

HERCULES TECHNOLOGY GROWTH CAPITAL INC

Form 497

June 05, 2007

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Filed Pursuant to Rule 497  
Registration Statement No. 333-141828

PROSPECTUS SUPPLEMENT TO PROSPECTUS DATED MAY 16, 2007

8,000,000 Shares

Common Stock

We are offering 8,000,000 shares of our common stock. Our common stock is listed on the Nasdaq Global Market under the symbol HTGC. The last reported sale price on June 4, 2007 was \$13.87 per share. 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, as amended.

The underwriters have an option to purchase a maximum of 1,200,000 additional shares to cover over-allotments of shares.

Please read this prospectus supplement, and the accompanying prospectus, before investing, and keep it for future reference. The prospectus supplement and the accompanying prospectus contain important information about us that a prospective investor should know before investing in our common stock. We file annual, quarterly and current reports, proxy statements and other information about us with the Securities and Exchange Commission. This information is available free of charge by contacting us at 400 Hamilton Avenue, Suite 310, Palo Alto, California 94301, or by telephone by calling collect at (650) 289-3060 or on our website at [www.herculestech.com](http://www.herculestech.com). The information on our website is not incorporated by reference into this prospectus or the accompanying prospectus. The SEC also maintains a website at [www.sec.gov](http://www.sec.gov) that contains such information.

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

	Price to Public	Underwriting Discounts and Commissions	Proceeds to us(1)
Per Share	\$ 13.50	\$ 0.675	\$ 12.825
Total	\$ 108,000,000	\$ 5,400,000	\$ 102,600,000

(1) Expenses payable by us are estimated to be \$250,000.  
Delivery of the shares of common stock will be made on or about June 8, 2007.

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete.**

**Any representation to the contrary is a criminal offense.**

## **Credit Suisse**

Sole Bookrunning Manager

## **A.G. Edwards**

## **Piper Jaffray**

The date of this prospectus supplement is June 4, 2007.

## **JMP Securities**

Joint Lead Manager

## **Ferris, Baker Watts**

Incorporated

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**You should rely only on the information contained in this document or to which we have referred you. We have not authorized anyone to provide you with information that is different. This document may only be used where it is legal to sell these securities. The information in this document may only be accurate on the date of this document.**

This document is in two parts. The first part is this prospectus supplement, which describes the terms of this offering of common stock and also adds to and updates information contained in the accompanying prospectus. The second part is the accompanying prospectus, which gives more information. To the extent the information contained in this prospectus supplement, differs from the information contained in the accompanying prospectus the information in this prospectus supplement shall control.

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Unless the context requires otherwise, in this prospectus supplement the terms we, us, and/or the Company refer to Hercules Technology Growth Capital, Inc. and its subsidiaries.

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The following table is intended to assist you in understanding the various costs and expenses that an investor in our common stock will bear directly or indirectly assuming that the underwriters do not exercise their over-allotment option. 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):**

Sales load (as a percentage of offering price) <sup>(1)</sup>	5.0%
Offering expenses	0.2% <sup>(2)</sup>
Dividend reinvestment plan fees	<del>0.2%</del>
Total stockholder transaction expenses (as a percentage of the public offering price)	5.2%

**Annual Expenses (as a percentage of net assets attributable to common stock):<sup>(4)</sup>**

Operating expenses	5.1% <sup>(5)(6)</sup>
Interest payments on borrowed funds	2.8% <sup>(7)</sup>
Fees paid in connection with borrowed funds	0.3% <sup>(8)</sup>
Acquired fund fees and expenses <sup>(9)</sup>	%
Total annual expenses	8.2% <sup>(10)</sup>

(1) Represents the underwriting discount with respect to the shares to be sold by us in this offering.

(2) The percentage reflects estimated offering expenses of approximately \$250,000.

(3) 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.

(4) Average net assets attributable to common stock equals estimated weighted average net assets for 2007 which is approximately \$265.6 million.

(5) Operating expenses represent our estimated expenses for the year ending December 31, 2007. This percentage for the year ended December 31, 2006, was approximately 8.4%.

(6) 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.

(7) Interest payments on borrowed funds represents estimated annualized interest payments on borrowed funds for 2007. Citigroup has an equity participation right through a warrant participation agreement on the pool of loans, warrants and shares underlying the warrants collateralized under the Citigroup facility. Pursuant to the warrant participation agreement, we granted to Citigroup a 10% participation in all warrants held as collateral. As a result, Citigroup is entitled to 10% of the realized gains on the warrants until the realized gains paid to Citigroup pursuant to the agreement equals \$3,750,000 (the Maximum Participation Limit). The obligations under the warrant participation agreement continue even after the Citigroup facility is terminated until the Maximum Participation Limit has been reached. Since inception of the agreement in 2005, we have paid Citigroup approximately \$292,000 under the warrant participation agreement thereby reducing our realized gains. During 2006, we reduced our realized gain by \$221,000 and recorded a liability and reduced our unrealized gain by approximately \$35,000 for unrealized gains in our warrant and equity investments due Citigroup under our warrant participation agreement. During the three months ended March 31, 2007, we reduced our realized gain by approximately \$16,000 for Citigroup's participation in the gain on sale of an equity security and we recorded an additional liability and reduced our unrealized appreciation by approximately \$55,000 for Citigroup's participation in unrealized appreciation in the warrant portfolio. Based on our average borrowings for the year ending December 31, 2006 and the amount

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of the reduction we recorded for our realized and unrealized gains for 2006, the additional cost of our borrowings as a result of the warrant participation agreement could be approximately 0.31%. There can be no assurances that the unrealized gains on 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. The value of their participation right on unrealized gains in the related equity investments since inception of the agreement was approximately \$432,000 at March 31, 2007 and is included in accrued liabilities and reduces the unrealized gain recognized by the us at March 31, 2007.

- (8) Fees paid in connection with borrowed funds represents estimated fees paid in connection with borrowed funds for 2007.
- (9) For the year ended December 31, 2006, we did not have any investments in shares of Acquired Funds that are not consolidated and, as a result, we did not directly or indirectly incur any fees from Acquired Funds.
- (10) 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.

	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>	<b>10 Years</b>
You would pay the following expenses on a \$1,000 investment, assuming a 5% annual return	\$ 126.44	\$ 272.22	\$ 409.04	\$ 715.39

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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**PROSPECTUS SUPPLEMENT SUMMARY**

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

We 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. Our principal executive office is located in Silicon Valley, and we have additional offices in the Boston, Boulder, Chicago, Costa Mesa and Columbus 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. Our strategy is to evaluate and invest in a broad range of ventures active in the technology and life science industries and to offer a full suite of capital products at all levels of the capital structure. 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 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. Consistent with regulatory requirements, we invest primarily in United States based companies and to a lesser extent in foreign companies. To date, our emphasis has been primarily 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. In 2007, we expect to increase our investment activity 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.

Our investment professionals, including Manuel A. Henriquez, our co-founder, Chairman, President and Chief Executive Officer, is currently comprised of 17 professionals who have, on average, more than 15 years of

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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.

Since inception through March 31, 2007, we have made debt commitments of \$573.7 million to 74 portfolio companies and equity commitments of \$7.5 million to 15 companies. At March 31, 2007, our portfolio had a fair value of \$342.5 million in 65 companies.

From April 1, 2007 through May 22, 2007, we entered into binding agreements to invest approximately \$65.0 million in structured mezzanine debt in five new portfolio companies and \$750,000 in an equity investment in one existing portfolio company.

During this same period, we funded the following debt investments totaling \$51.2 million in eight new portfolio companies and four existing portfolio companies and funded \$1.0 million in equity to two portfolio companies.

<b>Company</b>	<b>Type of Investment</b>	<b>Principal Business</b>	<b>Funded Investment</b>
Cittio, Inc.	Senior Debt	Software	\$ 1,000,000
Cornice, Inc.	Senior Debt	Electronics and Computer Hardware	256,821
Guava Technologies, Inc.	Senior Debt	Biotechnology Tools	1,000,000
iWatt, Inc.	Senior Debt	Semiconductors	1,200,000
Neosil, Inc.	Senior Debt	Drug Discovery	2,000,000
NEXX Systems, Inc.	Senior Debt	Semiconductors	3,000,000
NuGEN Technologies, Inc.	Senior Debt	Biotechnology Tools	1,000,000
Rubicon Technology, Inc.	Senior Debt	Advanced Specialty Materials and Chemicals	8,100,000
Seven Networks, Inc.	Senior Debt	Communications and Networking	4,000,000
Solutionary, Inc.	Senior Debt	Information Services	5,500,000
Tectura Corporation	Senior Debt	Communications and Networking	22,000,000
VeriWave, Inc.	Senior Debt	Electronics and Computer Hardware	2,163,271
Solutionary, Inc.	Equity	Information Services	250,000
Quatrx Pharmaceuticals Company	Equity	Specialty Pharmaceuticals	750,001
Total Investments			\$ 52,220,093

In addition, at May 22, 2007, we had unfunded commitments totaling approximately \$85.6 million. These commitments will be subject to the same underwriting and ongoing portfolio maintenance as the 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. In addition, we had extended non-binding term sheets to 17 prospective new portfolio companies representing approximately \$127.9 million of structured mezzanine debt investments. These investments are subject to finalization of our due diligence and approval process as well as negotiation of definitive agreements with the prospective portfolio company and, as a result, may not result in completed investments.

From April 1, 2007 through May 22, 2007, four of our portfolio companies closed on new rounds of equity funding. Portola Pharmaceuticals, Aveo Pharmaceuticals, QuatRx Pharmaceuticals and Intelliden raised approximately \$70.0 million, \$53.0 million, \$44.0 million and \$10.0 million, respectively, in new equity funding.



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On May 22, 2007, Sirtris Pharmaceuticals completed their initial public offering of common stock at \$10.00 per share. In addition, two of our portfolio companies, Power Medical and Aegerion Pharmaceuticals, have filed registration statements with the Securities and Exchange Commission, to register shares for an initial public offering of their common stock.

During this same period, one portfolio company, Pathfire, announced it had been acquired by DG FastChannel. In addition, Inight Software announced that it had entered into a definitive agreement to be acquired by Business Objects, and Baby Universe announced it entered into a definitive agreement to merge with eToysDirect, Inc.

As of May 22, 2007, we had \$130.0 million outstanding under our securitization credit facility.

## **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 sciences companies for the following reasons:

Technology-related companies have generally been underserved by traditional lending sources;

Unfulfilled demand exists for structured debt financing to technology-related companies;

Structured mezzanine debt products are less dilutive and complement equity financing from venture capital and private equity funds; and

Valuations currently assigned to technology-related companies in private financing rounds, while increasing in recent years, still provide a good opportunity for attractive capital returns.

***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.

The unique cash flow characteristics of many technology-related companies include significant research and development expenditures and high projected revenue growth thus often making such companies difficult to evaluate from a credit perspective. In addition, the balance sheets of emerging-growth and expansion-stage companies often include a disproportionately large amount of intellectual property assets, which can be difficult to value. Finally, the speed of innovation in technology and rapid shifts in consumer demand and market share add to the difficulty in evaluating technology-related companies.

Due to the difficulties described above, we believe traditional lenders are generally refraining from entering the structured mezzanine debt marketplace for emerging-growth and expansion-stage companies, instead preferring the risk-reward profile of senior debt. Traditional lenders generally do not have flexible product offerings that meet the needs of technology-related companies. The financing products offered by traditional lenders typically impose on borrowers many restrictive covenants and conditions, including limiting cash outflows and requiring a significant depository relationship to facilitate rapid liquidation.

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***Unfulfilled Demand for Structured Debt Financing to Technology-Related Companies.*** Private debt capital in the form of structured debt financing from specialty finance companies continues to be an important source of funding for technology-related companies. We believe that the level of demand for structured debt financing to emerging-growth and expansion-stage companies is a function of the level of annual venture equity investment activity. In 2006, venture capital-backed companies received, in approximately 2,454 transactions, equity financing in an aggregate amount of approximately \$25.8 billion, representing an 8% increase over the preceding year, as reported by Dow Jones VentureOne. In addition, according to VentureOne, overall, the median equity round size in 2006 was \$7 million, up from \$6.5 million in 2005, and the highest annual median since 2000. For the second year in a row, equity investors are focusing more than a third of their investment activity on early-stage financings. Overall, seed- and first-round deals made up 36% of the deal flow in 2006, and about the same concentration of deal flow went to later-stage deals. As a result, we believe a range of \$20 billion to \$25 billion in annual equity investments to venture-backed companies will be sustainable for future years.

We believe that demand for structured debt financing is currently unfulfilled, in part because historically the largest debt capital providers to technology-related companies exited the market during 2001 while at the same time lending requirements of traditional lenders have become more stringent. We therefore believe this is an opportune time to be active in the structured lending market for technology-related companies.

***Structured Mezzanine Debt Products Complement Equity Financing From Venture Capital and Private Equity Funds.*** We believe that technology-related companies and their financial sponsors will continue to view structured debt securities as an attractive source of capital because it augments the capital provided by venture capital and private equity funds. We believe that our structured mezzanine debt products provide access to growth capital for technology-related companies that otherwise may only be available through incremental investments by existing equity investors. As such, we provide portfolio companies and their financial sponsors with an opportunity to diversify their capital sources. 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. In addition, because financial sponsor-backed companies have recently been more mature prior to reaching a liquidity event, we believe our investments could provide the debt capital needed to grow or recapitalize during the extended period prior to liquidity events.

***Lower Valuations for Private Technology-Related Companies.*** During the downturn in technology industries that began in 2000, the markets saw sharp and broad declines in valuations of venture capital and private equity-backed technology-related companies. According to Dow Jones VentureOne, median pre-money valuations for venture capital-backed companies in 2000 was \$25.1 million declining to a low of \$10.0 million in 2003. In addition, as of December 31, 2006 median pre-money valuations for venture capital-backed companies in 2006 was \$18.5 million compared to \$15.0 million in 2005. While pre-money valuations have been steadily increasing since 2003, we believe the valuations currently assigned to venture capital and private equity-backed technology-related companies in private financing rounds are still relatively low and should allow us to continue 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 and Investment Professionals.*** We have assembled a team of experienced investment professionals with extensive experience as venture capitalists, commercial lenders, and originators of structured debt and equity investments in technology-related companies. Our investment professionals have, on average, more than 15 years of experience as equity investors in, and/or lenders to, technology-related companies. In addition, our team members have originated structured mezzanine investments in over 200 technology-related companies, representing over \$1.0 billion in investments, and have developed a network of industry contacts with investors and other participants within the

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venture capital and private equity communities. In addition, 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.

We concentrate our investing activities in industries in which our investment professionals have investment experience. We believe that our focus on financing technology-related companies will enable us to leverage our expertise in structuring prospective investments, to assess the value of both tangible and intangible assets, to evaluate the business prospects and operating characteristics of technology-related companies and to identify and originate potentially attractive investments with these types of companies.

***Mitigate Risk of Principal Loss and Build a Portfolio of Equity-Related Securities.*** We expect that our investments have the potential to produce attractive risk adjusted returns through current income, in the form of interest and fee income, as well as capital appreciation from equity-related securities. We believe that we can mitigate the risk of loss on our debt investments through the combination of loan principal amortization, cash interest payments, relatively short maturities, security interests in the assets of our portfolio companies, covenants 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.

In addition, historically 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. We expect, in some cases, to receive the right to make additional equity investments in our portfolio companies in connection with future equity financing rounds. We believe these equity interests will create the potential for long-term capital gains in connection with the future liquidity events of these technology-related companies.

***Provide Customized Financing Complementary to Financial Sponsors' Capital.*** We offer a broad range of investment structures and possess expertise and experience to effectively structure and price investments in technology-related companies. Unlike many of our competitors that only invest in companies that fit a specific set of investment parameters, we have the flexibility to structure our investments to suit the particular needs of our portfolio companies. We offer customized financing solutions ranging from senior debt to equity capital, with a focus on structured mezzanine debt.

We use our relationships in the financial sponsor community to originate investment opportunities. Because venture capital and private equity funds typically invest solely in the equity securities of their portfolio companies, we believe that our debt investments will be viewed as an attractive source of capital, both by the portfolio company and by the portfolio company's financial sponsor. In addition, we believe that many venture capital and private equity fund sponsors encourage their portfolio companies to use debt financing for a portion of their capital needs 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, from emerging-growth companies, to expansion-stage companies and established companies. Established companies are comprised generally of private companies in one of their final rounds of financing prior to a liquidity event or select publicly-traded companies that lack access to public capital or are sensitive to equity ownership dilution. We believe that this provides us with a broader range of potential investment opportunities than those available to many of our competitors, who generally focus their investments on a particular stage in a company's development. Because of the flexible structure of our investments and the extensive experience of our investment professionals, we believe we are well positioned to take advantage of these investment opportunities at all stages of prospective portfolio companies' development.

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***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. We are not subject to requirements to return invested capital to investors nor do we have a finite investment horizon. Capital providers that are subject to such limitations are often required to seek a liquidity event more quickly than they otherwise might, which can result in a lower overall return on an investment.

***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 March 31, 2007, our proprietary SQL-based database system included over 10,900 technology-related companies and over 3,000 venture capital private equity sponsors/investors, as well as various other industry contacts. This proprietary SQL system allows us to maintain, cultivate and grow our industry relationships while providing us with comprehensive details on companies in the technology-related industries and their financial sponsors.

## **Recent Developments**

On May 2, 2007, the SEC published a notice regarding our exemptive application to grant shares of restricted stock to our officers, employees and directors. The order was issued on May 23, 2007. Awards of restricted stock are also subject to the approval by our stockholders of the amended and restated 2004 Equity Incentive Plan to provide for issuances of restricted stock. If we receive such approval, we intend to make grants of restricted stock in accordance with the plan and the SEC exemptive order.

Under the securities rules that apply to business development companies, non-employee directors cannot receive any options or other equity compensation without an SEC exemptive order specifically allowing the grant of such equity awards. On February 15, 2007, we received an order of the SEC allowing us to issue options to non-employee directors. Under that original SEC order and the plan approved by the stockholders in 2006, we were permitted to issue options to purchase 20,000 shares per year to each non-employee director. No options have been issued to directors since the receipt of the order. We cannot change the number of shares granted to a non-employee director absent a new exemptive order from the SEC. We submitted an application for a new order on May 23, 2007. Subject to our stockholders' approval of the amended and restated 2006 Non-Employee Director Plan and our receipt of a revised order of the SEC granting amended exemptive relief with respect to the options, non-employee directors are expected to receive options to purchase 10,000 shares of common stock upon their first election to the board and an additional grant of options to purchase 15,000 shares of common stock upon each subsequent reelection to the board. There can be no assurances as to when we will receive a revised exemptive order.

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**USE OF PROCEEDS**

We estimate that our net proceeds from the sale of the 8,000,000 shares of common stock we are offering will be approximately \$102.4 million and approximately \$117.7 million, if the underwriters' option is exercised in full, based on a public offering price of \$13.50 per share and after deducting the underwriting discounts and commissions and estimated offering expenses payable by us.

We expect to use the net proceeds from this offering to reduce borrowings and to invest in debt and equity securities and for other general corporate purposes. Amounts repaid under our securitized credit facility will remain available for future borrowings. At May 22, 2007, our securitized credit facility bore interest at one month LIBOR plus 120 basis points and there was approximately \$130.0 million outstanding. This securitized credit facility expires on May 1, 2008. We have not yet determined the amount of net proceeds to be used specifically for each of the foregoing purposes. Accordingly, our management will have flexibility in applying the net proceeds of this offering.

We anticipate that substantially all of the net proceeds from this offering will be used within six to twelve months, but in no event longer than two years. 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 in one year or less from the time of investment.

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Subject to the terms and conditions of the underwriting agreement between us and the underwriters, the underwriters, for whom Credit Suisse Securities (USA) LLC is acting as representative, have agreed to purchase from us the following number of shares of our common stock described in this prospectus supplement at the offering price less the underwriting discounts and commissions set forth on the cover page of this prospectus.

<b>Underwriters</b>	<b>Number of Shares</b>
Credit Suisse Securities (USA) LLC	3,200,000
JMP Securities LLC	2,000,000
A.G. Edwards & Sons, Inc.	1,600,000
Piper Jaffray & Co.	720,000
Ferris, Baker Watts, Incorporated	480,000
 Total	 8,000,000

The underwriting agreement provides that the obligations of the underwriters are subject to certain conditions precedent and that the underwriters will purchase all such shares of the common stock if any of these shares are purchased. The underwriters are obligated to take and pay for all of the shares of common stock offered hereby, if any are taken.

The underwriters have advised us that they propose to offer the shares of common stock to the public at the offering price set forth on the cover page of this prospectus supplement and to certain dealers at such price less a concession not in excess of \$0.405 per share.

We have granted to the underwriters a 30-day option to purchase on a pro rata basis up to 1,200,000 additional shares. The option may be exercised only to cover any over-allotments of common stock.

The following table provides information regarding the per share and total underwriting discounts and commissions that we will pay to the underwriters in connection with this offering. These amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase up to an additional \_\_\_\_\_ shares of common stock from us.

	<b>Per Share</b>	<b>No Exercise</b>	<b>Total Full Exercise</b>
Public offering price	\$ 13.50	\$ 108,000,000	\$ 124,200,000
Underwriting Discounts and Commissions	\$ 0.675	\$ 5,400,000	\$ 6,210,000
Proceeds, before expenses, to us	\$ 12.825	\$ 102,600,000	\$ 117,990,000

The underwriters propose to offer the common stock directly to the public initially at the offering price set forth on the cover page of this prospectus supplement. If all the shares are not sold at the public offering price, the representatives may change the offering price and the other selling terms.

We expect to incur total expenses of approximately \$250,000, excluding underwriting discounts and commissions, in connection with this offering.

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act of 1933.

We, our directors and senior executive officers have agreed that during the 75 days after the date of this prospectus supplement, subject to certain exceptions, they will not, without the prior written consent of Credit Suisse Securities (USA) LLC, offer to sell, contract to sell, or otherwise sell, dispose of, loan, pledge or grant any rights with respect to (collectively, a *Disposition*), any shares, any options or warrants to purchase any shares or any securities convertible into or redeemable or exchangeable for shares now owned or hereafter acquired

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directly by such person or with respect to which such person has or hereafter acquires the power of disposition. The foregoing restriction has been expressly agreed to preclude the holder of the securities from engaging in any hedging or other transaction which is designed to or reasonably expected to lead to or result in a disposition of securities during the Lock-Up period, even if such securities would be disposed of by someone other than the holder. Such prohibited hedging or other transactions would include, without limitation, any short sale (whether or not against the box) or any purchase, sale or grant of any right (including, without limitation, any put or call option) with respect to any securities. Notwithstanding anything herein to the contrary, if (i) during the last 17 days of the Lock-Up Period, the Company issues an earnings release or material news or a material event relating to the Company occurs or (ii) prior to the expiration of the Lock-Up Period, the Company announces that it will release earnings results during the 16-day period beginning on the last day of the Lock-Up Period, the foregoing restrictions shall continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event. These lock-up agreements will cover approximately 646,632 shares of our outstanding common stock and shares underlying warrants in the aggregate and will not cover shares of common stock received as a result of participation in our dividend reinvestment plan or shares received as a result of the exercise of options and will not cover the issuance by the Company of shares pursuant to any employee or director compensation, dividend reinvestment, savings or benefit plan or distributions to the Company's directors upon such director's election to receive shares in lieu of cash compensation. Credit Suisse Securities (USA) LLC may, in its sole discretion, allow any of these parties to dispose of common stock or other securities prior to the expiration of the 75 day period. There are, however, no agreements between Credit Suisse Securities (USA) LLC and the parties that would allow them to do so as of the date of this prospectus supplement.

Until the distribution of the common stock is completed, rules of the Securities and Exchange Commission may limit the ability of the underwriters and certain selling group members to bid for and purchase the common stock. As an exception to these rules, the underwriters are permitted to engage in certain transactions that stabilize, maintain or otherwise affect the price of the common stock.

In connection with this offering, the underwriters may engage in stabilizing transactions, over-allotment transactions, syndicate covering transactions, penalty and market making bids in accordance with Regulation M under the Securities Act of 1934.

Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.

Over-allotment transactions involve sales by the underwriters of the shares of common stock in excess of the number of shares the underwriters are obligated to purchase, which creates a syndicate short position. The short position may be either a covered short position or a naked short position. In a covered short position, the number of shares over-allotted by the underwriters is not greater than the number of shares that they may purchase in the over-allotment option. In a naked short position, the number of shares involved is greater than the number of shares in the over-allotment option. The underwriters may close out any covered short position by either exercising their over-allotment option and/or purchasing shares in the open market.

Syndicate covering transactions involve purchases of the shares of common stock in the open market after the distribution has been completed in order to cover syndicate short positions. In determining the source of shares to close out the short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the over-allotment option. If the underwriters sell more shares than could be covered by the over-allotment option, a naked short position, the position can only be closed out by buying shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there could be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in the offering.

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Penalty bids permit representatives to reclaim a selling concession from a syndicate member when the shares of common stock originally sold by the syndicate member are purchased in a stabilizing or syndicate covering transaction to cover syndicate short positions.

In passive market making, market makers in the common stock who are underwriters or prospective underwriters may, subject to limitations, make bids for or purchases of our common stock until the time, if any, at which a stabilizing bid is made. These stabilizing transactions, syndicate covering transactions and penalty bids may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of the common stock. As a result the price of our common stock may be higher than the price that might otherwise exist in the open market.

The underwriters will deliver an accompanying prospectus and prospectus supplement to all purchasers of shares of common stock in the short sales. The purchases of shares of common stock in short sales are entitled to the same remedies under the federal securities laws as any other purchaser of shares of common stock covered by this prospectus supplement.

The underwriters are not obligated to engage in any of the transactions described above. If they do engage in any of these transactions, they may discontinue them at any time.

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State), each underwriter represents and agrees that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the Relevant Implementation Date) it has not made and will not make an offer of securities to the public in that Relevant Member State prior to the publication of a prospectus in relation to the securities which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Securities to the public in that Relevant Member State at any time,

to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;

in any other circumstances which do not require the publication by the issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an offer of Shares to the public in relation to any Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Shares to be offered so as to enable an investor to decide to purchase or subscribe the Shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

Each of the underwriters severally represents, warrants and agrees as follows:

it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) to persons who have professional experience in matters relating to investments falling with Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 or in circumstances in which section 21 of FSMA does not apply to the company; and





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it has complied with, and will comply with all applicable provisions of FSMA with respect to anything done by it in relation to the shares in, from or otherwise involving the United Kingdom.

Our common stock is quoted on the Nasdaq Global Market under the trading symbol HTGC.

In the ordinary course of their businesses, the underwriters and/or their affiliates have in the past performed, and many continue to perform, investment banking, broker dealer, lending, financial advisory or other services for us for which they have received, or may receive, customary compensation.

The principal address of Credit Suisse Securities (USA) LLC is Eleven Madison Avenue, New York, NY 10010. The principal address of JMP Securities LLC is 600 Montgomery Street, Suite 1100, San Francisco, California 94111. The principal address of A.G. Edwards & Sons, Inc. is 333 South Hope Street, Los Angeles, California 90071. The principal address of Piper Jaffray & Co. is 800 Nicollet Mall, Minneapolis, Minnesota 55402. The principal address of Ferris, Baker Watts, Incorporated is 100 Light Street, Baltimore, Maryland 21202.

This offering is being conducted in compliance with Rule 2810 of the Conduct Rules of the National Association of Securities Dealers, Inc.

## **NOTICE TO CANADIAN RESIDENTS**

### **Resale Restrictions**

The distribution of the common stock in Canada is being made only on a private placement basis exempt from the requirement that we prepare and file a prospectus with the securities regulatory authorities in each province where trades of common stock are made. Any resale of the common stock in Canada must be made under applicable securities laws which will vary depending on the relevant jurisdiction, and which may require resales to be made under available statutory exemptions or under a discretionary exemption granted by the applicable Canadian securities regulatory authority. Purchasers are advised to seek legal advice prior to any resale of the common stock.

### **Representations of Purchasers**

By purchasing common stock in Canada and accepting a purchase confirmation a purchaser is representing to us and the dealer from whom the purchase confirmation is received that:

the purchaser is entitled under applicable provincial securities laws to purchase the common stock without the benefit of a prospectus qualified under those securities laws,

where required by law, that the purchaser is purchasing as principal and not as agent,

the purchaser has reviewed the text above under Resale Restrictions, and

the purchaser acknowledges and consents to the provision of specified information concerning its purchase of the common stock to the regulatory authority that by law is entitled to collect the information.

Further details concerning the legal authority for this information is available on request.

### **Rights of Action Ontario Purchasers Only**

Under Ontario securities legislation, certain purchasers who purchase a security offered by this prospectus supplement and prospectus during the period of distribution will have a statutory right of action for damages, or while still the owner of the common stock, for rescission against us in the event that the prospectus or this



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prospectus supplement contains a misrepresentation without regard to whether the purchaser relied on the misrepresentation. The right of action for damages is exercisable not later than the earlier of 180 days from the date the purchaser first had knowledge of the facts giving rise to the cause of action and three years from the date on which payment is made for the common stock. The right of action for rescission is exercisable not later than 180 days from the da