HERCULES TECHNOLOGY GROWTH CAPITAL INC
Form POS 8C
March 09, 2006
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As filed with the Securities and Exchange Commission on March 9, 2006

Registration No. 333-126604

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM N-2

(Check appropriate box or boxes)

¨ **REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933**
¨ **Pre-Effective Amendment No.**
x **Post-Effective Amendment No. 3**

HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

(Exact Name of Registrant as Specified in Charter)

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525 University Avenue, Suite 700

Palo Alto, CA 94301

(650) 289-3060

(Address and Telephone Number of Principal Executive Offices)

Manuel A. Henriquez

Chairman of the Board, President and Chief Executive Officer

Hercules Technology Growth Capital, Inc.

525 University Avenue, Suite 700

Palo Alto, California 94301

(Name and Address of Agent for Service)

Copy to:

Christopher J. Austin, Esq.

Ropes & Gray LLP

One Embarcadero Center, Suite 2200

San Francisco, California 94111

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

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

If appropriate, check the following box:

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

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

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Registration No. 333-126604

3,801,965 Shares Common Stock

And

673,223 Warrants to Purchase Common Stock

And

673,223 Shares of Common Stock Issuable upon

Exercise of the Warrants

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

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

This prospectus relates to:

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

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

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

Our common stock is traded on the Nasdaq National Market under the symbol HTGC. The last reported sale price for our common stock on March 7, 2006 was $11.04 per share. Our warrants are quoted on the OTC Bulletin Board under the symbol HTGCW There can be no assurance that an active public market for the warrants will develop, or if such a market develops, it will be maintained. We do not intend to apply, and are not obligated to apply, to list the warrants on any national securities exchange or the Nasdaq National Market.

An investment in our common stock and warrants involves risks and involves a heightened risk of total loss of investment. In addition, the companies in which we invest are subject to special risks. See Risk Factors beginning on page 12 to read about risks that you should consider before investing in our common stock, including the risk of leverage.

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

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

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

The date of this prospectus is March 9, 2006

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

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SUMMARY

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

Our Company

We are a specialty finance company that provides debt and equity growth capital to technology-related and life sciences companies at all stages of development. We primarily finance privately-held companies backed by leading venture capital and private equity firms and also may invest in select publicly-traded companies that lack access to public capital or are sensitive to equity ownership dilution. We source our investments through our principal office located in Silicon Valley, as well as our additional offices in the Boston, Boulder and Chicago areas. Our goal is to be the leading structured mezzanine capital provider of choice for venture capital and private equity backed technology-related and life sciences companies requiring sophisticated and customized financing solutions. We invest primarily in structured mezzanine debt and, to a lesser extent, in senior debt and equity. We use the term structured mezzanine debt investment to refer to any debt investment, such as a senior or subordinated secured loan, that is coupled with an equity component, including warrants, options or rights to purchase common or preferred stock. Our structured mezzanine debt investments will typically be secured by some or all of the assets of the portfolio company.

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

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

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

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

From incorporation through December 31, 2005, we were taxed as a corporation under Subchapter C of the Internal Revenue Code of 1986, as amended, which we refer to in this prospectus as the Code. We currently intend to seek to be treated for federal income tax purposes as a RIC under Subchapter M of the Code with the filing of our federal corporate income tax return for 2006, which election, when actually made, would be effective as of January 1, 2006. As a RIC, we generally will not pay corporate-level federal income taxes on any

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ordinary income or capital gains that we distribute to our stockholders as dividends. We may be required, however, to pay corporate-level federal income taxes on gains built into our assets as of the effective date of our RIC election. See Certain United States Federal Income Tax Considerations Conversion to Regulated Investment Company Status. To obtain and maintain the federal income tax benefits of RIC status, we must meet specified source-of-income and asset diversification requirements and distribute annually an amount equal to at least 90% of the sum of our net ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any, out of assets legally available for distribution. See Distributions. There is no assurance that we will meet these tests and be eligible to make a RIC election. As of the date of this prospectus, we cannot determine the probability that during 2006 we will qualify as a RIC when we file our 2006 tax return. If we do not qualify or elect to make a RIC election, we would continue to be taxed as a C corporation.

We commenced investment operations in September 2004. At December 31, 2005, we had approximately $171.8 million of outstanding structured mezzanine debt investments in 31 portfolio companies and equity investments of $4.9 million, for a total investment portfolio at fair value of $176.7 million. In addition, at December 31, 2005, we had unfunded contractual commitments of $30.2 million.

At December 31, 2005, the weighted average yield to maturity of our loan obligations was approximately 12.87%. Yields to maturity are computed using interest rates as of December 31, 2005 and include amortization of loan facility fees, original issue discounts, commitment fees and market premiums or discounts over the expected life of the debt investments, weighted by their respective costs when averaged and are based on the assumption that all contractual loan commitments have been fully funded.

The following table summarizes our investments in our portfolio companies at fair value as of December 31, 2005.

Company	Principal Business	Fair Value of Investment
Acceleron Pharmaceuticals, Inc.	Biopharmaceuticals	$ 4,000,593
Guava Technologies, Inc.	Biopharmaceuticals	4,500,948
Labopharm USA, Inc.	Biopharmaceuticals	11,236,688
Merrimack Pharmaceuticals, Inc.	Biopharmaceuticals	9,019,343
Omrix Biopharmaceuticals, Inc.	Biopharmaceuticals	4,760,181
Paratek Pharmaceuticals, Inc.	Biopharmaceuticals	10,031,201
Atrenta, Inc.	Software	5,005,741
Concuity, Inc.	Software	4,567,873
Gomez, Inc.	Software	2,207,542
Inxight Software, Inc.	Software	5,003,014
Metreo, Inc.	Software	1,266,000
Proficiency, Inc.	Software	4,011,907
Sportvision, Inc.	Software	3,526,642
Talisma Corp.	Software	3,422,242
Wageworks, Inc.	Consumer and business products	19,827,725
IKANO Communications, Inc.	Communications and networking	16,517,499
Interwise, Inc.	Communications and networking	2,809,653
Occam Networks, Inc.	Communications and networking	3,195,320
Optovia Corporation	Communications and networking	5,000,000
Pathfire, Inc.	Communications and networking	5,002,626
Adiana, Inc.	Medical devices and equipment	2,510,383
Optiscan Biomedical, Corp.	Medical devices and equipment	2,764,248
Power Medical Interventions, Inc.	Medical devices and equipment	4,026,005
Xillix Technologies Corp.	Medical devices and equipment	5,521,190

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Company	Principal Business	Fair Value of Investment
Affinity Express, Inc.	Internet consumer and business services	2,011,367
Invoke Solutions, Inc.	Internet consumer and business services	1,501,546
RazorGator Interactive Group, Inc.	Internet consumer and business services	5,160,686
Cornice, Inc.	Electronics and computer hardware	12,844,786
Sling Media, Inc.	Electronics and computer hardware	4,910,394
Ageia Technologies	Semiconductors	8,508,104
Cradle Technologies	Semiconductors	2,001,779
	Total investments	$ 176,673,226

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

Our Market Opportunity

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

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

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

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

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

Our Business Strategy

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

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

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

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

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

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

Deal Sourcing Through Our Proprietary Database. We have developed a proprietary and comprehensive structured query language-based (SQL) database system to track various aspects of our investment process, including sourcing, originations, transaction monitoring and post-investment performance. As of December 31, 2005, our proprietary SQL-based database system included over 7,900 technology-related companies and over 1,480 venture capital private equity sponsor/investors, as well as various other industry contacts.

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Distributions

On December 9, 2005, we declared a dividend of $0.30 per share for stockholders of record on January 6, 2006. The dividend totaled approximately $2.9 million and was distributed on January 27, 2006. On October 27, 2005, we declared a dividend of $0.025 per share for stockholders of record on November 1, 2005. The dividend totaled approximately $245,000, which was distributed on November 17, 2005. We intend to continue to distribute quarterly dividends to our stockholders. The amount of our quarterly distributions will be determined by our Board of Directors out of assets legally available for distribution. We intend to seek to be treated as a regulated investment company, or a RIC, for United States federal income tax purposes upon the filing of our federal corporate income tax return for 2006, which election, when actually made, would be effective as of January 1, 2006, and as such, to distribute thereafter to our stockholders annually at least 90% of the sum of our net ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any. However, such an election and qualification to be treated as a RIC requires that we comply with certain requirements that may affect our ability to pursue additional business opportunities. As of the date of this prospectus, we cannot determine the probability that during 2006 we will qualify as a RIC when we file our 2006 tax return.

Assuming we are successful in attaining and maintaining our RIC status, prior to the end of our first tax year as a RIC, we will be required to make a distribution to our stockholders equal to the amount of any earnings and profits from the period prior to our RIC election. Currently, we intend to retain some or all of our realized net long-term capital gains in order to build our per share net asset value. As a result, we will elect to make deemed distributions of such amounts to our stockholders. We may, in the future, make actual distributions to our stockholders of some or all of our realized net long-term capital gains. See Certain United States Federal Income Tax Considerations.

Dividend Reinvestment Plan

We have adopted an opt-out dividend reinvestment plan through which distributions are paid to stockholders in the form of additional shares of our common stock, unless a stockholder elects to receive cash. See Dividend Reinvestment Plan. Those stockholders whose shares are held by a broker or other financial intermediary may receive distributions in cash by notifying their broker or other financial intermediary of their election.

Taxation

From incorporation through December 31, 2005, we were taxed as a corporation under Subchapter C of the Internal Revenue Code of 1986, as amended, which we refer to in this prospectus as the Code. We currently intend to seek election to be treated for federal income tax purposes as a RIC under Subchapter M of the Code with the filing of our federal corporate income tax return for 2006, which election, when actually made, would be effective as of January 1, 2006. As a RIC, we generally will not pay corporate-level federal income taxes on any ordinary income or capital gains that we distribute to our stockholders as dividends. We may be required, however, to pay corporate-level federal income taxes on gains built into our assets as of the effective date of our RIC election. See Certain United States Federal Income Tax Considerations Conversion to Regulated Investment Company Status. To obtain and maintain the federal income tax benefits of RIC status, we must meet specified source-of-income and asset diversification requirements and distribute annually an amount equal to at least 90% of the sum of our net ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any, out of assets legally available for distribution. See Distributions. There is no assurance that we will meet these tests and be eligible to make a RIC election. As of the date of this report we cannot determine the probability that during 2006 we will qualify as a RIC when we file our 2006 tax return. If we do not qualify or do not make a RIC election, we would continue to be taxed as a C corporation.

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Leverage

We borrow funds to make additional investments, and we have granted, and may in the future grant, a security interest in our assets to a lender in connection with any such borrowings, including any borrowings by any of our subsidiaries. We use this practice, which is known as leverage, to attempt to increase returns to our common stockholders. However, leverage involves significant risks. See Risk Factors. With certain limited exceptions, we are only allowed to borrow amounts such that our asset coverage, as defined in the 1940 Act, equals at least 200% after such borrowing. Our asset coverage as of December 31, 2005 was approximately 255%. The amount of leverage that we employ will depend on our assessment of market and other factors at the time of any proposed borrowing. As of December 31, 2005, we had outstanding $25.0 million in aggregate principal amount of indebtedness under our bridge loan facility and $51.0 million drawn under our securitization credit facility. See Obligations and Indebtedness. If our subsidiary is able to obtain a license under the Small Business Investment Act of 1958, we intend to borrow money from the Small Business Administration.

Recent Developments

At December 31, 2005, we reduced the fair value of an investment in one portfolio company by approximately $3.3 million to the expected realizable fair value of $1.3 million. In January 2006, the principle assets of the portfolio company were sold, and we received a cash distribution of approximately $1.3 million. On February 6, 2006, we received an additional contingent cash distribution of $239,000 which will be accounted for as a loss recovery in the first quarter of 2006. Terms of the asset sale agreement call for two additional contingent payments of up to $500,000 each from which we are contractually entitled to receive approximately $350,000 each, but the conditions of the agreement make receipt and amount of payments uncertain and we will account for any future receipts as loss recoveries at the time of payment.

In December 2005, the Company declared a dividend of $0.30 per share for shareholders of record on January 6, 2006. The dividend payment totaling approximately $2.9 million was distributed to shareholders on January 27, 2006.

On March 6, 2006, we increased our Citibank credit facility from $100 million to $125 million. As of February 28, 2006, we had $61.0 million outstanding under the Citibank credit facility.

On March 6, 2006, we entered into an agreement to repay $10.0 million of the $25.0 million outstanding under our loan with an affiliate of Farallon Capital. We extended the maturity of the remaining $15.0 million from April 12, 2006 to June 30, 2006 and decreased the interest rate from 13.5% to 10.86%.

As of March 2, 2006, various funds affiliated with Farallon agreed to purchase $5.0 million of our common stock at a price per share equal to our NAV per share as of February 28, 2006.

Principal Risk Factors

Investing in us involves certain risks relating to our structure and our investment objective that you should consider before deciding whether to invest. In addition, we expect that our portfolio will continue to consist primarily of securities issued by privately-held technology-related companies, which generally require additional capital to become profitable. These investments may involve a high degree of business and financial risk, and they are generally illiquid. Our portfolio companies typically will require additional outside capital beyond our investment in order to succeed or to fully repay the amounts owed to us. A large number of entities compete for the same kind of investment opportunities as we seek.

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We borrow funds to make our investments in portfolio companies. As a result, we are exposed to the risks of leverage, which may be considered a speculative investment technique. Borrowings magnify the potential for gain and loss on amounts invested and, therefore increase the risks associated with investing in our common stock. Also, we are subject to certain risks associated with valuing our portfolio, changing interest rates, accessing additional capital, fluctuating quarterly results, and operating in a regulated environment. See Risk Factors beginning on page 13 for a discussion of factors you should carefully consider before deciding whether to invest in our common stock.

Certain Anti-Takeover Provisions

Our charter and bylaws, as well as certain statutes and regulations, contain provisions that may have the effect of discouraging a third party from making an acquisition proposal for our company. This could delay or prevent a transaction that could give our stockholders the opportunity to realize a premium over the price for their securities.

General Information

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

We file annual, quarterly and current periodic reports, proxy statements and other information with the SEC under the Securities Exchange Act of 1934, which we refer to as the Exchange Act. This information is available at the SEC s public reference room at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information about the operation of the SEC s public reference room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an Internet website, at www.sec.gov, that contains reports, proxy and information statements, and other information regarding issuers, including us, who file documents electronically with the SEC.

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The Offering

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

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

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Distributions	On December 9, 2005, we declared a dividend of $0.30 per share for stockholders of record on January 6, 2006. The dividend was distributed on January 27, 2006. On October 27, 2005, we declared a dividend of $0.025 per share for stockholders of record on November 1, 2005. The dividend totaled approximately $245,000, which was distributed on November 17, 2005. We intend to continue to distribute quarterly dividends to our stockholders following our election to be treated as a RIC. We intend to distribute quarterly dividends to our stockholders following our election to be treated as a RIC. The amount of our quarterly distributions will be determined by our Board of Directors out of assets legally available for distribution. We intend to seek to be treated as a RIC when we file our 2006 federal income tax returns, and as such, to distribute thereafter to our stockholders annually at least 90% of the sum of our net ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any. In addition, prior to the end of our first tax year as a RIC, we will be required to make a distribution to our stockholders equal to the amount of any earnings and profits from the period prior to our RIC election. Currently, we intend to retain some or all of our realized net long-term capital gains in order to build our per share net asset value. As a result, we will elect to make deemed distributions of such amounts to our stockholders. We may, in the future, make actual distributions to our stockholders of some or all of our realized net long-term capital gains.
Dividend Reinvestment Plan	We have adopted an opt-out dividend reinvestment plan through which distributions are paid to stockholders in the form of additional shares of our common stock, unless a stockholder elects to receive cash. See Dividend Reinvestment Plan. Those stockholders whose shares are held by a broker or other financial intermediary may receive distributions in cash by notifying their broker or other financial intermediary of their election.
Leverage	We borrow funds to make additional investments, and we have granted, and may in the future grant, a security interest in our assets to a lender in connection with any such borrowings, including any borrowings by any of our subsidiaries. We use this practice, which is known as leverage, to attempt to increase returns to our common stockholders. However, leverage involves significant risks. See Risk Factors. With certain limited exceptions, we are only allowed to borrow amounts such that our asset coverage, as defined in the 1940 Act, equals at least 200% after such borrowing. Our asset coverage as of December 31, 2005 was approximately 255%. The amount of leverage that we employ will depend on our assessment of market and other factors at the time of any proposed borrowing. As of December 31, 2005, we had outstanding $25.0 million in aggregate principal amount of indebtedness under our bridge loan facility and $51.0 million drawn under our securitization credit facility. See Obligations and Indebtedness. If our subsidiary is able to obtain a license under the Small Business Investment Act of 1958, we intend to borrow money from the Small Business Administration.
Principal Risk Factors	Investing in us involves certain risks relating to our structure and our investment objective that you should consider before deciding whether to invest. In addition, we expect that our portfolio will continue to consist primarily of securities issued by privately-held technology-related companies, which generally require additional capital to become profitable. These investments may involve a high degree of business and financial risk, and they are generally illiquid. Our portfolio companies typically will require additional outside capital beyond our investment in order to succeed or to fully repay the amounts owed to us. A large number of entities compete for the same kind of investment opportunities as we seek. We borrow funds to make our investments in portfolio companies. As a result, we are exposed to the risks of leverage, which may be considered a speculative investment technique. Borrowings magnify the potential for gain and loss on amounts invested and, therefore increase the risks associated with investing in our common stock and warrants. Also, we are subject to certain risks associated with valuing our portfolio, changing interest rates, accessing additional capital, fluctuating quarterly results, and operating in a regulated environment. See Risk Factors beginning on page [9] for a discussion of factors you should carefully consider before deciding whether to invest in our common stock or warrants.
Certain Anti-Takeover Measures	Our charter and bylaws, as well as certain statutes and regulations, contain provisions that may have the effect of discouraging a third party from making an acquisition proposal for our

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

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Fees and Expenses

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

Stockholder Transaction Expenses (as a percentage of the public offering price):	
Offering expenses borne by us	0.1%(1)
Dividend reinvestment plan fees	%(2)
Total stockholder transaction expenses (as a percentage of the public offering price)	0.1%
Annual Expenses (as a percentage of net assets attributable to common stock):(3)	
Operating expenses	5.5%(4)(5)
Interest payments on borrowed funds	1.6%(6)
Fees paid in connection with borrowed funds	1.0%(7)
Total annual expenses	8.0%(8)

(1) The percentage reflects estimated offering expenses of approximately $100,000.
(2) The expenses associated with the administration of our dividend reinvestment plan are included in Operating expenses. We pay all brokerage commissions incurred with respect to open market purchases, if any, made by the administrator under the plan. For more details about the plan, see Dividend Reinvestment Plan.
(3) Net assets attributable to common stock equals net assets (i.e., total assets less total liabilities), which were approximately $114 million at December 31, 2005.
(4) Operating expenses represent our annual operating expenses for fiscal 2005.
(5) We do not have an investment adviser and are internally managed by our executive officers under the supervision of our Board of Directors. As a result, we do not pay investment advisory fees, but instead we pay the operating costs associated with employing investment management professionals.
(6) Interest payments on borrowed funds represents interest payments on borrowed funds in fiscal 2005. The Company did not borrow funds until April 12, 2005 and therefore did not make interest payments prior to that date.
(7) Fees paid in connection with borrowed funds represents fees paid in connection with borrowed funds in fiscal 2005. The Company did not borrow funds until April 12, 2005 and therefore did not incur fees in connection with the borrowed funds prior to that date.
(8) Total annual expenses is the sum of operating expenses, interest payments on borrowed funds and fees paid in connection with borrowed funds.

Example

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

	1 year	3 years	5 years	10 years
You would pay the following expenses on a $1,000 investment, assuming a 5% annual return	$ 79.74	$ 230.30	$ 372.09	$ 691.48

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

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Selected Financial Data

The following consolidated financial data is derived from our audited consolidated financial statements. The selected consolidated financial data should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations on page 34 and the consolidated financial statements and related notes included elsewhere herein. The historical data are not necessarily indicative of results to be expected for any future period.

	Year ended December 31, 2005[1]	Period from February 2, 2004 to December 31, 2004[1]
Statement of Operations Data:		
Investment Income:		
Interest	$ 9,791,214	$ 214,100
Fees	875,429	
Total investment income	10,666,643	214,100
Operating expenses:		
Interest	1,800,536	