the Convertible Senior Notes was recorded in capital in excess of par value in the accompanying consolidated statement of assets and liabilities. As a result, the Company records interest expense comprised of both stated interest expense as well as accretion of the original issue discount. Additionally, the issuance costs associated with the Convertible Senior Notes were allocated to the debt and equity components in proportion to the allocation of the proceeds and accounted for as debt issuance costs and equity issuance costs, respectively. At the time of issuance, the debt issuance costs and equity issuance costs were approximately $2.9 million and $224,000, respectively. At the time of issuance and as of March 31, 2013, the equity component, net of issuance costs, as recorded in the capital in excess of par value in the balance sheet was approximately $5.2 million.

As of March 31, 2013 (unaudited) and December 31, 2012, the components of the carrying value of the Convertible Senior Notes were as follows:

| (in thousands) | As of March 31, 2013 | As of December 31, 2013 |
|---|---|---|
| Principal amount of debt | $ 75,000 | $ 75,000 |
| Original issue discount, net of accretion | (3,294) | (3,564) |
| Carrying value of debt | $ 71,706 | $ 71,436 |

For the three months ended March 31, 2013 and 2012, the components of interest expense, fees and cash paid for interest expense for the Convertible Senior Notes were as follows (unaudited):

| (in thousands) | Three Months Ended March 31, 2013 | 2012 |
|---|---|---|
| Stated interest expense | $ 1,125 | $ 1,125 |
| Accretion of original issue discount | 271 | 271 |
| Amortization of debt issuance cost | 144 | 144 |
| Total interest expense | $ 1,540 | $ 1,540 |
| Cash paid for interest expense | $ | $ |

The estimated effective interest rate of the debt component of the Convertible Senior Notes, equal to the stated interest of 6.0% plus the accretion of the original issue discount, was approximately 8.2% for the three months ended March 31, 2013. As of March 31, 2013, the Company is in compliance with the terms of the indentures governing the Convertible Senior Notes.

***2019 Notes***

On March 6, 2012, the Company and the Trustee entered into an indenture (the Base Indenture ). On April 17, 2012, the Company and the Trustee entered into the First Supplemental Indenture to the Base Indenture, dated April 17, 2012, relating to the Company s issuance, offer and sale of $43.0 million aggregate principal amount of 7.00% senior notes due 2019 (the April 2019 Notes ). The sale of the April 2019 Notes generated net proceeds, before expenses, of approximately $41.7 million.

On September 24, 2012, the Company and the Trustee, entered into the Second Supplemental Indenture to the Base Indenture, dated as of September 24, 2012, relating to the Company s issuance, offer and sale of $75.0 million aggregate principal amount of 7.00% senior notes due 2019 (the September 2019 Notes ). The sale of the September 2019 Notes generated net proceeds, before expenses, of approximately $72.75 million.

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2019 Notes payable is compromised of:

| | As of | |
|---|---|---|
| **(in thousands)** | **March 31, 2013 (unaudited)** | **December 31, 2012** |
| April 2019 Notes | $ 84,490 | $ 84,490 |
| September 2019 Notes | 85,875 | 85,875 |
| Carrying Value of Debt | $ 170,365 | $ 170,365 |

*April 2019 Notes*

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

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

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

The April 2019 Notes were sold pursuant to an underwriting agreement dated April 11, 2012 among the Company and Stifel, Nicolaus & Company, Incorporated, as representative of the several underwriters named in the underwriting agreement.

In July 2012, the Company re-opened our April 2019 Notes and issued an additional amount of approximately $41.5 million in aggregate principal amount of April 2019 Notes, which includes exercise of an over-allotment option, bringing the total amount of the April 2019 Notes issued to approximately $84.5 million in aggregate principal amount.

*September 2019 Notes*

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

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

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

The September 2019 Notes were sold pursuant to an underwriting agreement dated September 19, 2012 among the Company and Stifel, Nicolaus & Company, Incorporated, as representative of the several underwriters named in the underwriting agreement.

In October 2012, the underwriters exercised their over-allotment option for an additional $10.9 million of the September 2019 Notes, bringing the total amount of the September 2019 Notes issued to approximately $85.9 million in aggregate principal amount.

For the years ended March 31, 2013 and 2012, the components of interest expense and related fees and cash paid for interest expense and fees for the April 2019 and September 2019 Notes are as follows (unaudited):

| | Three Months Ended March 31, | |
|---|---|---|
| **(in thousands)** | **2013** | **2012** |
| Stated interest expense | $ 2,981 | $ |
| Amortization of debt issuance cost | 240 | |
| Total interest expense and fees | $ 3,222 | $ |
| Cash paid for interest expense and fees | $ 2,998 | $ |

As of March 31, 2013, the Company is in compliance with the terms of the indenture governing the 2019 Notes.

*Asset-Backed Notes*

On December 19, 2012, the Company completed a $230.7 million term debt securitization in connection with which an affiliate of the Company made an offer of $129.3 million in aggregate principal amount of fixed-rate asset-backed notes (the Asset-Backed Notes ), which Asset-Backed Notes were rated A2(sf) by Moody s Investors Service, Inc. The Asset-Backed Notes were issued by Hercules Capital Funding Trust 2012-1 pursuant to a note purchase agreement, dated as of December 12, 2012, by and among the Company, Hercules Capital Funding 2012-1 LLC, as Trust Depositor (the Trust Depositor ), Hercules Capital Funding Trust 2012-1, as Issuer (the Issuer ), and Guggenheim Securities, LLC, as Initial Purchaser, and are backed by a pool of senior loans made to certain of our portfolio companies and secured by certain assets of those portfolio companies and are to be serviced by the Company. Interest on the Asset-Backed Notes will be paid, to the extent of funds available, at a fixed rate of 3.32% per annum. The Asset-Backed Notes have a stated maturity of December 16, 2017.

As part of this transaction, the Company entered into a sale and contribution agreement with the Trust Depositor under which the Company has agreed to sell or have contributed to the Trust Depositor certain senior loans made to certain of our portfolio companies (the Loans ). The Company has made customary representations, warranties and covenants in the sale and contribution agreement with respect to the Loans as of the date of their transfer to the Trust Depositor.

In connection with the issuance and sale of the Asset-Backed Notes, the Company has made customary representations, warranties and covenants in the note purchase agreement. The Asset-Backed Notes are secured obligations of the Issuer and are non-recourse to the Company. The Issuer also entered into an indenture governing the Asset-Backed Notes, which indenture includes customary representations, warranties and covenants. The Asset-Backed Notes were sold without being registered under the Securities Act of 1933, as amended (the Securities Act ), to qualified institutional buyers in compliance with the exemption from registration provided by Rule 144A under the Securities Act and to institutional accredited investors (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act) who in each case, are qualified purchasers for purposes of Section 3(c)(7) under the 1940 Act. In addition, the Trust Depositor entered into an amended and restated trust agreement, which includes customary representation, warranties and covenants.

The Loans are serviced by the Company pursuant to a sale and servicing agreement, which contains customary representations, warranties and covenants. The Company performs certain servicing and administrative functions with respect to the Loans. The Company is entitled to receive a monthly fee from the Issuer for servicing the Loans. This servicing fee is equal to the product of one-twelfth (or in the case of the first payment date, a fraction equal to the number of days from and including December 5, 2012 through and including January 15, 2013 over 360) of 2.00% and the aggregate outstanding principal balance of the Loans, excluding all defaulted Loans and all purchased Loans, as of the first day of the related collection period (the period from the 5th day of the immediately preceding calendar month through the 4th day of the calendar month in which a payment date occurs, and for the first payment date, the period from and including December 5, 2012, to the close of business on January 4, 2013).

The Company also serves as administrator to the Issuer under an administration agreement, which includes customary representations, warranties and covenants.

At March 31, 2013 (unaudited) and December 31, 2012, the Asset-Backed Notes had an outstanding balance of $120.1 million and $129.3 million, respectively.

Under the terms of the Asset Backed Notes, the Company is required to maintain a reserve cash balance, funded through interest and principal collections from the underlying securitized debt portfolio, which may be used to pay monthly interest and principal payments on the Asset-Backed Notes. The Company has segregated these funds and classified them as Restricted Cash. There was approximately $810,000 of Restricted Cash as of March 31, 2013 funded through interest collections. There was no cash segregated at December 31, 2012 due to immaterial monthly interest collections for the period ended December 31, 2012.

***Outstanding Borrowings***

At March 31, 2013 (unaudited) and December 31, 2012, the Company had the following borrowing capacity and outstanding borrowings:

| (in thousands) | March 31, 2013 Total Available | March 31, 2013 Carrying Value[(1)] | December 31, 2012 Total Available | December 31, 2012 Carrying Value[(1)] |
|---|---|---|---|---|
| Union Bank Facility | $ 30,000 | $ | $ 30,000 | $ |
| Wells Facility | 75,000 | | 75,000 | |
| Convertible Senior Notes[(2)] | 75,000 | 71,707 | 75,000 | 71,436 |
| 2019 Notes | 170,364 | 170,364 | 170,364 | 170,364 |
| Asset-Backed Notes | $ 120,051 | 120,051 | 129,300 | 129,300 |
| SBA Debentures[(3)] | 225,000 | 225,000 | 225,000 | 225,000 |
| Total | $ 695,415 | $ 587,122 | $ 704,664 | $ 596,100 |

(1) Except for the Convertible Senior Notes (as defined below), all carrying values are the same as the principal amount outstanding.

(2) Represents the aggregate principal amount outstanding of the Convertible Senior Notes (as defined below) less the unaccreted discount initially recorded upon issuance of the Convertible Senior Notes. The total unaccreted discount for the Convertible Senior Notes was $3.3 million at March 31, 2013 and $3.6 million at December 31, 2012.

(3) At March 31, 2013 and at December 31, 2012, the total available borrowings under the SBA was $225.0 million, of which 76.0 million was available in HT II and $149.0 million was available in HT III.

**5. Income taxes**

The Company has elected to be taxed as a RIC under Subchapter M of the Code and intends to continue to operate so as to qualify to be taxed as a RIC under Subchapter M of the Code and, as such, will not be subject to federal income tax on the portion of taxable income and gains distributed to stockholders.

To qualify as a RIC, the Company is required to meet certain income and asset diversification tests in addition to distributing at least 90% of its 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 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 the Company s 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, such as changes in accrued and reinvested interest and dividends, which includes contractual payment-in-kind interest, and the amortization of discounts and fees. Cash collections of income resulting from contractual PIK interest or the amortization of discounts and fees generally occur upon the repayment of the loans or debt securities that include such items. Non-cash taxable income is reduced by non-cash expenses, such as realized losses and depreciation and amortization expense.

During the three-months ended March 31, 2013, the Company declared a distribution of $0.25 per share. 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. As a result, a determination made on a quarterly basis may not be representative of the actual tax attributes of the Company s distributions for a full year. If the Company had determined the tax attributes of our distributions year-to-date as of March 31, 2013, approximately 100.0% would be from ordinary income and spillover earnings from 2012. However there can be no certainty to shareholders that this determination is representative of what the tax attributes of its 2013 distributions to shareholders will actually be.

As a RIC, the Company will be subject to a 4% nondeductible federal excise tax on certain undistributed income unless the Company distributes in a timely manner an amount at least equal to the sum of (1) 98% of its ordinary income for each calendar year, (2) 98.2% of its capital gain net income for the 1-year period ending October 31 in that calendar year and (3) any income realized, but not distributed, in the preceding year (the Excise Tax Avoidance Requirements ). The Company will not be subject to excise taxes on amounts on which the Company is required to pay corporate income tax (such as retained net capital gains). Depending on the level of taxable income earned in a tax year, the Company may choose to carry over taxable income in excess of current year distributions from such taxable income into the next tax year and pay a 4% excise tax on such income, as required. The maximum amount of excess taxable income that may be carried over for distribution in the next year under the Code is the total amount of dividends paid in the following year, subject to certain declaration and payment guidelines. To the extent the Company chooses to carry over taxable income into the next tax year, dividends declared and paid by the Company in a year may differ from taxable income for that year as such dividends may include the distribution of current year taxable income, the distribution of prior year taxable income carried over into and distributed in the current year, or returns of capital.

Taxable income for the three-month period ended March 31, 2013 was approximately $14.7 million or $0.27 per share. Taxable net realized gains for the same period were $1.1 million or approximately $0.02 per share. Taxable income for the three-month period ended March 31, 2012 was approximately $10.7 million or $0.23 per share. Taxable net realized gains for the same period were $3.2 million or approximately $0.07 per share.

The Company intends to distribute approximately $1.5 million of spillover earnings from the year ended December 31, 2012 to our shareholders in 2013.

**6. Shareholders Equity**

On July 25, 2012, our Board of Directors approved an extension of the stock repurchase plan under the same terms and conditions that allowed the Company to repurchase up to $35.0 million of our common stock. The stock repurchase plan expired on February 26, 2013 and no shares were repurchased in 2013.

On March 13, 2013, the Company raised approximately $95.8 million, before deducting offering expenses, in a public offering of 8,050,000 shares of its common stock.

The Company has issued stock options for common stock subject to future issuance, of which 2,516,880 and 2,574,749 were outstanding at March 31, 2013 and December 31, 2012, respectively.

**7. Equity Incentive Plan**

The Company and its stockholders have authorized and adopted the 2004 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. On June 1, 2011, stockholders approved an amended and restated plan and provided an increase of 1,000,000 shares, authorizing the Company to issue 8,000,000 shares of common stock under the 2004 Plan.

The Company and its stockholders have authorized and adopted the 2006 Non-Employee Director Plan (the 2006 Plan and, together with the 2004 Plan, the Plans ) 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 July 21, 2017 and no additional awards may be made under the 2006 Plan after that date. The Company filed an exemptive relief request with the Securities and Exchange Commission ( SEC ) to allow options to be issued under the 2006 Plan which was approved on October 10, 2007.

On June 21, 2007, the stockholders 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 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 common stock to Messrs. Badavas, Chow and Woodward, the independent members of its Board of Directors, in the amounts of 1,667, 1,667 and 3,334 shares, respectively. In May 2008, the Company issued restricted shares to Messrs. Badavas and Chow in the amount of 5,000 shares each. In June 2009, the Company issued 5,000 restricted stock shares to Mr. Woodward. The shares were issued pursuant to the 2006 Plan and vested 33% on an annual basis from the date of grant. Deferred compensation cost was recognized ratably over the three year vesting period.

The following table summarizes the common stock options activities for the three-months ended March 31, 2013 and 2012 (unaudited):

| | For the Three Month Period Ended March 31, | | | |
|---|---|---|---|---|
| | 2013 | | 2012 | |
| | Common Stock Options | Weighted Average Exercise Price | Common Stock Options | Weighted Average Exercise Price |
| Outstanding at December 31 | 2,574,749 | $ 12.00 | 4,213,604 | $ 11.40 |
| Granted | 27,000 | $ 12.16 | 18,000 | $ 11.01 |
| Exercised | (80,256) | $ 11.31 | (424,667) | $ 4.94 |
| Cancelled / Forfeited | (4,613) | $ 9.65 | (257,174) | $ 11.96 |
| Outstanding at March 31 | 2,516,880 | $ 12.03 | 3,549,763 | $ 12.14 |
| Shares Expected to Vest at March 31 | 408,065 | $ 12.03 | 484,462 | $ 12.14 |

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 March 31, 2013, options for approximately 2.1 million shares were exercisable at a weighted average exercise price of approximately $12.31 per share with weighted average of remaining contractual term of 1.80 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 three-month periods ended March 31, 2013 and 2012:

| | For Three Months Ended March 31, | |
|---|---|---|
| | 2013 | 2012 |
| Expected Volatility | 46.90% | 46.70% |
| Expected Dividends | 10% | 10% |
| Expected term (in years) | 4.5 | 4.5 |
| Risk-free rate | 0.65% - 0.80% | 0.61% - 1.07% |

The following table summarizes stock options outstanding and exercisable at March 31, 2013 (unaudited):

| (Dollars in thousands, except exercise price) | Options outstanding | | | | Options exercisable | | | |
|---|---|---|---|---|---|---|---|---|
| Range of exercise prices | Number of shares | Weighted average remaining contractual life | Aggregate intrinsic value | Weighted average exercise price | Number of shares | Weighted average remaining contractual life | Aggregate intrinsic value | Weighted average exercise price |
| $4.21 - $8.49 | 46,248 | 4.01 | $ 307,634 | $ 5.60 | 46,248 | 4.01 | $ 307,634 | $ 5.60 |
| $8.67 - $13.40 | 1,806,632 | 3.11 | 1,465,249 | $ 11.46 | 1,398,567 | 2.21 | 771,543 | $ 11.72 |
| $13.87 - $14.02 | 664,000 | 0.78 | | $ 14.02 | 664,000 | 0.78 | | $ 14.02 |
| $4.21 - $14.02 | 2,516,880 | 2.51 | $ 1,772,883 | $ 12.03 | 2,108,815 | 1.80 | $ 1,079,177 | $ 12.31 |

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During the three months ended March 31, 2013 and 2012, the Company granted approximately 606,001 shares and 672,000 shares, respectively, of restricted stock pursuant to the Plans. All restricted stock grants under the 2004 Plan made prior to March 4, 2013 will continue to vest on a monthly basis following their one year anniversary over the succeeding 36 months. During 2012, the Compensation Committee adopted a policy that provided for awards with different vesting schedules for short and long-term awards. Under the 2004 Plan, restricted stock awarded subsequent to March 3, 2013 will vest subject to continued employment based on two vesting schedules: short-term awards vest one-half on the one year anniversary of the date of the grant and quarterly over the succeeding 12 months, and long-term awards vest one-fourth on the one year anniversary of the date of grant and quarterly over the succeeding 36 months.

The Company determined that the fair value of restricted stock granted under the 2006 and 2004 Plans during the three-month periods ended March 31, 2013 and 2012 was approximately $7.7 million and $7.3 million, respectively. During the three-month periods ended March 31, 2013 and 2012, the Company expensed approximately $1.1 million and $722,000 of compensation expense related to restricted stock, respectively. As of March 31, 2013, there was approximately $14.8 million of total unrecognized compensation costs related to restricted stock. These costs are expected to be recognized over a weighted average period of 2.81 years.

The following table summarizes the activities for our unvested restricted stock for the three-months ended March 31, 2013 and 2012 (unaudited):

| | For the Three Month Period Ended March 31, 2013 | | 2012 | |
|---|---|---|---|---|
| | Restricted Stock Units | Weighted Average Exercise Price | Restricted Stock Units | Weighted Average Exercise Price |
| Unvested at December 31 | 899,789 | $ 10.73 | 621,509 | $ 10.06 |
| Granted | 606,001 | $ 12.72 | 671,859 | $ 10.82 |
| Vested | (201,263) | $ 10.39 | (143,627) | $ 10.56 |
| Forfeited | (6,076) | $ 10.54 | | $ |
| Unvested at March 31 | 1,298,451 | $ 11.71 | 1,149,741 | $ 10.44 |

The SEC, through an exemptive order granted on June 22, 2010, approved amendments to the Plans which allow participants to elect to have the Company withhold shares of the Company s common stock to pay for the exercise price and applicable taxes with respect to an option exercise ( net issuance exercise ). The exemptive order also permits the holders of restricted stock to elect to have the Company withhold shares of Hercules stock to pay the applicable taxes due on restricted stock at the time of vesting. Each individual can make, and does not preclude the participant from electing to make, a cash payment at the time of option exercise or to pay taxes on restricted stock.

**8. Earnings Per Share**

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

| (in thousands, except per share data) | Three Months Ended March 31, 2013 | 2012 |
|---|---|---|
| Numerator | | |
| Net increase in net assets resulting from operations | $ 16,689 | $ 17,105 |
| Less: Dividends declared-common and restricted shares | (13,382) | (11,412) |
| Undistributed earnings | 3,307 | 5,693 |
| Undistributed earnings-common shares | 3,307 | 5,693 |
| Add: Dividend declared-common shares | 13,051 | 11,136 |
| **Numerator for basic and diluted change in net assets per common share** | $ 16,358 | $ 16,829 |

Denominator

| | | | | |
|---|---|---|---|---|
| **Basic weighted average common shares outstanding** | | 53,682 | | 47,018 |
| Common shares issuable (including adjustment for dilutive effect of Convertible Senior Notes) | | 141 | | 192 |
| **Weighted average common shares outstanding assuming dilution** | | 53,823 | | 47,210 |
| **Change in net assets per common share** | | | | |
| Basic | $ | 0.30 | $ | 0.36 |
| Diluted | $ | 0.30 | $ | 0.36 |

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The Convertible Senior Notes may be surrendered for conversion during the five business day period after any five consecutive trading day period (the measurement period ) in which the trading price per $1,000 principal amount of notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of our common stock and the conversion rate on each such trading day. For the purpose of calculating diluted earnings per share for the three-month period ended March 31, 2013, the underlying shares for the intrinsic value of the embedded options in the Convertible Senior Notes were included in this calculation because the trading price ($11.89) was less than the conversion price in effect for such period for the Convertible Senior Notes.

The calculation of change in net assets resulting from operations per common share assuming dilution, excludes all anti-dilutive shares. For the three-months ended March 31, 2013 and 2012, 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 2,630,003 and 2,616,129 shares, respectively.

**9. Financial Highlights**

Following is a schedule of financial highlights for the three-months ended March 31, 2013 and 2012:

**HERCULES TECHNOLOGY GROWTH CAPITAL, INC.**

**FINANCIAL HIGHLIGHTS**

**(unaudited)**

**(dollars in thousands, except per share amounts)**

| | Three Months Ended March 31, 2013 | Three Months Ended March 31, 2012 |
|---|---|---|
| Per share data: | | |
| Net asset value at beginning of period | $ 9.75 | $ 9.83 |
| Net investment income(1) | 0.28 | 0.24 |
| Net realized gain (loss) on investments | 0.03 | 0.06 |
| Net unrealized appreciation (depreciation) on investments | (0.01) | 0.06 |
| Total from investment operations | 0.30 | 0.36 |
| Net increase/(decrease) in net assets from capital share transactions | 0.18 | (0.21) |
| Distributions | (0.25) | (0.24) |
| Stock-based compensation expense included in investment income(2) | 0.02 | 0.02 |
| Net asset value at end of period | $ 10.00 | $ 9.76 |
| Ratios and supplemental data: | | |
| Per share market value at end of period | $ 12.25 | $ 11.08 |
| Total return(3) | 14.59% | 19.89% |
| Shares outstanding at end of period | 61,554 | 49,721 |
| Weighted average number of common shares outstanding | 53,682 | 47,018 |
| Net assets at end of period | $ 615,608 | $ 485,447 |
| Ratio of operating expense to average net assets | 12.23% | 9.41% |
| Ratio of net investment income before provision for income tax expense and investment gains and losses to average net assets | 11.54% | 9.73% |
| Average debt outstanding | $ 593,940 | $ 292,832 |
| Weighted average debt per common share | $ 11.06 | $ 6.23 |

(1) Net investment income per share is calculated as net investment income divided by the weighted average shares outstanding.

(2) Stock option expense is a non-cash expense that has no effect on net asset value. Pursuant to ASC 718, net investment loss includes the expense associated with the granting of stock options which is offset by a corresponding increase in paid-in capital.

(3) The total return for the three-month periods ended March 31, 2013 and 2012 equals the change in the ending market value over the beginning of period price per share plus dividends paid per share during the period, divided by the beginning price.

**10. Commitments and Contingencies**

The Company s commitments and contingencies consist primarily of unused commitments to extend credit, in the form of loans to the Company s portfolio companies. The balance of unfunded commitments to extend credit at March 31, 2013 totaled approximately $137.1 million. Approximately $83.6 million of these unfunded origination activity commitments as of March 31, 2013 are dependent upon the portfolio company reaching certain milestones before the debt commitment becomes available. Since a portion of these commitments may expire without being drawn, unfunded commitments do not necessarily represent future cash requirements. In addition, the Company had approximately $93.0 million of non-binding term sheets outstanding at March 31, 2013. Non-binding outstanding term sheets are subject to completion of the Company s due diligence and final approval process, as well as the negotiation of definitive documentation with the prospective portfolio companies. Not all non-binding term sheets are expected to close and do not necessarily represent future cash requirements.

Certain premises are leased under agreements which expire at various dates through March 2020. Total rent expense amounted to approximately $329,000 and $285,000 during the three-month periods ended March 31, 2013 and 2012, respectively.

Future commitments under the credit facility and operating leases were as follows at March 31, 2013:

| | Payments due by period (in thousands) | | | | |
|---|---|---|---|---|---|
| **Contractual Obligations(1)(2)** | **Total** | **Less than 1 year** | **1 - 3 years** | **3 - 5 years** | **After 5 years** |
| Borrowings(3)(4) | $ 587,123 | $ | $ 120,051 | $ 71,707 | $ 395,365 |
| Operating Lease Obligations(5) | 8,555 | 1,334 | 2,901 | 3,063 | 1,257 |
| Total | $ 595,678 | $ 1,334 | $ 122,952 | $ 74,770 | $ 396,622 |

(1) Excludes commitments to extend credit to our portfolio companies.
(2) The Company also has a warrant participation agreement with Citigroup. See Note 4.
(3) Includes $225.0 million in borrowings under the SBA debentures, $170.4 million of the 2019 Notes, $120.1 million in aggregate principal amount of the Asset-Backed Notes and $71.7 million of the Convertible Senior Notes.
(4) Except for the Convertible Senior Notes, all carrying values are the same as the principal amount outstanding. The aggregate principal amount outstanding of the Convertible Senior Notes less the unaccreted discount initially recorded upon issuance of the Convertible Senior Notes was $3.3 million at March 31, 2013.
(5) Long-term facility leases.

The Company may, from time to time, be involved in litigation arising out of its operations in the normal course of business or otherwise. Furthermore, third parties may try to seek to impose liability on the Company in connection with the activities of its portfolio companies. While the outcome of any current legal proceedings cannot at this time be predicted with certainty, the Company does not expect any current matters will materially affect the Company s financial condition or results of operations; however, there can be no assurance whether any pending legal proceedings will have a material adverse effect on the Company s financial condition or results of operations in any future reporting period.

**11. Subsequent Events**

*Dividend Declaration*

On April 29, 2013 the Board of Directors increased the quarterly dividend by $0.02, or approximately 8.0%, and declared a cash dividend of $0.27 per share to be paid on May 21, 2013 to shareholders of record as of May 14, 2013. This dividend will represent the Company s thirty-first consecutive dividend declaration since its initial public offering, bringing the total cumulative dividend declared to date to $8.16 per share.

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*Company Developments*

In April 2013, Kroll Bond Rating Agency ( KBRA ) assigned the Company an investment grade corporate rating of BBB+. In addition, the Company s two outstanding bond issuances of 7.00% Senior Notes due 2019, which trade on the NYSE under the symbols HTGZ and HTGY, were assigned a rating of BBB+.

*Portfolio Company Developments*

In April 2013, Japanese company Ajinomoto Co., Inc. (TYO: 2802) completed its acquisition of the Company s portfolio company Althea Technologies.

In April 2013, Omthera Pharmaceuticals, Inc., ( OMTH ) completed its initial public offering of 8,000,000 shares of its common stock at $8.00 per share.

In April 2013, Portola Pharmaceuticals, Inc. filed a registration statement on Form S-1 with the U.S. Securities and Exchange Commission relating to a proposed initial public offering of its common stock. The number of shares to be offered and the price range for the offering have not yet been determined.

**ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

***Forward-Looking Statements***

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

- our future operating results;
- our business prospects and the prospects of our prospective portfolio companies;
- the impact of investments that we expect to make;
- the impact of a protracted decline in the liquidity of credit markets on our business;
- our informal relationships with third parties including in the venture capital industry;
- the expected market for venture capital investments and our addressable market;

- the dependence of our future success on the general economy and its impact on the industries in which we invest;
- our ability to access debt markets and equity markets;
- the ability of our portfolio companies to achieve their objectives;
- our expected financings and investments;
- our regulatory structure and tax status;
- our ability to operate as a BDC, a SBIC and a RIC;
- the adequacy of our cash resources and working capital;
- the timing of cash flows, if any, from the operations of our portfolio companies;
- the timing, form and amount of any dividend distributions;
- the impact of fluctuations in interest rates on our business;
- the valuation of any investments in portfolio companies, particularly those having no liquid trading market; and
- our ability to recover unrealized losses.

For a discussion of factors that could cause our actual results to differ from forward-looking statements contained in this report, please see the discussion under Item 1A Risk Factors of Part II of this quarterly report on Form 10-Q as well as Item 1A Risk Factors of our annual report on Form 10-K. You should not place undue reliance on these forward-looking statements. The forward-looking statements made in this report relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statement to reflect events or circumstances occurring after the date of this report.

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The following discussion should be read in conjunction with our consolidated financial statements and related notes and other financial information appearing elsewhere in this report. In addition to historical information, the following discussion and other parts of this report contain forward-looking information that involves risks and uncertainties. Our actual results could differ materially from those anticipated by such forward-looking information due to the factors discussed under Item 1A Risk Factors of Part II of this quarterly report on Form 10-Q, Item 1A Risk Factors of our annual report on Form 10-K, and Forward-Looking Statements of this Item 2.

***Overview***

We are a specialty finance company focused on providing senior secured loans to venture capital-backed companies in technology-related markets, including technology, biotechnology, life science, and clean-technology industries at all stages of development. We source our investments through our principal office located in Silicon Valley, as well as through our additional offices in Boston, MA, New York, NY, Chicago, IL, Boulder, CO and McLean, VA.

Our goal is to be the leading structured debt financing provider of choice for venture capital-backed companies in technology-related markets requiring sophisticated and customized financing solutions. Our strategy is to evaluate and invest in a broad range of technology-related markets including technology, biotechnology, life science, and clean-technology industries and to offer a full suite of growth capital products up and down the capital structure. We invest primarily in structured debt with warrants and, to a lesser extent, in senior debt and equity investments. We invest primarily in private companies and to a lesser extent public companies. We use the term structured debt with warrants to refer to any debt investment, such as a senior or subordinated secured loan, that is coupled with an equity component, including warrants, options or rights to purchase common or preferred stock. Our structured debt with warrants investments will typically be secured by some or all of the assets of the portfolio 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. Our primary business objectives are to increase our net income, net operating income and net asset value by investing in structured debt with warrants and equity of venture capital-backed companies in technology-related markets with attractive current yields and the potential for equity appreciation and realized gains. Our structured debt investments typically include warrants or other equity interests, giving us the potential to realize equity-like returns on a portion of our investments. Our equity ownership in our portfolio companies may represent a controlling interest. In some cases, we receive the right to make additional equity investments in our portfolio companies in connection with future equity financing rounds. Capital that we provide directly to venture capital-backed companies in technology-related markets is generally used for growth and general working capital purposes as well as in select cases for acquisitions or recapitalizations.

We also make investments in qualifying small businesses through two wholly-owned SBICs, HT II and HT III. HT II and HT III hold approximately $152.7 million and $257.5 million in assets, respectively, and accounted for approximately 9.8% and 16.5% of our total assets prior to consolidation at March 31, 2013. We have issued $225.0 million in SBA-guaranteed debentures in our SBIC subsidiaries, which is the maximum amount allowed for a group of SBICs under common control.

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

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

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.

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

***Portfolio and Investment Activity***

The total value of our investment portfolio was $968.0 million at March 31, 2013 as compared to $906.3 million at December 31, 2012.

The fair value of the loan portfolio at March 31, 2013 was approximately $881.0 million, compared to a fair value of approximately $827.5 million at December 31, 2012. The fair value of the equity portfolio at March 31, 2013 was approximately $53.7 million, compared to a fair value of approximately $49.2 million at December 31, 2012. The fair value of the warrant portfolio at March 31, 2013 was approximately $33.3 million, compared to a fair value of approximately $29.5 million at December 31, 2012.

***Portfolio Activity***

Our investments in portfolio companies take a variety of forms, including unfunded contractual commitments and funded investments. From time to time, unfunded contractual commitments are dependent upon a portfolio company reaching certain milestones before the debt commitment is available to the portfolio company. These commitments will be subject to the same underwriting and ongoing portfolio maintenance as the on-balance sheet financial instruments that we hold. Debt commitments generally fund over the two succeeding quarters from close. Not all debt investments represent our future cash requirements. Similarly, unfunded contractual commitments may expire without being drawn and do not represent our future cash requirements.

Prior to entering into a contractual commitment, we generally issue a non-binding term sheet to a prospective portfolio company. Non-binding terms sheets are subject to completion of our due diligence and final approval process, as well as the negotiation of definitive documentation with the prospective portfolio companies. Not all non-binding term sheets are expected to close and do not necessarily represent our future cash requirements.

Our portfolio activity for the three-month periods ended March 31, 2013 (unaudited) and December 31, 2012 was comprised of the following:

| (in millions) | March 31, 2013 | December 31, 2012 |
|---|---|---|
| Debt Commitments (1) | | |
| New portfolio company | $ 162.5 | $ 362.3 |
| Existing portfolio company | 58.5 | 274.3 |
| Total | $ 221.0 | $ 636.6 |
| Funded Debt Investments | | |
| New portfolio company | $ 46.3 | $ 267.9 |
| Existing portfolio company | 90.0 | 191.4 |
| Total | $ 136.3 | $ 459.3 |
| Funded Equity Investments | | |
| New portfolio company | $ | $ 6.0 |
| Existing portfolio company | 2.0 | 3.7 |
| Total | $ 2.0 | $ 9.7 |
| Unfunded Contractual Commitments (2) | | |
| Total | $ 137.1 | $ 61.9 |
| Non-Binding Term Sheets | | |
| New portfolio company | $ 89.0 | $ 70.0 |
| Existing portfolio company | 4.0 | |
| Total | $ 93.0 | $ 70.0 |

(1) Includes restructured loans and renewals.

(2) Includes unfunded contractual commitments in 28 new and existing portfolio companies. Approximately $83.6 million of these unfunded origination activity commitments as of March 31, 2013 are dependent upon the portfolio company reaching certain milestones before the debt commitment becomes available.

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 three-month period ended March 31, 2013, we received approximately $76.0 million in principal repayments, including approximately $35.0 million of principal repayments related to a renewal of an existing debt investment, $9.1 million of early principal repayments and approximately $31.9 million in scheduled principal payments.

Total portfolio investment activity (inclusive of unearned income) for the three-month period ended March 31, 2013 (unaudited) and for the year ended December 31, 2012 was as follows:

| (in millions) | March 31, 2013 | December 31, 2012 |
|---|---|---|
| Beginning Portfolio | $ 906.3 | $ 652.9 |
| New Fundings | 138.3 | 469.9 |
| Warrants not related to current period fudings | 0.7 | (0.2) |
| Principal payments received on investments | (76.0) | (120.7) |
| Early payoffs | | (125.1) |
| Restructure payoffs | (9.7) | (48.5) |
| Restructure fundings | 9.7 | 85.0 |
| Accretion of loan discounts and paid-in-kind principal | 5.6 | 21.3 |
| New loan fees | (2.2) | (12.8) |
| Conversion of Other Assets | | 9.6 |
| Debt Converted to Equity | | 0.6 |
| Proceeds from sale of investments | (1.4) | (7.2) |
| Net realized (loss) gain on investments | (1.6) | (14.1) |
| Net change in unrealized appreciation (depreciation) | (1.7) | (4.4) |
| Ending Portfolio | $ 968.0 | $ 906.3 |

The following table shows the fair value of our portfolio of investments by asset class as of March 31, 2013 (unaudited) and December 31, 2012.

| | March 31, 2013 | | December 31, 2012 | |
|---|---|---|---|---|
| (in thousands) | Investments at Fair Value | Percentage of Total Portfolio | Investments at Fair Value | Percentage of Total Portfolio |
| Senior secured debt with warrants | $ 700,498 | 72.4% | $ 652,041 | 72.0% |
| Senior secured debt | 213,762 | 22.1% | 205,049 | 22.6% |
| Preferred stock | 39,504 | 4.1% | 33,885 | 3.7% |
| Common Stock | 14,220 | 1.4% | 15,325 | 1.7% |
| | $ 967,984 | 100.0% | $ 906,300 | 100.0% |

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

| | March 31, 2013 | | December 31, 2012 | |
|---|---|---|---|---|
| (in thousands) | Investments at Fair Value | Percentage of Total Portfolio | Investments at Fair Value | Percentage of Total Portfolio |
| United States | $ 963,809 | 99.6% | $ 901,041 | 99.4% |
| England | 4,175 | 0.4% | 5,259 | 0.6% |
| | $ 967,984 | 100.0% | $ 906,300 | 100.0% |

As of March 31, 2013, we held warrants or equity positions in five companies which have filed registration statements on Form S-1 with the SEC in contemplation of potential initial public offerings, ADMA Biologics, Inc., iWatt, Inc., Omthera Pharmaceuticals, Inc., Paratek Pharmaceuticals, Inc. and one company filed a Form S-1 Registration confidentially under the JOBS Act. There can be no assurance that these companies will complete their initial public offerings in a timely manner or at all.

***Changes in Portfolio***

We generate revenue in the form of interest income, primarily from our investments in debt securities, and commitment and facility fees. Fees generated in connection with our debt investments are recognized over the life of the loan or, in some cases, recognized as earned. In addition, we generate revenue in the form of capital gains, if any, on warrants or other equity-related securities that we acquire from our portfolio companies. Our investments generally range from $1.0 million to $25.0 million. Our debt investments have a term of between two and seven years and typically bear interest at a rate ranging from Prime to approximately 14.0% as of March 31, 2013. In addition to the cash yields received on our loans, in some instances, our loans may also include any of the following: end-of-term payments, exit fees, balloon payment fees, commitment fees, success fees, PIK provisions or prepayment fees which may be required to be included in income prior to receipt. Loan origination and commitment fees received in full at the inception of a loan are deferred and amortized into fee income as an enhancement to the related loan s yield over the contractual life of the loan. We recognize nonrecurring fees amortized over the remaining term of the loan commencing in the quarter relating to specific loan modifications. Loan exit fees to be paid at the termination of the loan are accreted into interest income over the contractual life of the loan. We had approximately $2.6 million and $2.0 million of unamortized fees at March 31, 2013 and December 31, 2012, respectively, and approximately $8.6 million and $6.8 million in exit fees receivable at March 31, 2013 and December 31, 2012, respectively.

We have loans in our portfolio that contain a PIK provision. The PIK interest, computed at the contractual rate specified in each loan agreement, is added to the principal balance of the loan and recorded as interest income. To maintain our status as a RIC, this non-cash source of income must be paid out to stockholders in the form of dividends even though we have not yet collected the cash. Amounts necessary to pay these dividends may come from available cash or the liquidation of certain investments. We recorded approximately $779,000 and $298,000 in PIK income in the three-month periods ended March 31, 2013 and 2012.

In some cases, we may collateralize our investments by obtaining a first priority security interest in a portfolio company s assets, which may include their intellectual property. In other cases, we may obtain a negative pledge covering a company s intellectual property.

At March 31, 2013, approximately 63.9% of our portfolio company loans were secured by a first priority security in all of the assets of the portfolio company, 34.6% of the loans were to portfolio companies that were prohibited from pledging or encumbering their intellectual property and 1.5% of portfolio company loans had an equipment only lien.

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

The effective yield on our debt investments during the three-month periods ended March 31, 2013 and 2012 was 14.3% and 14.6%. Excluding the effect of fee accelerations that occurred from early payoffs and one-time events, the adjusted effective yield for the three-month period ended March 31, 2013 was 13.8%. The adjusted effective yield for the three-month period ended December 31, 2012 was 13.6%. The effective yield is derived by dividing total investment income by the weighted average earning investment portfolio assets outstanding during the quarter which exclude non-interest earning assets such as warrants and equity investments. The overall weighted average yield to maturity of our loan investments was approximately 13.01% at March 31, 2013, a slight increase compared to 12.91% at December 31, 2012. The weighted average yield to maturity is computed using the interest rates in effect at the inception of each of the loans, and includes amortization of the loan facility fees, commitment fees and market premiums or discounts over the expected life of the debt investments, weighted by their respective costs when averaged and based on the assumption that all contractual loan commitments have been fully funded and held to maturity.

***Portfolio Composition***

Our portfolio companies are primarily privately held companies and, to a lesser extent, public companies which are active in the drug discovery and development, internet consumer and business services, clean technology, software, drug delivery, medical device and equipment, media/content/info, communications and networking, information services, healthcare services, diagnostic, specialty pharmaceuticals, biotechnology tools, surgical devices, consumer and business products, semiconductors, electronics and computer hardware and therapeutic 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.

As of March 31, 2013, approximately 59.4% of the fair value of our portfolio was composed of investments in four industries: 20.3% was composed of investments in the drug discovery and development industry, 14.7% was composed of investments in the internet consumer and business services industry, 14.1% was composed of investments in the clean technology industry and 10.3% was composed of investments in the medical device and equipment industry.

The following table shows the fair value of our portfolio by industry sector at March 31, 2013 (unaudited) and December 31, 2012:

| | March 31, 2013 | | December 31, 2012 | |
|---|---|---|---|---|
| (in thousands) | Investments at Fair Value | Percentage of Total Portfolio | Investments at Fair Value | Percentage of Total Portfolio |
| Drug Discovery & Development | $ 196,506 | 20.3% | $ 188,479 | 20.8% |
| Internet Consumer & Business Services | 142,362 | 14.7% | 136,149 | 15.0% |
| Clean Tech | 137,054 | 14.1% | 126,600 | 14.0% |
| Medical Device & Equipment | 99,896 | 10.3% | 54,575 | 6.0% |
| Software | 75,383 | 7.8% | 70,838 | 7.8% |
| Drug Delivery | 65,660 | 6.8% | 74,218 | 8.2% |
| Information Services | 52,342 | 5.4% | 53,523 | 5.9% |
| Media/Content/Info | 52,215 | 5.4% | 51,534 | 5.7% |
| Healthcare Services, Other | 31,416 | 3.2% | 36,481 | 4.0% |
| Communications & Networking | 30,681 | 3.2% | 37,560 | 4.1% |
| Electronics & Computer Hardware | 23,569 | 2.4% | 12,715 | 1.4% |
| Diagnostic | 15,196 | 1.6% | 16,307 | 1.8% |
| Specialty Pharma | 14,289 | 1.5% | 12,473 | 1.4% |
| Surgical Devices | 11,527 | 1.2% | 11,358 | 1.3% |
| Consumer & Business Products | 10,430 | 1.1% | 13,723 | 1.5% |
| Biotechnology Tools | 6,596 | 0.7% | 6,845 | 0.8% |
| Semiconductors | 2,862 | 0.3% | 2,922 | 0.3% |
| | $ 967,984 | 100.0% | $ 906,300 | 100.0% |

Industry and sector concentrations vary as new loans are recorded and loans pay off. Loan revenue, consisting of interest, fees, and recognition of gains on equity interests, can fluctuate dramatically when a loan is paid off or a related warrant or equity interest is sold. Revenue recognition in any given year can be highly concentrated among several portfolio companies.

For the three-months ended March 31, 2013 and the year ended December 31 2012, our ten largest portfolio companies represented approximately 33.1% and 35.2% of the total fair value of our investments in portfolio companies, respectively. At March 31, 2013 and December 31, 2012, we had four and eight investments, respectively, that represented 5% or more of our net assets. At March 31, 2013, we had five equity investments representing approximately 60.0% of the total fair value of our equity investments, and each represented 5% or more of the total fair value of our equity investments. At December 31, 2012, we had six equity investments which represented approximately 70.9% of the total fair value of our equity investments, and each represented 5% or more of the total fair value of such investments.

As of March 31, 2013, over 98.5% of our debt investments were in a senior secured first lien position, and more than 98.8% of the debt investment portfolio was priced at floating interest rates or floating interest rates with a Prime or LIBOR based interest rate floor. As a result, we believe we are well positioned to benefit should market rates increase. Our investments in senior secured debt with warrants have equity enhancement features, typically in the form of warrants or other equity-related securities designed to provide us with an opportunity for capital appreciation. Our warrant coverage generally ranges from 3% to 20% of the principal amount invested in a portfolio company, with a strike price equal to the most recent equity financing round. As of March 31, 2013, we held warrants in 117 portfolio companies, with a fair value of approximately $33.3 million. The fair value of the warrant portfolio has increased by approximately 12.9% as compared to the fair value of $29.5 million at December 31, 2012. These warrant holdings would require us to invest approximately $72.7 million to exercise such warrants. Warrants may appreciate or depreciate in value depending largely upon the underlying portfolio company s performance and overall market conditions. Of the warrants which have monetized since inception, we have realized warrant gain multiples in the range of approximately 1.04x to 10.20x based on the historical rate of return on our investments. However, these warrants may not appreciate in value and, in fact, may decline in value. Accordingly, we may not be able to realize gains from our warrant interests.

As required by the 1940 Act, we classify our investments by level of control. Control investments are defined in the 1940 Act as investments in those companies that we are deemed to control . Generally, under the 1940 Act, we are deemed to control a company in which we have invested if we own 25% or more of the voting securities of such company or have greater than 50% representation on its board. Affiliate investments are investments in those companies that are affiliated companies of ours, as defined in the 1940 Act, which are not control investments. We are deemed to be an affiliate of a company in which we have invested if we own 5% or more but less than 25% of the voting securities of such company. Non-control/non-affiliate investments are investments that are neither control investments nor affiliate investments.

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The following table summarizes our realized and unrealized gain and loss and changes in our unrealized appreciation and depreciation on control and affiliate investments for the three-month periods ended March 31, 2013 and 2012 (unaudited):

| *(in thousands)* **Portfolio Company** | **Type** | **March 31, 2013** Fair Value at March 31, 2013 | Investment Income | Unrealized (Depreciation)/ Appreciation | Reversal of Unrealized (Depreciation)/ Appreciation | Realized Gain/ (Loss) |
|---|---|---|---|---|---|---|
| Gelesis, Inc. | Non-Controlled Affiliate | 1,888 | | 222 | | |
| Optiscan BioMedical, Corp. | Non-Controlled Affiliate | 12,308 | 610 | 212 | | |
| **Total** | | $ 14,196 | $ 610 | $ 434 | $ | $ |

| *(in thousands)* **Portfolio Company** | **Type** | **March 31, 2012** Fair Value at March 31, 2012 | Investment Income | Unrealized (Depreciation)/ Appreciation | Reversal of Unrealized (Depreciation)/ Appreciation | Realized Gain/ (Loss) |
|---|---|---|---|---|---|---|
| MaxVision Holding, LLC. | Control | $ 675 | $ 13 | $ 26 | $ | $ |
| E-Band Communications, Corp. | Non-Controlled Affiliate | 1,094 | 6 | 1,076 | | |
| **Total** | | $ 1,769 | $ 19 | $ 1,102 | $ | $ |

At March 31, 2013, we did not hold any Control Investments. The Company s investment in MaxVision Holding, L.L.C., a company that was a Control Investment as of March 31, 2012, was liquidated during the year ended December 31, 2012. On July 31, 2012, we received payment of $2.0 million for its total debt investments in Maxvision Holding, L.L.C. Approximately $8.7 million of realized losses and $10.5 million of net change in unrealized appreciation was recognized on this control debt and equity investment during the year ended December 31, 2012.

During the year ended December 31, 2012, Gelesis, Inc. and Optiscan BioMedical, Corp. became non-controlled affiliates because we own 5% or more but less than 25% of the voting securities of the company.

We have one additional non-controlled affiliate investment, E-band Communications, Corp, that has a fair value of zero at March 31, 2013, and no investment income, unrealized depreciation, realized depreciation or realized loss for the three-month period ended March 31, 2013.

***Portfolio Grading***

We use an investment grading system, which grades each debt investment on a scale of 1 to 5, to characterize and monitor our expected level of risk on the debt investments in our portfolio with 1 being the highest quality. The following table shows the distribution of our outstanding debt investments on the 1 to 5 investment grading scale at fair value as of March 31, 2013 (unaudited) and December 31, 2012, respectively:

| | **March 31, 2013** | | | **December 31, 2012** | | |
|---|---|---|---|---|---|---|
| **(in thousands)** | **Number of Companies** | **Investments at Fair Value** | **Percentage of Total Portfolio** | **Number of Companies** | **Investments at Fair Value** | **Percentage of Total Portfolio** |
| **Investment Grading** | | | | | | |
| 1 | 16 | $ 154,766 | 17.6% | 9 | $ 134,166 | 16.2% |
| 2 | 50 | 580,767 | 65.9% | 52 | 542,885 | 65.6% |
| 3 | 19 | 134,650 | 15.3% | 16 | 127,560 | 15.4% |
| 4 | 3 | 5,278 | 0.6% | 5 | 22,929 | 2.8% |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 5 | 3 | | 5,550 | 0.6% | 1 | | | |
| | | $ | 881,011 | 100.0% | | $ | 827,540 | 100.0% |

As of March 31, 2013, our investments had a weighted average investment grading of 2.03 as compared to 2.06 at December 31, 2012. Our policy is to lower the grading on our portfolio companies as they approach the point in time when they will require additional equity capital. Additionally, we may downgrade our portfolio companies if they are not meeting our financing criteria and their respective business plans. Various companies in our portfolio will require additional funding in the near term or have not met their business plans and have therefore been downgraded until their funding is complete or their operations improve.

At March 31, 2013, we had two loans on non-accrual, one with a fair value of approximately $5.6 million and the other with no fair market value compared to one loan on non-accrual at December 31, 2012 with no fair market value.

***Results of Operations***

*Comparison of the three-month period ended March 31, 2013 and 2012*

***Investment Income***

Total investment income for the three-month period ended March 31, 2013 was approximately $31.0 million compared to $22.4 million in the first quarter of 2012.

Interest income for the three-month periods ended March 31, 2013 and 2012, totaled approximately $29.0 million compared to $20.3 million, respectively. The increase in interest income is attributable to an increase of loan interest income of approximately $7.0 million, back-end interest income of approximately $846,000, PIK interest income of approximately $481,000 and default interest income of approximately $461,000 for the three-month period ended March 31, 2013. The increase in interest income is attributable to growth in the overall loan portfolio.

Income from commitment, facility and loan related fees for the three-month periods ended March 31, 2013 and 2012, totaled approximately $2.0 million compared to $2.1 million, respectively. The decrease in fee income is attributable to fewer accelerations of fee income in the three-month period ended March 31, 2013.

The following table shows the PIK-related activity for the three-months ended March 31, 2013 and 2012, at cost (unaudited):

| | Three months ended March 31, 2013 | |
|---|---|---|
| **(in thousands)** | **2013** | **2012** |
| Beginning PIK loan balance | $ 3,309 | $ 2,041 |
| PIK interest capitalized during the period | 697 | 280 |
| Payments received from PIK loans | (142) | |
| **Ending PIK loan balance** | $ 3,864 | $ 2,321 |

The increase in payments received from PIK loans and PIK interest capitalized during the three-months ended March 31, 2013 is due to the addition of seven PIK loans and the payoff of one PIK loan during the period ended March 31, 2013.

In certain investment transactions, we may provide advisory services. For services that are separately identifiable and external evidence exists to substantiate fair value, income is recognized as earned, which is generally when the investment transaction closes. We had no income from advisory services in the three-month periods ended March 31, 2013 and 2012, respectively.

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***Operating Expenses***

Operating expenses, which are comprised of interest and fees on borrowings, general and administrative and employee compensation, totaled approximately $15.9 million and $11.0 million during the three month periods ended March 31, 2013 and 2012, respectively.

Interest and fees on borrowings totaled approximately $8.7 million and $5.0 million during the three month periods ended March 31, 2013 and 2012, respectively. The increase is primarily attributed to interest and fee expenses of $3.2 million related to the 2019 Notes issued in April 2012 and September 2012 and $1.3 million related to the Asset-Backed Notes issued in December 2012. These expenses were partially offset by a decrease in interest and fees of approximately $710,000 associated with our SBA debentures due to the pay down in August 2012 of $12.0 million priced at 6.43%, including annual fees, and $12.75 million priced at 6.38%, including annual fees. Additional borrowings in November 2012 of SBA debentures priced on March 27, 2013 at 3.16%, including annual fees.

We had a weighted average cost of debt comprised of interest and fees of approximately 5.9% at March 31, 2013, as compared to 6.8% during March 31, 2012. The decrease was primarily driven by the Asset-Backed Notes issued in December 2012, which account for approximately 20.8% of our outstanding debt and accrue interest at 3.32%. As of March 31, 2013 the weighted average debt outstanding was approximately $593.9 million.

General and administrative expenses include legal fees, consulting fees, accounting fees, printer fees, insurance premiums, rent, workout and various other expenses. Expenses increased to $2.2 million from $1.8 million for the three month periods ended March 31, 2013 and 2012, respectively. These increases were primarily due to increases of approximately $127,000, $112,000 and $67,000 related to office, transportation and outside consulting services as a result of increased headcount partially offset by a decrease of approximately $70,000 for accounting expenses in the three-month period ended March 31, 2013.

Employee compensation and benefits totaled approximately $3.8 million and $3.4 million during the three-month periods ended March 31, 2013 and 2012, respectively. The increase was primarily attributable to additional headcount to 61 employees at March 31, 2013 from 52 employees at March 31, 2012. Stock-based compensation totaled approximately $1.2 million and $826,000 during the three-month periods ended March 31, 2013 and 2012, respectively. These increases were due primarily to the expense on restricted stock grants of approximately 606,001 shares issued in the first quarter of 2013. See Financial Condition, Liquidity, and Capital Resources for disclosure of additional expenses.

***Net Investment Income Before Income Tax Expense and Investment Gains and Losses***

Net investment income before income tax expense for the three-month period ended March 31, 2013 totaled approximately $15.0 million as compared to $11.4 million in the three-month period ended March 31, 2012. The changes are made up of the items described above under Investment Income and Operating Expenses .

***Net Investment Realized Gains and Losses and Unrealized Appreciation and Depreciation***

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

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A summary of realized gains and losses for the three-month periods ended March 31, 2013 and 2012 is as follows:

| | March 31, | |
|---|---|---|
| **(in thousands)** | **2013** | **2012** |
| Realized gains | $ 3,613 | $ 3,690 |
| Realized losses | (1,622) | (813) |
| Net realized gains (losses) | $ 1,991 | $ 2,877 |

During the three-month period ended March 31, 2013, we recognized net realized gains of approximately $2.0 million on the portfolio. During the three-month period ended March 31, 2013, we recorded gross realized gains of approximately $3.6 million from the sale of investments in three portfolio companies. These gains were partially offset by the liquidation of our investments in five portfolio companies of approximately $1.6 million in gross realized losses.

During the three-month period ended March 31, 2012, we recognized net realized gains of approximately $2.9 million on the portfolio. We recorded approximately $2.2 million and $1.3 million of realized gains from the sale of equity in BARRX Medical, Inc. and Aegerion Pharmaceuticals, Inc., respectively. These gains were partially offset by realized losses of approximately $459,000 from the sale of our common stock in two public portfolio companies and due to the liquidation of our warrants in one private portfolio company that had a cost basis of approximately $355,000.

The net unrealized appreciation and depreciation of our investments is based on fair value of each investment determined in good faith by our Board of Directors. The following table itemizes the change in net unrealized appreciation/depreciation of investments for the three-month periods ended March 31, 2013 and 2012:

| | March 31, | |
|---|---|---|
| **(in thousands)** | **2013** | **2012** |
| Gross unrealized appreciation on portfolio investments | $ 13,224 | $ 19,330 |
| Gross unrealized depreciation on portfolio investments | (14,059) | (12,502) |
| Reversal of prior period net unrealized appreciation upon a realization event | (2,461) | (4,508) |
| Reversal of prior period net unrealized depreciation upon a realization event | 1,613 | 429 |
| Citigroup Warrant Participation | 181 | 104 |
| Net unrealized appreciation (depreciation) on portfolio investments | $ (1,502) | $ 2,853 |

During the three-months ended March 31, 2013, we recorded approximately $1.5 million of net unrealized depreciation from our debt, equity and warrant investments. Approximately $1.9 million is attributed to net unrealized appreciation on equity, of which approximately $93,000 is due to the reversal of prior period net unrealized appreciation upon being realized as a gain and $268,000 is due to the reversal of prior period net unrealized depreciation upon being realized as a loss. Approximately $3.8 million is attributed to net unrealized appreciation on our warrant investments, of which approximately $1.9 million is due to the reversal of prior period net unrealized appreciation upon being realized as a gain and $1.3 million is due to the reversal of prior period net unrealized depreciation upon being realized as a loss. We recorded approximately $7.2 million of net unrealized depreciation on our debt investments.

During the three-month period ended March 31, 2013, net unrealized investment appreciation recognized by us was increased by approximately $181,000 as a result of current quarter depreciation of fair value on the pool of warrants collateralized under the warrant participation agreement.

During the three-month period ended March 31, 2012, we recorded approximately $1.5 million of net unrealized depreciation on our debt investments and approximately $2.7 million and $1.5 million of net unrealized appreciation on our equity and warrant investments, respectively.

The following table itemizes the change in net unrealized appreciation/(depreciation) in the investment portfolio by category for the three-month periods ended March 31, 2013 and 2012.

| | Three Months Ended March 31, 2013 | | | |
|---|---|---|---|---|
| **(unaudited, in millions)** | **Loans** | **Equity** | **Warrants** | **Total** |
| Collateral based impairments | $ (5.7) | $ | $ | $ (5.7) |
| Reversals due to Loan Payoffs & Warrant/Equity sales | | 0.2 | (1.0) | (0.8) |
| Fair Value Market/Yield Adjustments* | | | | |
| Level 1 & 2 Assets | | 0.1 | 0.2 | 0.3 |
| Level 3 Assets | (1.5) | 1.6 | 4.4 | 4.5 |
| Total Fair Value Market/Yield Adjustments | (1.5) | 1.7 | 4.6 | 4.8 |
| Total Unrealized Appreciation/(Depreciation) | $ (7.2) | $ 1.9 | $ 3.6 | $ (1.7) |

| | Three Months Ended March 31, 2012 | | | |
|---|---|---|---|---|
| **(unaudited, in millions)** | **Loans** | **Equity** | **Warrants** | **Total** |
| Reversals of Prior Period Collateral based impairments | $ 1.3 | $ | $ | $ 1.3 |
| Reversals due to Loan Payoffs & Warrant/Equity sales | | (2.9) | (1.2) | (4.1) |
| Fair Value Market/Yield Adjustments* | | | | |
| Level 1 & 2 Assets | | (0.3) | 1.1 | 0.8 |
| Level 3 Assets | (2.8) | 5.9 | 1.6 | 4.7 |
| Total Fair Value Market/Yield Adjustments | (2.8) | 5.6 | 2.7 | 5.5 |
| Total Unrealized Appreciation/(Depreciation) | $ (1.5) | $ 2.7 | $ 1.5 | $ 2.7 |

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

*Income and Excise Taxes*

We account for income taxes in accordance with the provisions of ASC 740, Income Taxes, which requires that deferred income taxes be determined based upon the estimated future tax effects of differences between the financial statement and tax basis of assets and liabilities given the provisions of the enacted tax law. Valuation allowances are used to reduce deferred tax assets to the amount likely to be realized. We intend to distribute approximately $1.5 million of spillover earnings from the year ended December 31, 2012 to our shareholders in 2013.

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

For the three-month periods ended March 31, 2013 and 2012, the net increase in net assets resulting from operations totaled approximately $16.7 million and $17.1 million, respectively. These changes are made up of the items previously described.

Basic and fully diluted net change in net assets per common share was $0.30 and $0.36 for the three-month periods ended March 31, 2013 and 2012, respectively.

*Financial Condition, Liquidity, and Capital Resources*

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

At March 31, 2013, we had $75.0 million of Convertible Senior Notes payable, $170.4 million of 2019 Notes, $120.1 million of Asset-Backed Notes and $225.0 million of SBA debentures payable. We had no borrowings outstanding under either the Wells Facility or the Union Bank Facility.

At March 31, 2013, we had $311.9 million in available liquidity, including $206.9 million in cash and cash equivalents. At March 31, 2013, we had available borrowing capacity of approximately $75.0 million under the Wells Facility and $30.0 million under the Union Bank Facility, subject to existing terms and advance rates and regulatory requirements. We primarily invest cash on hand in interest bearing deposit accounts.

At March 31, 2013, we had approximately $810,000 of restricted cash. Our restricted cash consists of collections of interest and principal payments on assets that are securitized. In accordance with the terms of the related securitized Asset-Backed Notes, based on current characteristics of the securitized loan portfolios, the restricted funds may be used to pay monthly interest and principal on the securitized debt and are not distributed to us or available for our general operations. During the three months ended March 31, 2013, we principally funded our operations from (i) cash receipts from interest, dividend and fee income from our investment portfolio and (ii) cash proceeds from the realization of portfolio investments through the repayments of loan investments and the sale of loan and equity investments.

During the three-months ended March 31, 2013, our operating activities used $47.7 million of cash and cash equivalents, compared to $17.7 million used during the three-months ended March 31, 2012. The $30.0 million increase in cash used in operating activities resulted primarily from additional purchases of investments of approximately $74.1 million partially offset by an increase in principal payments received on investments of approximately $40.0 million. During the three months ended March 31, 2013, our investing activities used $864,000 of cash, compared to $12,000 during three months ended March 31, 2012. This $852,000 increase in cash used by investing activities was primarily due to an increase in cash collections of interest and principal payments, classified as restricted cash, on assets that are securitized. During the three-months ended March 31, 2013, our financing activities provided $72.5 million of cash, compared to $1.7 million during the three-months ended March 31, 2012. This $70.9 million increase in cash provided by financing activities was primarily due to an increase in proceeds from issuance of common stock of $47.4 million and a decrease in repayments of credit facilities of $25.6 million.

As of March 31, 2013, net assets totaled $615.6 million, with a net asset value per share of $10.00. We intend to generate additional cash primarily from cash flows from operations, including income earned from investments in our portfolio companies and, to a lesser extent, from the temporary investment of cash in other high-quality debt investments that mature in one year or less as well as from future borrowings as required to meet our lending activities. Our primary use of funds will be investments in portfolio companies and cash distributions to holders of our common stock.

Additionally, we expect to raise additional capital to support our future growth through future equity and debt offerings, and/or future borrowings, to the extent permitted by the 1940 Act. To the extent we determine to raise additional equity through an offering of our common stock at a price below net asset value, existing investors will experience dilution. During our 2012 Annual Shareholder Meeting held on May 30, 2012, our stockholders authorized us, with the approval of our Board of Directors, to sell up to 20% of our outstanding common stock at a net price below our then current net asset value per share and to offer and issue debt with warrants or debt convertible into shares of our common stock at an exercise or conversion price that will not be less than the fair market value per share but may be below the then current net asset value per share. There can be no assurance that these capital resources will be available. We are seeking stockholder approval of this proposal again at our 2013 Annual Meeting of Shareholders.

On July 25, 2012, our Board of Directors approved an extension of the stock repurchase plan under the same terms and conditions that allowed us to repurchase up to $35.0 million of our common stock. The stock repurchase plan expired on February 26, 2013 and no shares were repurchased in 2013.

As required by the 1940 Act, our asset coverage must be at least 200% after each issuance of senior securities. Recent legislation introduced in the U.S. House of Representatives, if passed, would modify this section of the 1940 Act and increase the amount of debt that business development companies may incur by modifying the percentage from 200% to 150%. As of March 31, 2013 our asset coverage ratio under our regulatory requirements as a business development company was 329.1%, excluding our SBA debentures as a result of our exemptive order from the SEC which allows us to exclude all SBA leverage from our asset coverage ratio. Total leverage when including our SBA debentures was 203.7% at March 31, 2013. As a result of the SEC exemptive order, our ratio of total assets on a consolidated basis to outstanding indebtedness may be less than 200%, which while providing increased investment flexibility, also may increase our exposure to risks associated with leverage.

***Outstanding Borrowings***

At March 31, 2013 (unaudited) and December 31, 2012, we had the following borrowing capacity and outstanding amounts:

| | March 31, 2013 | | December 31, 2012 | |
|---|---|---|---|---|
| **(in thousands)** | **Total Available** | **Carrying Value(1)** | **Total Available** | **Carrying Value(1)** |
| Union Bank Facility | $ 30,000 | $ | $ 30,000 | $ |
| Wells Facility | 75,000 | | 75,000 | |
| Convertible Senior Notes(2) | 75,000 | 71,707 | 75,000 | 71,436 |
| 2019 Notes | 170,364 | 170,364 | 170,364 | 170,364 |
| Asset-Backed Notes | 120,051 | 120,051 | 129,300 | 129,300 |
| SBA Debentures(3) | 225,000 | 225,000 | 225,000 | 225,000 |
| Total | $ 695,415 | $ 587,122 | $ 704,664 | $ 596,100 |

(1) Except for the Convertible Senior Notes, all carrying values are the same as the principal amount outstanding.

(2) Represents the aggregate principal amount outstanding of the Convertible Senior Notes less the unaccreted discount initially recorded upon issuance of the Convertible Senior Notes. The total unaccreted discount for the Convertible Senior Notes was $3.3 million at March 31, 2013 and $3.6 million at December 31, 2012.

(3) At March 31, 2013 and at December 31, 2012, the total available borrowings under the SBA was $225.0 million, of which $76.0 million was available in HT II and $149.0 million was available in HT III.

Our net asset value may decline as a result of economic conditions in the United States. Our continued compliance with the covenants under our Credit Facilities, Convertible Senior Notes, 2019 Notes Payable, Asset-Backed Notes and SBA debentures depend on many factors, some of which are beyond our control. Material net asset devaluation could have a material adverse effect on our operations and could require us to reduce our borrowings in order to comply with certain covenants, including the ratio of total assets to total indebtedness. We believe that our current cash and cash equivalents, cash generated from operations, and funds available from our Credit Facilities will be sufficient to meet our working capital and capital expenditure commitments for at least the next 12 months.

Debt financing costs are fees and other direct incremental costs we incur in obtaining debt financing and are recognized as prepaid expenses and amortized into the consolidated statement of operations as loan fees over the term of the related debt instrument. Prepaid financing costs, net of accumulated amortization, as of March 31, 2013 (unaudited) and December 31, 2012 were as follows:

| **(in thousands)** | **March 31, 2013** | **December 31, 2012** |
|---|---|---|
| Wells Facility | $ 789 | $ 867 |
| SBA Debenture | 5,668 | 5,877 |
| Convertible Senior Notes | 1,756 | 1,900 |
| Asset-Backed Notes | 3,809 | 4,074 |
| 2019 Notes | 6,046 | 6,287 |
| | $ 18,068 | $ 19,005 |

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***Commitments***

In the normal course of business, we are party to financial instruments with off-balance sheet risk. These consist primarily of unfunded commitments to extend credit, in the form of loans, to our portfolio companies. Unfunded commitments to provide funds to portfolio companies are not reflected on our balance sheet. Our unfunded commitments may be significant from time to time. As of March 31, 2013, we had unfunded commitments of approximately $137.1 million. Approximately $83.6 million of these unfunded debt commitments are dependent upon the portfolio company reaching certain milestones before the debt commitment becomes available. These commitments will be subject to the same underwriting and ongoing portfolio maintenance as are the on-balance sheet financial instruments that we hold. Since these commitments may expire without being drawn upon, the total commitment amount does not necessarily represent future cash requirements. Closed commitments generally fund 70-80% of the committed amount in aggregate over the life of the commitment. We intend to use cash flow from normal and early principal repayments, and proceeds from borrowings and notes to fund these commitments. However, there can be no assurance that we will have sufficient capital available to fund these commitments as they come due.

In addition, we had approximately $93.0 million of non-binding term sheets outstanding to seven new and existing companies, which generally convert to contractual commitments within approximately 45 to 60 days of signing. Non-binding outstanding term sheets are subject to completion of our due diligence and final approval process, as well as the negotiation of definitive documentation with the prospective portfolio companies. Not all non-binding term sheets are expected to close and do not necessarily represent future cash requirements.

***Contractual Obligations***

The following table shows our contractual obligations as of March 31, 2013 (unaudited):

| | Payments due by period (in thousands) | | | | |
|---|---|---|---|---|---|
| **Contractual Obligations(1)(2)** | **Total** | **Less than 1 year** | **1 - 3 years** | **3 - 5 years** | **After 5 years** |
| Borrowings(3)(4) | $ 587,123 | $ | $ 120,051 | $ 71,707 | $ 395,365 |
| Operating Lease Obligations(5) | 8,555 | 1,334 | 2,901 | 3,063 | 1,257 |
| Total | $ 595,678 | $ 1,334 | $ 122,952 | $ 74,770 | $ 396,622 |

(1) Excludes commitments to extend credit to our portfolio companies.
(2) We also have a warrant participation agreement with Citigroup. See Note 4.
(3) Includes $225.0 million in borrowings under the SBA debentures, $170.4 million of the 2019 Notes, $120.1 million in aggregate principal amount of the Asset-Backed Notes and $71.7 million of the Convertible Senior Notes.
(4) Except for the Convertible Senior Notes, all carrying values are the same as the principal amount outstanding. The aggregate principal amount outstanding of the Convertible Senior Notes less the unaccreted discount initially recorded upon issuance of the Convertible Senior Notes was $3.3 million at March 31, 2013.
(5) Long-term facility leases.

Certain premises are leased under agreements which expire at various dates through March 2020. Total rent expense amounted to approximately $329,000 and $285,000 during the three-month periods ended March 31, 2013 and 2012, respectively.

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

***Borrowings***

*Long-term SBA Debentures*

On September 27, 2006, HT II received a license to operate as a SBIC under the SBIC program and is able to borrow funds from the SBA against eligible investments and regulatory capital. Under the Small Business Investment Company Act and current SBA policy applicable to SBICs, a SBIC can have outstanding at any time SBA guaranteed debentures up to twice the amount of its regulatory capital. HT II has a total of

$76.0 million of SBA guaranteed debentures outstanding as of March 31, 2013 and has paid the SBA commitment fees of approximately $1.5 million. As of March 31, 2013, we held investments in HT II in 49 companies with a fair value of approximately $128.3 million, accounting for approximately 13.3% of our total portfolio at March 31, 2013.

On May 26, 2010, HT III received a license to operate as a SBIC under the SBIC program and is able to borrow funds from the SBA against eligible investments and additional contributions to regulatory capital. With our net investment of $74.5 million in HT III as of March 31, 2013, HT III has the capacity to issue a total of $149.0 million of SBA guaranteed debentures, subject to SBA approval, of which $149.0 million was outstanding as of March 31, 2013. As of March 31, 2013, HT III has paid commitment fees of approximately $1.5 million. As of March 31, 2013, we held investments in HT III in 37 companies with a fair value of approximately $222.9 million accounting for approximately 23.0% of our total portfolio at March 31, 2013.

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

HT II and HT III are periodically examined and audited by the SBA s staff to determine their compliance with SBA regulations. If HT II or HT III fails to comply with applicable SBA regulations, the SBA could, depending on the severity of the violation, limit or prohibit HT II s or HT III s use of debentures, declare outstanding debentures immediately due and payable, and/or limit HT II or HT III from making new investments. In addition, HT II or HT III may also be limited in their ability to make distributions to us if they do not have sufficient capital in accordance with SBA regulations. Such actions by the SBA would, in turn, negatively affect us because HT II and HT III are our wholly owned subsidiaries. HT II and HT III were in compliance with the terms of the SBIC s leverage as of March 31, 2013 as a result of having sufficient capital as defined under the SBA regulations.

The rates of borrowings under various draws from the SBA beginning in April 2007 are set semiannually in March and September and range from 2.25% to 5.73%. Interest payments on SBA debentures are payable semiannually. There are no principal payments required on these issues prior to maturity and no prepayment penalties. Debentures under the SBA generally mature ten years after being borrowed. Based on the initial draw down date of April 2007, the initial maturity of SBA debentures will occur in April 2017. In addition, the SBA charges a fee that is set annually, depending on the Federal fiscal year the leverage commitment was delegated by the SBA, regardless of the date that the leverage was drawn by the SBIC. The annual fees related to HT II debentures that pooled on September 22, 2010 were 0.406% and 0.285%, depending upon the year in which the underlying commitment was closed. The annual fees related to HT III debentures that pooled on March 27, 2013 were 0.804%. The annual fees on other debentures have been set at 0.906%. The average amount of debentures outstanding for the three-months ended March 31, 2013 for HT II was approximately $76.0 million with an average interest rate of approximately 5.30%. The average amount of debentures outstanding for the three-months ended March 31, 2013 for HT III was approximately $149.0 million with an average interest rate of approximately 3.26%.

In January 2011, we repaid $25.0 million of SBA debentures under HT II, priced at approximately 6.63%, including annual fees. In April 2011, the SBA approved a $25.0 million dollar commitment for HT III. In February 2012, we repaid $24.25 million of SBA debentures under HT II, priced at 6.63%, including annual fees. In June 2012, the SBA approved a $24.25 million dollar commitment for HT III. In August 2012, we repaid $24.75 million of SBA debentures under HT II, $12.0 million priced at 6.43%, including annual fees and $12.75 million priced at 6.38%, including annual fees.

As of March 31, 2013, the maximum statutory limit on the dollar amount of outstanding SBA guaranteed debentures issued by a single SBIC is $150.0 million, subject to periodic adjustments by the SBA, and a maximum amount of $225.0 million for funds under common control, subject to periodic adjustments by the SBA. In the aggregate, at March 31, 2013 there was $225.0 million principal amount of indebtedness outstanding incurred by our SBIC subsidiaries, bringing us to the maximum statutory limit on the dollar amount of SBA guaranteed debentures under the SBIC program.

We reported the following SBA debentures outstanding as of March 31, 2013 (unaudited) and December 31, 2012:

**(in thousands)**

| Issuance/Pooling Date | Maturity Date | Interest Rate[1] | March 31, 2013 | December 31, 2012 |
|---|---|---|---|---|
| **SBA Debentures:** | | | | |
| March 26, 2008 | March 1, 2018 | 6.38% | $ 34,800 | $ 34,800 |
| March 25, 2009 | March 1, 2019 | 5.53% | 18,400 | 18,400 |
| September 23, 2009 | September 1, 2019 | 4.64% | 3,400 | 3,400 |
| September 22, 2010 | September 1, 2020 | 3.62% | 6,500 | 6,500 |
| September 22, 2010 | September 1, 2020 | 3.50% | 22,900 | 22,900 |
| March 29, 2011 | March 1, 2021 | 4.37% | 28,750 | 28,750 |

| | | | | |
|---|---|---|---|---|
| September 21, 2011 | September 1, 2021 | 3.16% | 25,000 | 25,000 |
| March 21, 2012 | March 1, 2022 | 3.05% | 11,250 | 11,250 |
| March 21, 2012 | March 1, 2022 | 3.28% | 25,000 | 25,000 |
| September 19, 2012 | September 1, 2022 | 3.05% | 24,250 | 24,250 |
| March 27, 2013 | March 1, 2023 | 3.16% | 24,750 | 24,750 |
| **Total SBA Debentures** | | | **$ 225,000** | **$ 225,000** |

(1) Interest rate includes annual charge

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***Wells Facility***

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

On August 1, 2012, we entered into an amendment to the Wells Facility. The amendment reduces the interest rate floor by 75 basis points to 4.25% and extends the maturity date by one year to August 2015. Additionally, an amortization period of 12 months was added to pay down the principal balance as of the maturity date, and the unused line fee was reduced.

Borrowings under the Wells Facility will generally bear interest at a rate per annum equal to LIBOR plus 3.50%, with a floor of 4.25% and an advance rate of 50% against eligible loans. The Wells Facility is secured by loans in the borrowing base. The Wells Facility requires payment of a non-use fee on a scale of 0.0% to 0.50% of the average monthly outstanding balance. The monthly payment of a non-use fee thereafter shall depend on the average balance that was outstanding on a scale between 0.0% and 0.50%. For the three-month period ended March 31, 2013, this non-use fee was approximately $94,000. On June 20, 2011 we paid an additional $1.1 million in structuring fees in connection with the Wells Facility which is being amortized through the end of the term. At March 31, 2013, there were no borrowings outstanding on this facility.

The Wells Facility includes various financial and operating covenants applicable to us and our subsidiaries, in addition to those applicable to Hercules Funding II, LLC. These covenants require us to maintain certain financial ratios and a minimum tangible net worth in an amount, when added to outstanding subordinated indebtedness, that is in excess of $362.0 million plus 90% of the cumulative amount of equity raised after June 30, 2012. In addition, the tangible net worth covenant will increase by 90 cents on the dollar for every dollar of equity capital that we subsequently raise. As of March 31, 2013, the minimum tangible net worth covenant has increased to $478.5 million as a result of the October 2012 follow-on public offering of 3.1 million shares of common stock for proceeds of approximately $33.6 million and the March 2013 follow-on public offering of 8.1 million shares of common stock for proceeds of approximately $95.8 million. The Wells Facility provides for customary events of default, including, but not limited to, payment defaults, breach of representations or covenants, bankruptcy events and change of control. We were in compliance with all covenants at March 31, 2013.

***Union Bank Facility***

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

On March 30, 2012 we entered into an amendment to the Union Bank Facility which permitted us to issue additional senior notes relating to the offer and sale of our 2019 Notes. On September 17, 2012, we entered into an amendment to the Union Bank Facility. Pursuant to the terms of the amendment, we are permitted to increase our unsecured indebtedness by an aggregate original principal amount not to exceed $200.0 million incurred after March 30, 2012 in one or more issuances, provided certain conditions are satisfied for each issuance.

On December 17, 2012, we further amended the Union Bank Facility to remove RBC from the Union Bank Facility. Following the removal of RBC, the Union Bank Facility consists solely of Union Bank s commitment of $30.0 million. In connection with the amendment, the maximum availability under the Union Bank Facility, subject to a borrowing base, was reduced from $55.0 million to $30.0 million. The Union Bank Facility contains an accordion feature, in which we could increase the credit line by up to $95.0 million in the aggregate, funded by commitments from additional lenders and with the agreement of Union Bank and subject to other customary conditions. There can be no assurances that additional lenders will join the Union Bank Facility.

Borrowings under the Union Bank Facility will generally bear interest at a rate per annum equal to LIBOR plus 2.25% with a floor of 4.0%. The Union Bank Facility requires the payment of a non-use fee of 0.50% annually. For the three-month period ended March 31, 2013, this nonuse fee was approximately $37,500. The Union Bank Facility is collateralized by debt investments in our portfolio companies, and includes an advance rate equal to 50.0% of eligible loans placed in the collateral pool. The Union Bank Facility generally requires payment of interest on a monthly basis. All outstanding principal is due upon maturity. At March 31, 2013 there were no borrowings outstanding on this facility.

The Union Bank Facility requires various financial and operating covenants. These covenants require us to maintain certain financial ratios and a minimum tangible net worth in an amount, when added to outstanding subordinated indebtedness, that is in excess of $314.0 million plus 90% of the amount of net cash proceeds received from the sale of common stock after March 31, 2011. As of March 31, 2013, the minimum tangible net worth covenant has increased to $472.8 million as a result of the January and October 2012 follow-on public offerings of 5.0 and 3.1 million shares of common stock, respectively, for total net proceeds of approximately $80.9 million and the March 2013 follow-on public offering of 8.1 million shares of common stock for total net proceeds of approximately $95.6 million. The Union Bank Facility will mature on November 1, 2014, approximately three years from the date of issuance, revolving through the first 24 months with a term out provision for the remaining 12 months. Union Bank Facility also provides for customary events of default, including, but not limited to, payment defaults, breach of representations or covenants, bankruptcy events and change of control. We were in compliance with all covenants at March 31, 2013.

***Citibank Credit Facility***

We, through Hercules Funding Trust I, an affiliated statutory trust, had a securitized credit facility (the Citibank Credit Facility ) with Citigroup Global Markets Realty Corp. which expired under normal terms. During the first quarter of 2009, we paid off all principal and interest owed under the Citibank Credit Facility. Citigroup has an equity participation right through a warrant participation agreement on the pool of loans and warrants collateralized under the Citibank Credit Facility. Pursuant to the warrant participation agreement, we granted to Citigroup a 10% participation in all warrants held as collateral. However, no additional warrants were included in collateral subsequent to the facility amendment on May 2, 2007. As a result, Citigroup is entitled to 10% of the realized gains on the warrants until the realized gains paid to Citigroup pursuant to the agreement equal $3,750,000 (the Maximum Participation Limit ). The obligations under the warrant participation agreement continue even after the Citibank Credit Facility is terminated until the Maximum Participation Limit has been reached.

During the three-months ended March 31, 2013, we reduced our realized gain by approximately $207,000 for Citigroup s participation in the gain on sale of equity securities which were obtained from exercising a portfolio company warrant which was included in the collateral pool. We recorded a decrease on participation liability and an increase on unrealized appreciation by a net amount of approximately $181,000 as a result of current quarter depreciation of fair value on the pool of warrants collateralized under the warrant participation agreement. The value of their participation right on unrealized gains in the related equity investments was approximately $132,000 as of March 31, 2013 and is included in accrued liabilities. There can be no assurances that the unrealized appreciation of the warrants will not be higher or lower in future periods due to fluctuations in the value of the warrants, thereby increasing or reducing the effect on the cost of borrowing. Since inception of the agreement, we have paid Citigroup approximately $1.6 million under the warrant participation agreement thereby reducing our realized gains by this amount. We will continue to pay Citigroup under the warrant participation agreement until the Maximum Participation Limit is reached or the warrants expire. Warrants subject to the Citigroup participation agreement are set to expire between April 2013 and January 2017.

***Convertible Senior Notes***

In April 2011, we issued $75.0 million in aggregate principal amount of 6.00% convertible senior notes (the Convertible Senior Notes ) due 2016. As of March 31, 2013, the carrying value of the Convertible Senior Notes, comprised of the aggregate principal amount outstanding less the unaccreted discount initially recorded upon issuance of the Convertible Senior Notes, is approximately $71.7 million.

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

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

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

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

As of March 31, 2013, the components of the carrying value of the Convertible Senior Notes were as follows:

| (unaudited, in thousands) | As of March 31, 2013 |
|---|---|
| Principal amount of debt | $ 75,000 |
| Original issue discount, net of accretion | (3,294) |
| Carrying value of debt | $ 71,706 |

For the three-months ended March 31, 2013 and 2012, the components of interest expense, fees and cash paid for interest expense for the Convertible Senior Notes were as follows:

| | Three Months Ended March 31, | |
|---|---|---|
| (unaudited, in thousands) | 2013 | 2012 |
| Stated interest expense | $ 1,125 | $ 1,125 |
| Accretion of original issue discount | 271 | 271 |
| Amortization of debt issuance cost | 144 | 144 |
| Total interest expense | $ 1,540 | $ 1,540 |
| Cash paid for interest expense | $ | $ |

As of March 31, 2013, we are in compliance with the terms of the indentures governing the Convertible Senior Notes. See Note to our consolidated financial statements for more detail on the Convertible Senior Notes.

***2019 Notes***

On March 6, 2012, we and U.S. Bank National Association (the Trustee ) entered into an indenture (the Base Indenture ). On April 17, 2012, we and the Trustee entered into the First Supplemental Indenture to the Base Indenture (the First Supplemental Indenture ), dated April 17, 2012, relating to our issuance, offer and sale of $43.0 million aggregate principal amount of 7.00% senior notes due 2019 (the April 2019 Notes ). The sale of the April 2019 Notes generated net proceeds, before expenses, of approximately $41.7 million.

On September 24, 2012, we and the Trustee, entered into the Second Supplemental Indenture to the Base Indenture (the Second Supplemental Indenture ), dated as of September 24, 2012, relating to our issuance, offer and sale of $75.0 million aggregate principal amount of 7.00% senior notes due 2019 (the September 2019 Notes and, together with the April 2019 Notes, the 2019 Notes ). The sale of the September 2019 Notes generated net proceeds, before expenses, of approximately $72.75 million.

*April 2019 Notes*

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

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

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

In July 2012, we reopened our April 2019 Notes and issued an additional $41.5 million in aggregate principal amount of April 2019 Notes, which includes exercise of an over-allotment option, bringing the total amount of the April 2019 Notes issued to approximately $84.5 million in aggregate principal amount.

*September 2019 Notes*

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

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

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

In October 2012, the underwriters exercised their over-allotment option for an additional $10.9 million of the September 2019 Notes, bringing the total amount of the September 2019 Notes issued to approximately $85.9 million in aggregate principal amount.

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For the three months ended March 31, 2013 and 2012, the components of interest expense and cash paid for interest expense for the April 2019 Notes and September 2019 Notes are as follows:

| (unaudited, in thousands) | Three Months Ended March 31, 2013 | 2012 |
|---|---|---|
| Stated interest expense | $ 2,981 | $ |
| Amortization of debt issuance cost | 240 | |
| Total interest expense and fees | $ 3,222 | $ |
| Cash paid for interest expense and fees | $ 2,998 | $ |

As of March 31, 2013, we are in compliance with the terms of the indenture governing the 2019 Notes. See Note 4 to our consolidated financial statements for more detail on the 2019 Notes.

***Asset-Backed Notes***

On December 19, 2012, we completed a $230.7 million term debt securitization in connection with which an affiliate of ours made an offering of $129.3 million in aggregate principal amount of fixed-rate asset-backed notes (the Asset-Backed Notes ), which Asset-Backed Notes were rated A2(sf) by Moody s Investors Service, Inc. The Asset-Backed Notes were issued by Hercules Capital Funding Trust 2012-1 pursuant to a note purchase agreement, dated as of December 12, 2012, by and among us, Hercules Capital Funding 2012-1 LLC, as Trust Depositor (the Trust Depositor ), Hercules Capital Funding Trust 2012-1, as Issuer (the Issuer ), and Guggenheim Securities, LLC, as Initial Purchaser, and are backed by a pool of senior loans made to certain of our portfolio companies and secured by certain assets of those portfolio companies and are to be serviced by us. Interest on the Asset-Backed Notes will be paid, to the extent of funds available, at a fixed rate of 3.32% per annum. The Asset-Backed Notes have a stated maturity of December 16, 2017.

As part of this transaction, we entered into a sale and contribution agreement with the Trust Depositor under which we have agreed to sell or have contributed to the Trust Depositor certain senior loans made to certain of our portfolio companies (the Loans ). We have made customary representations, warranties and covenants in the sale and contribution agreement with respect to the Loans as of the date of their transfer to the Trust Depositor.

In connection with the issuance and sale of the Asset-Backed Notes, we have made customary representations, warranties and covenants in the note purchase agreement. The Asset-Backed Notes are secured obligations of the Issuer and are non-recourse to us. The Issuer also entered into an indenture governing the Asset-Backed Notes, which indenture includes customary representations, warranties and covenants. The Asset-Backed Notes were sold without being registered under the Securities Act of 1933, as amended (the Securities Act ), to qualified institutional buyers in compliance with the exemption from registration provided by Rule 144A under the Securities Act and to institutional accredited investors (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act) who in each case, are qualified purchasers for purposes of Section 3(c)(7) under the 1940 Act. In addition, the Trust Depositor entered into an amended and restated trust agreement, which includes customary representation, warranties and covenants.

The Loans are serviced by us pursuant to a sale and servicing agreement, which contains customary representations, warranties and covenants. We perform certain servicing and administrative functions with respect to the Loans. We are entitled to receive a monthly fee from the Issuer for servicing the Loans. This servicing fee equals the product of one-twelfth (or in the case of the first payment date, a fraction equal to the number of days from and including December 5, 2012 through and including January 15, 2013 over 360) of 2.00% and the aggregate outstanding principal balance of the Loans, excluding all defaulted Loans and all purchased Loans, as of the first day of the related collection period (the period from the 5th day of the immediately preceding calendar month through the 4th day of the calendar month in which a payment date occurs, and for the first payment date, the period from and including December 5, 2012, to the close of business on January 4, 2013).

We also serve as administrator to the Issuer under an administration agreement, which includes customary representations, warranties and covenants.

At March 31, 2013 and December 31, 2012, the Asset-Backed Notes had an outstanding balance of $120.1 million and $129.3 million, respectively.

Under the terms of the Asset Backed Notes, we are required to maintain a reserve cash balance, funded through interest and principal collections from the underlying securitized debt portfolio, which may be used to pay monthly interest and principal payments on the Asset-Backed Notes. We have segregated these funds and classified them as Restricted Cash. There was approximately $810,000 of Restricted Cash as of March 31, 2013 funded through interest collections. There was no cash segregated at December 31, 2012 due to immaterial monthly interest collections for the period ended December 31, 2012.

***Dividends***

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

| Date Declared | Record Date | Payment Date | Amount Per Share |
|---|---|---|---|
| October 27, 2005 | November 1, 2005 | November 17, 2005 | $ 0.03 |
| December 9, 2005 | January 6, 2006 | January 27, 2006 | 0.30 |
| April 3, 2006 | April 10, 2006 | May 5, 2006 | 0.30 |
| July 19, 2006 | July 31, 2006 | August 28, 2006 | 0.30 |
| October 16, 2006 | November 6, 2006 | December 1, 2006 | 0.30 |
| February 7, 2007 | February 19, 2007 | March 19, 2007 | 0.30 |
| May 3, 2007 | May 16, 2007 | June 18, 2007 | 0.30 |
| August 2, 2007 | August 16, 2007 | September 17, 2007 | 0.30 |
| November 1, 2007 | November 16, 2007 | December 17, 2007 | 0.30 |
| February 7, 2008 | February 15, 2008 | March 17, 2008 | 0.30 |
| May 8, 2008 | May 16, 2008 | June 16, 2008 | 0.34 |
| August 7, 2008 | August 15, 2008 | September 19, 2008 | 0.34 |
| November 6, 2008 | November 14, 2008 | December 15, 2008 | 0.34 |
| February 12, 2009 | February 23, 2009 | March 30, 2009 | 0.32 |
| May 7, 2009 | May 15, 2009 | June 15, 2009 | 0.30 |
| August 6, 2009 | August 14, 2009 | September 14, 2009 | 0.30 |
| October 15, 2009 | October 20, 2009 | November 23, 2009 | 0.30 |
| December 16, 2009 | December 24, 2009 | December 30, 2009 | 0.04 |
| February 11, 2010 | February 19, 2010 | March 19, 2010 | 0.20 |
| May 3, 2010 | May 12, 2010 | June 18, 2010 | 0.20 |
| August 2, 2010 | August 12, 2010 | September 17,2010 | 0.20 |
| November 4, 2010 | November 10, 2010 | December 17, 2010 | 0.20 |
| March 1, 2011 | March 10, 2011 | March 24, 2011 | 0.22 |
| May 5, 2011 | May 11, 2011 | June 23, 2011 | 0.22 |
| August 4, 2011 | August 15, 2011 | September 15, 2011 | 0.22 |
| November 3, 2011 | November 14, 2011 | November 29, 2011 | 0.22 |
| February 27, 2012 | March 12, 2012 | March 15, 2012 | 0.23 |
| April 30, 2012 | May 18, 2012 | May 25, 2012 | 0.24 |
| July 30, 2012 | August 17, 2012 | August 24, 2012 | 0.24 |
| October 26, 2012 | November 14, 2012 | November 21, 2012 | 0.24 |
| February 26, 2013 | March 11, 2013 | March 19, 2013 | 0.25 |
| April 29, 2013 | May 14, 2013 | May 21, 2013 | 0.27 |
| | | | $ 8.16 |

* Dividend paid in cash and stock.

On April 29, 2013 the Board of Directors increased the quarterly dividend $0.02, or approximately 8.0%, and declared a cash dividend of $0.27 per share that is to be paid on May 21, 2013 to shareholders of record as of May 14, 2013. This dividend is our thirty-first consecutive quarterly dividend declaration since our initial public offering, and will bring the total cumulative dividend declared to date to $8.16 per share.

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

Distributions in excess of our current and accumulated earnings and profits would generally be treated first as a return of capital to the extent of the stockholder s tax basis, and any remaining distributions would be treated as a capital gain. The determination of the tax attributes of our distributions is made annually as of the end of our fiscal year based upon our taxable income for the full year and distributions paid for the full year. Of the dividends declared during the year ended December 31, 2012 and 2011, 100% were distributions of ordinary income. There can be no certainty to stockholders that this determination is representative of what the tax attributes of our 2013 distributions to stockholders will actually be.

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

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

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

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

We intend to distribute approximately $1.5 million of spillover earnings from the year ended December 31, 2012 to our shareholders in 2013.

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

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***Critical Accounting Policies***

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

*Valuation of Portfolio Investments*

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

Our investments are carried at fair value in accordance with the 1940 Act and Accounting Standards Codification ( ASC ) topic 820 Fair Value Measurements and Disclosures (formerly known as SFAS No. 157, Fair Value Measurements). At March 31, 2013, approximately 79.9% of our total assets represented investments in portfolio companies that are valued at fair value by the Board of Directors. Value, as defined in Section 2(a)(41) of the 1940 Act, is (i) the market price for those securities for which a market quotation is readily available and (ii) for all other securities and assets, fair value is as determined in good faith by the Board of Directors. Our debt securities are primarily invested in venture capital-backed companies in technology-related markets, including technology, biotechnology, life science and clean technology industries. Given the nature of lending to these types of businesses, our investments in these portfolio companies are generally considered Level 3 assets under ASC 820 because there is no known or accessible market or market indexes for these investment securities to be traded or exchanged. As such, it values substantially all of its investments at fair value as determined in good faith pursuant to a consistent valuation policy and our Board of Directors in accordance with the provisions of ASC 820 and the 1940 Act. Due to the inherent uncertainty in determining the fair value of investments that do not have a readily available market value, the fair value of our investments determined in good faith by our Board may differ significantly from the value that would have been used had a readily available market existed for such investments, and the differences could be material.

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

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

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

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

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

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

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

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

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

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

Level 3 Inputs reflect management s best estimate of what market participants would use in pricing the asset at the measurement date. It includes prices or valuations that require inputs that are both significant to

the fair value measurement and unobservable. Generally, assets carried at fair value and included in this category are the debt investments and warrants and equities held in a private company.

In accordance with ASU 2011-04, the following table provides quantitative information about our Level 3 fair value measurements of our investments as of December 31, 2012. In addition to the techniques and inputs noted in the table below, according to our valuation policy we may also use other valuation techniques and methodologies when determining our fair value measurements. The below table is not intended to be all-inclusive, but rather provides information on the significant Level 3 inputs as they relate to our fair value measurements.

| Investment Type - Level Three Debt Investments | Fair Value at March 31, 2013 *(unaudited, in thousands)* | Valuation Techniques/ Methodologies | Unobservable Input[a] | Range |
|---|---|---|---|---|
| Pharmaceuticals - Debt | $ 264,707 | Market Comparable Companies | Hypothetical Market Yield | 13.84% - 19.29% |
| | | | Premium/(Discount) | (2.0%) - 1.0% |
| | | Option Pricing Model[b] | Average Industry Volatility[c] | 57.97% |
| | | | Risk Free Interest Rate | 0.170% |
| | | | Estimated Time to Exit (in months) | 12.17 |
| Medical Devices - Debt | 60,674 | Market Comparable Companies | Hypothetical Market Yield | 16.77% |
| | | | Premium | 0.00% - 1.00% |
| Technology - Debt | 164,844 | Market Comparable Companies | Hypothetical Market Yield | 12.36% - 19.30% |
| | | | Premium/(Discount) | (2.00%) - 2.00% |
| | | Liquidation | Investment Collateral | $0.00 - $7.08 million |
| Clean Tech - Debt | 105,436 | Market Comparable Companies | Hypothetical Market Yield | 13.03% - 17.17% |
| | | | Premium | 0.00% - 1.00% |

| | | | | |
|---|---|---|---|---|
| Lower Middle Market - Debt | 285,350 | Market Comparable Companies | Hypothetical Market Yield | 11.07% - 21.85% |
| | | | Premium | 0.00% - 1.00% |
| | | Broker Quote[d] | Price Quotes | 81.0% - 100% of par |
| | | | Market Comparable Index | |
| | | | Yield Spreads | 3.50% - 5.93% |
| | | | Par Value | $30.0 million |
| Total Level Three Debt Investments | $ 881,011 | | | |

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

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

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

Technology, above, is comprised of debt investments in the Software, Semiconductors, Electronics and Computer Hardware, Internet Consumer and Business Services, Information Services, Media/Content/Info and Communications and Networking industries in the Schedule of Investments.

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

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

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

| Investment Type - | | Fair Value at March 31, 2013 *(unaudited, in thousands)* | Valuation Techniques/ Methodologies | Unobservable Input[(a)] | Range |
|---|---|---|---|---|---|
| Level Three Equity Investments | $ | 40,106 | Market Comparable Companies | EBITDA Multiple[(b)] | 4.30x - 24.55x |
| | | | | Revenue Multiple[(b)] | 0.59x - 16.29x |
| | | | | Discount for Lack of Marketability[(c)] | 10.4% - 25.20% |
| Level Three Warrant Investments | | 28,030 | Market Comparable Companies | EBITDA Multiple[(b)] | 4.30x - 24.55x |
| | | | | Revenue Multiple[(b)] | 0.59x - 16.29x |
| | | | | Discount for Lack of Marketability[(c)] | 10.4% - 25.20% |
| Warrant positions additionally subject to: | | | Option Pricing Model | Average Industry Volatility[(d)] | 43.53% - 140.36% |
| | | | | Risk-Free Interest Rate | 0.15% - 0.64% |
| | | | | Estimated Time to Exit (in months) | 12 - 48 |
| Total Level Three Warrant and Equity Investments | $ | 68,136 | | | |

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

Debt Investments

We follow the guidance set forth in ASC 820 which establishes a framework for measuring the fair value of assets and liabilities and outlines a fair value hierarchy which prioritizes the inputs used to measure fair value and the effect of fair value measures on earnings. Our debt securities are primarily invested in venture capital-backed companies in technology-related markets, including technology, biotechnology, life science and clean-technology industries at all stages of development. Given the nature of lending to these types of businesses, our investments in these portfolio companies are considered Level 3 assets under ASC 820 because there is no known or accessible market or market indexes for these investment securities to be traded or exchanged.

In making a good faith determination of the value of our investments, we generally start with the cost basis of the investment, which includes the value attributed to the OID, if any, and PIK interest which has been accrued to principal as earned. We then apply the valuation methods as set forth below.

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

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

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

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

Equity-Related Securities and Warrants

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

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

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*Income Recognition.*

We record interest income on the accrual basis and we recognize it as earned in accordance with the contractual terms of the loan agreement to the extent that such amounts are expected to be collected. Original Issue Discount ( OID ) initially represents the value of detachable equity warrants obtained in conjunction with the acquisition of debt securities and is accreted into interest income over the term of the loan as a yield enhancement. When a loan becomes 90 days or more past due, or if management otherwise does not expect the portfolio company to be able to service its debt and other obligations, we will generally place the loan on non-accrual status and cease recognizing interest income on that loan until all principal has been paid. Any uncollected interest related to prior periods is reversed from income in the period that collection of the interest receivable is determined to be doubtful. However, we may make exceptions to this policy if the investment has sufficient collateral value and is in the process of collection. At March 31, 2013, we had two loans on non-accrual, one with a fair value of approximately $5.6 million and the other with no fair market value compared to one loan at December 31, 2012 with no fair market value.

*Paid-In-Kind and End of Term Income.*

Contractual paid-in-kind ( PIK ) interest, which represents contractually deferred interest added to the loan balance that is generally due at the end of the loan term, is generally recorded on the accrual basis to the extent such amounts are expected to be collected. We will generally cease accruing PIK interest if there is insufficient value to support the accrual or we do not expect the portfolio company to be able to pay all principal and interest due. In addition, we may also be entitled to an end-of-term payment that we amortize into income over the life of the loan. To maintain our status as a RIC, PIK and end-of-term income must be paid out to stockholders in the form of dividends even though we have not yet collected the cash. Amounts necessary to pay these dividends may come from available cash or the liquidation of certain investments. We recorded approximately $779,000 and $298,000 in PIK income in the three-month periods ended March 31, 2013 and 2012, respectively.

*Fee Income.*

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

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

*Equity Offering Expenses*

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

*Debt Issuance Costs*

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

*Stock-Based Compensation.*

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

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*Federal Income Taxes.*

We intend to operate so as to qualify to be taxed as a RIC under Subchapter M of the Code and, as such, will not be subject to federal income tax on the portion of our taxable income and gains distributed to stockholders. To qualify as a RIC, we are required to distribute at least 90% of our investment company taxable income, as defined by the Code. We are subject to a non-deductible federal excise tax if we do not distribute at least 98% of our taxable income and 98.2% of our capital gain net income for each one year period ending on October 31. At December 31, 2012, 2011, 2010 and 2009, no excise tax was recorded. We intend to distribute approximately $1.5 million of spillover earnings from the year ended December 31, 2012 to our shareholders in 2013. Because federal income tax regulations differ from accounting principles generally accepted in the United States, distributions in accordance with tax regulations may differ from net investment income and realized gains recognized for financial reporting purposes. Differences may be permanent or temporary. Permanent differences are reclassified among capital accounts in the financial statement to reflect their tax character. Temporary differences arise when certain items of income, expense, gain or loss are recognized at some time in the future. Differences in classification may also result from the treatment of short-term gains as ordinary income for tax purposes.

***Subsequent Events***

*Dividend Declaration*

On April 29, 2013 the Board of Directors increased the quarterly dividend by $0.02, or approximately 8.0%, and declared a cash dividend of $0.27 per share to be paid on May 21, 2013 to shareholders of record as of May 14, 2013. This dividend would represent our thirty-first consecutive dividend declaration since our initial public offering, bringing the total cumulative dividend declared to date to $8.16 per share.

*Closed and Pending Commitments*

As of April 29, 2013, we have:

a. Closed commitments of approximately $20.0 million to new and existing portfolio companies, and funded approximately $28.0 million since the close of the first quarter of 2013.

b. Pending commitments (signed non-binding term sheets) of approximately $179.0 million.

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

| **Closed Commitments and Pending Commitments (in millions)** | |
|---|---|
| Q1-13 Closed Commitments | $ 224.0 |
| Q2-13 Closed Commitments (as of April 29, 2013) | $ 20.0 |
| **Total year-to-date 2013 Closed Commitments(a)** | **$ 244.0** |
| Pending Commitments (as of April 29, 2013)(b) | $ 179.0 |
| **Total 2013** | **$ 423.0** |

Notes:

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

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

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*Company Developments*

In April 2013, Kroll Bond Rating Agency ( KBRA ) assigned Hercules an investment grade corporate rating of BBB+. In addition, our two outstanding bond issuances of 7.00% Senior Notes due 2019, which trade on the NYSE under the symbols HTGZ and HTGY, were assigned a rating of BBB+.

*Portfolio Company Developments*

In April 2013, Japanese company Ajinomoto Co., Inc. (TYO: 2802) completed its acquisition of our portfolio company Althea Technologies.

In April 2013, Omthera Pharmaceuticals, Inc., ( OMTH ) completed its initial public offering of 8,000,000 shares of its common stock at $8.00 per share.

In April 2013, Portola Pharmaceuticals, Inc. filed a registration statement on Form S-1 with the U.S. Securities and Exchange Commission relating to a proposed initial public offering of its common stock. The number of shares to be offered and the price range for the offering have not yet been determined.

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

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

We are subject to financial market risks, including changes in interest rates. During the three month period ended March 31, 2013, approximately 98.8% of the loans in our portfolio had variable rates based on floating Prime or LIBOR, or variable rates with a floor. Assuming no changes to our balance sheet as of March 31, 2013, a hypothetical one percent increase in Prime or LIBOR on our floating rate assets would increase our net investment income by approximately $0.11 per average share over the next twelve months. Assuming no changes to our balance sheet as of March 31, 2013, a hypothetical one percent decrease in Prime or LIBOR on our floating rate assets would have no impact on our net investment income per average share over the next twelve months. This hypothetical result includes additional 1% interest on our idle cash funds as well as additional interest income on our investment portfolio. Our liabilities bear interest at fixed rates. We do not currently engage in any hedging activities. However, we may, in the future, hedge against interest rate fluctuations by using standard hedging instruments such as futures, options, and forward contracts. While hedging activities may insulate us against changes in interest rates, they may also limit our ability to participate in the benefits of lower interest rates with respect to our borrowed funds and higher interest rates with respect to our portfolio of investments. During the three-month period ended March 31, 2013, we did not engage in interest rate hedging activities.

Interest rates on our borrowings are based primarily on LIBOR. Borrowings under our SBA program are fixed at the ten year treasury rate every March and September for borrowings of the preceding nine-months. Borrowings under the program are charged interest based on ten year treasury rates plus a spread and the rates are generally set for a pool of debentures issued by the SBA in nine-month periods. The rates of borrowings under the various draws from the SBA beginning in April 2007 and set semiannually in March and September range from 2.25% to 5.73%. In addition, the SBA charges a fee that is set annually, depending on the Federal fiscal year the leverage commitment was delegated by the SBA, regardless of the date that the leverage was drawn by the SBIC. The annual fees related to HT II debentures that pooled on September 22, 2010 were 0.406% and 0.285%, depending upon the year in which the underlying commitment was closed. The annual fees related to HT III debentures that pooled on March 27, 2013 were 0.804%. The annual fees on other debentures have been set at 0.906%. The average amount of debentures outstanding for the three-month period ended March 31, 2013 for HT II was approximately $76.0 million with an average interest rate of approximately 5.3%. The average amount of debentures outstanding for the three-month period ended March 31, 2013 for HT III was approximately $149.0 million with an average interest rate of approximately 3.26%. Interest is payable semiannually and there are no principal payments required on these issues prior to maturity. Debentures under the SBA generally mature ten years after being borrowed. Based on the initial draw down date of April 2007, the initial maturity of SBA debentures will occur in April 2017.

Borrowings under the Wells Facility will generally bear interest at a rate per annum equal to LIBOR plus 3.50%, with a floor of 4.25% and an advance rate of 50% against eligible loans. The Wells Facility is secured by loans in the borrowing base. The Wells Facility requires payment of a non-use fee on a scale of 0.0% to 0.50% of the average monthly outstanding balance. For the three-month period ended March 31, 2013, this non-use fee was approximately $94,000. On June 20, 2011 we paid an additional $1.1 million in structuring fees in connection with the Wells Facility which is being amortized through June 2014. At March 31, 2013, there was no debt outstanding under the Wells Facility.

Borrowings under the Union Bank Facility will generally bear interest at a rate per annum equal to LIBOR plus 2.25% with a floor of 4.0%. The Union Bank Facility required the payment of an unused fee of 0.50% annually. For the three-month period ended March 31, 2013, this non-use fee was approximately $37,500. The Union Bank Facility is collateralized by debt investments in our portfolio companies, and includes an advance rate equal to 50% of eligible loans placed in the collateral pool. The Union Bank Facility generally requires payment of interest on a monthly basis. All outstanding principal is due upon maturity. There were no outstanding borrowings under this facility at March 31, 2013. On November 2, 2011, we renewed and amended the Union Bank Facility. The other terms of the Union Bank Facility generally remain unchanged, including the stated interest rate. The Union Bank Facility will mature on November 1, 2014, revolving through the first 24 months with a term out provision for the remaining 12 months.

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

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

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

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

In connection with our $230.7 million Debt Securitization, the Securitization Issuer made an offering of $129.3 million in aggregate principal amount of the Asset-Backed Notes. Interest on the Asset-Backed Notes will be paid, to the extent of funds available, at a fixed rate of 3.32% per annum. The Asset-Backed Notes have a stated maturity of December 16, 2017.

As of the closing date of the Debt Securitization, all of the floating rate Loans sold and/or contributed to the Securitization Issuer are subject to interest rate floors. As of the closing date of the Debt Securitization, all of the floating rate Loans are accruing interest at the applicable interest rate floors specified thereunder, which rate floors are in excess of the fixed rate of interest accruing on the Asset-Backed Notes, which naturally hedges the Securitization Issuer s assets and liabilities. However, there is no requirement for any Loan to have an interest rate floor and there can be no assurance that any such interest rate floor will fully mitigate any decrease in excess spread (i.e. the difference between the interest collected on the Loans and the sum of the interest payable on the Asset-Backed Notes and certain transaction fees and expenses payable by the Issuer) that otherwise would be available to make payments on the Asset-Backed Notes, as credit support, or as otherwise provided in the priority of payments under the documents governing the Debt Securitization. In the unlikely event that a breach of the representations and warranties under the documents governing the Debt Securitization with respect to the Loans in the pool as of the closing date of the Debt Securitization were to occur, a substantial volume of substitutions of Loans in the pool could result. There can be no assurance that the applicable margins and any applicable interest rate floors on such substitute Loans would be in excess of the interest on the Asset-Backed Notes. As a result of such substitutions, and subject in the case of floating rate Loans to changes in the level of LIBOR or any other applicable floating rate index, a mismatch could therefore arise between the rates of interest accruing in connection with the Loans in the pool and the fixed rate of interest accruing on the Asset-Backed Notes. Consequently, amounts payable by the Securitization Issuer could exceed collections on the Loans in the pool, which could delay, reduce or eliminate the ability of the Securitization Issuer to make distributions in respect of the equity interest that we indirectly hold.

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

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**ITEM 4. CONTROLS AND PROCEDURES**

**Disclosure Controls and Procedures**

Our chief executive and chief financial officers, under the supervision and with the participation of our management, conducted an evaluation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934. As of the end of the period covered by this quarterly report on Form 10-Q, our chief executive and chief financial officers have concluded that our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and that information required to be disclosed by us in the reports that it files or submits under the Securities Exchange Act of 1934 is accumulated and communicated to our management, including its chief executive and chief financial officers, as appropriate to allow timely decisions regarding required disclosure.

**Changes in Internal Control Over Financial Reporting**

There have been no other changes in our internal control over financing reporting, as defined in Rules 13a-15(f) and 15d-15(f) of the Securities Exchange Act of 1934, as amended, that occurred during our most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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## PART II: OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

We may, from time to time, be involved in litigation arising out of our operations in the normal course of business or otherwise. Furthermore, third parties may try to seek to impose liability on us in connection with the activities of our portfolio companies. While the outcome of any current legal proceedings cannot at this time be predicted with certainty, we do not expect any current matters will materially affect our financial condition or results of operations; however, there can be no assurance whether any pending legal proceedings will have a material adverse effect on our financial condition or results of operations in any future reporting period.

### ITEM 1A. RISK FACTORS

In addition to the risks discussed below, important risk factors that could cause results or events to differ from current expectations are described in Part I, Item 1A Risk Factors of our Annual Report on Form 10-K for the year ended December 31, 2012.

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

Our total investment in companies may be significant individually or in the aggregate. As a result, if a significant investment in one or more companies fails to perform as expected, our financial results could be more negatively affected and the magnitude of the loss could be more significant than if we had made smaller investments in more companies. The following table shows the fair value of the totals of investments held in portfolio companies at March 31, 2013 (unaudited) that represent greater than 5% of net assets:

| | March 31, 2013 | |
|---|---|---|
| **(in thousands)** | **Fair Value** | **Percentage of Net Assets** |
| Box, Inc. | $ 48,455 | 7.9% |
| Merrimack Pharmaceuticals, Inc | $ 43,816 | 7.1% |
| BrightSource Energy, Inc. | $ 34,801 | 5.7% |
| Comverge, Inc. | $ 33,358 | 5.4% |

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

Merrimack Pharmaceuticals, Inc. is a biopharmaceutical company discovering, developing and preparing to commercialize innovative medicines paired with companion diagnostics for the treatment of serious diseases, with an initial focus on cancer.

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

Comverge, Inc. provides clean energy solutions.

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

***Investing in publicly traded companies can involve a high degree of risk and can be speculative.***

We have invested, and expect to continue to invest, a portion of our portfolio in publicly traded companies or companies that are in the process of completing their initial public offering, or IPO. As publicly traded companies, the securities of these companies may not trade at high volumes, and prices can be volatile, which may restrict our ability to sell our positions and may have a material impact on us.

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**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

During the three-month period ended March 31, 2013, we issued approximately 40,000 shares of common stock to shareholders in connection with the dividend reinvestment plan. These issuances were not subject to the registration requirements of the Securities Act of 1933, as amended. The aggregate value the shares of our common stock issued under our dividend reinvestment plan was approximately $488,000.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

Not Applicable

**ITEM 4. MINE SAFETY DISCLOSURES**

Not Applicable

**ITEM 5. OTHER INFORMATION**

Not Applicable

**ITEM 6. EXHIBITS**

| Exhibit Number | Description |
|---|---|
| 31.1 | Chief Executive Officer Certification Pursuant to Exchange Act Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002* |
| 31.2 | Chief Financial Officer Certification Pursuant to Exchange Act Rule 13a-14 (a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002* |
| 32.1 | Chief Executive Officer Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002* |
| 32.2 | Chief Financial Officer Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002* |

* Filed herewith.

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## SIGNATURES

Pursuant to the requirements of the Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

HERCULES TECHNOLOGY GROWTH CAPITAL, INC.
(Registrant)

| | |
|---|---|
| Dated: May 2, 2013 | /s/ MANUEL A. HENRIQUEZ<br>**Manuel A. Henriquez**<br>**Chairman, President, and Chief Executive Officer** |
| Dated: May 2, 2013 | /s/ JESSICA BARON<br>**Jessica Baron**<br>**Vice President, Finance and Chief Financial Officer** |

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## EXHIBIT INDEX

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