HERCULES TECHNOLOGY GROWTH CAPITAL INC
Form DEF 14A
April 29, 2009
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

Filed by the Registrant x

Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement
x Definitive Proxy Statement
¨ Definitive Additional Materials
¨ Soliciting Material Pursuant to Rule 14a-11(c) or Rule 14a-12

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Hercules Technology Growth Capital, Inc.

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

¨ Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

(1) Amount previously paid:

(2) Form, schedule or registration statement no.:

(3) Filing party:

(4) Date filed:

Table of Contents

HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

400 Hamilton Avenue, Suite 310

Palo Alto, California 94301

(650) 289-3060

April 29, 2009

Dear Stockholder:

You are cordially invited to attend the 2009 Annual Meeting of Stockholders of Hercules Technology Growth Capital, Inc. to be held on Wednesday, June 3, 2009 at 10:00 a.m., Eastern Time, at our Boston office at 31 St. James Avenue, Suite 790, Boston, Massachusetts 02116. The phone number of our Boston office is (617) 314-9973.

Details regarding the business to be conducted are more fully described in the accompanying Notice of Annual Meeting and Proxy Statement.

It is important that your shares be represented at the annual meeting, and you are encouraged to vote your shares as soon as possible. The enclosed proxy card contains instructions for voting over the Internet, by telephone or by returning your proxy card via mail in the envelope provided. Your vote is important.

Sincerely yours,

/s/ Manuel A. Henriquez

Manuel A. Henriquez

Chairman of the Board, President

and Chief Executive Officer

Table of Contents

HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

400 Hamilton Avenue, Suite 310

Palo Alto, California 94301

(650) 289-3060

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD JUNE 3, 2009

To the Stockholders of Hercules Technology Growth Capital, Inc.:

The 2009 Annual Meeting of Stockholders of Hercules Technology Growth Capital, Inc., a Maryland Corporation (the Company), will be held at our Boston office at 31 St. James Avenue, Suite 790, Boston, Massachusetts 02116 on Wednesday, June 3, 2009, at 10:00 a.m. Eastern Time for the following purposes:

1. To elect one director of the Company who will serve for three years or until his successor is elected and qualified;

2. To ratify the selection of Ernst & Young LLP to serve as the Company s independent registered public accounting firm for the fiscal year ending December 31, 2009;

3. To approve a proposal to authorize the Company, with the subsequent approval of its Board of Directors (the Board), to sell or otherwise issue up to 20% of the Company s outstanding common stock at a price below the Company s then current net asset value (NAV) per share;

4. To approve a proposal to authorize the Company, with the subsequent approval of its Board, to offer and issue debt with warrants or debt convertible into shares of its common stock at an exercise or conversion price that, at the time such warrants or convertible debt are issued will not be less than the fair market value per share but may be below NAV; and

5. To transact such other business as may properly come before the meeting, or any postponement or adjournment thereof.

The enclosed proxy statement is also available at http://www.amstock.com/proxyservices/viewmaterial.asp?conumber=14146. This website also includes copies of the form of proxy and the Company s Annual Report to stockholders. Stockholders may request a copy of the proxy statement and the Company s Annual Report by contacting our main office at (650) 289-3060.

You have the right to receive notice of and to vote at the meeting if you were a stockholder of record at the close of business on April 20, 2009. Whether or not you expect to be present in person at the meeting, please sign the enclosed proxy and return it promptly in the self-addressed envelope provided. As a registered stockholder, you may also vote your proxy electronically by telephone or over the Internet by following the instructions included with your proxy card. Instructions are shown on the proxy card. In the event there are not sufficient votes for a quorum or to approve or ratify any of the foregoing proposals at the time of the annual meeting, the annual meeting may be adjourned in order to permit further solicitation of the proxies by the Company.

By Order of the Board,

/s/ Scott Harvey

Scott Harvey

Secretary and Chief Legal Officer

April 29, 2009

This is an important meeting. To ensure proper representation at the meeting, please complete, sign, date and return the proxy card in the enclosed, self-addressed envelope. Even if you vote your shares prior to the meeting, you still may attend the meeting and vote your shares in person.

Table of Contents

GENERAL INFORMATION ABOUT THE ANNUAL MEETING AND VOTING

Q: **Why did you send me this proxy statement?**

A: We sent you this proxy statement and the enclosed proxy card because the Board of the Company is soliciting your proxy to vote at the 2009 Annual Meeting of Stockholders. The meeting will be held at our Boston office at 31 St. James Avenue, Suite 790, Boston, Massachusetts 02116 on Wednesday, June 3, 2009, at 10:00 a.m.

This proxy statement summarizes the information regarding the matters to be voted upon at the meeting. However, you do not need to attend the meeting to vote your shares. You may simply complete, sign, and return the enclosed proxy card or vote your shares by telephone or over the Internet, if eligible to do so, in accordance with the instructions contained on the proxy card.

On April 20, 2009, the date for determining stockholders entitled to vote at the meeting (the Record Date), there were 35,326,944 shares of common stock of the Company outstanding. If you owned shares of our common stock at the close of business on the Record Date, you are entitled to one vote for each share of common stock you owned as of that date. We began mailing this proxy statement on or about April 29, 2009 to all stockholders entitled to vote their shares at the meeting.

Q: **How do I vote by proxy and how many votes do I have?**

A: If you properly sign and date the accompanying proxy card, and the Company receives it in time for the meeting, the persons named as proxies will vote the shares registered directly in your name in the manner that you specified. If you sign the proxy card, but do not make specific choices, the shares represented by such proxy will be voted as recommended by the Board. If your shares are registered in the name of a bank or brokerage firm, you may be eligible to vote your shares electronically via the Internet or by telephone. A large number of banks and brokerage firms participate in the American Stock Transfer and Trust Company s (AST) online program. This program provides eligible stockholders who receive a copy of the Company s Annual Report on Form 10-K and proxy statement, either by paper or electronically, the opportunity to vote via the Internet or by telephone. If the entity holding your shares participates in AST s program, your voting form will provide instructions. If your voting form does not reference Internet or telephone voting information, please complete and return the paper proxy card in the pre-addressed, postage-paid envelope provided.

If you sign the proxy card but do not make specific choices, the shares represented by such proxy will be voted as recommended by the Board. If any other matter is presented, the shares represented by such proxy will be voted in accordance with the best judgment of the person or persons exercising authority conferred by the proxy at the meeting.

You have one vote for each share of common stock that you own on the Record Date. The proxy card indicates the number of shares that you owned on the Record Date.

Q: **What does it mean if I receive more than one proxy card?**

A: If you receive more than one proxy card, your shares are registered in more than one name or are registered in different accounts. Please complete, sign and return each proxy card to ensure that all of your shares are voted.

Q: **May my broker vote for me?**

A: Under the rules of the Financial Industry Regulatory Authority, if shares are held in street name, the beneficial owner of the shares is entitled to give voting instructions to the broker or nominee holding the

1

Table of Contents

shares. If the beneficial owner does not provide voting instructions, the broker or nominee can still vote the shares with respect to matters that are considered to be routine, but not with respect to non-routine matters. Under the rules of the New York Stock Exchange, non-routine matters are generally those involving a contest or a matter that may substantially affect the rights or privileges of stockholders.

Q: **May I revoke my proxy?**

A: Yes. You may change your mind after you send in your proxy card or authorize your shares by telephone, via the Internet or at the meeting by following these procedures. To revoke your proxy:

Send in another signed proxy card with a later date;

Send a letter revoking your proxy to Scott Harvey, Secretary and Chief Legal Officer, at Hercules Technology Growth Capital, Inc., 400 Hamilton Avenue, Suite 310, Palo Alto, California, 94301;

Vote again by telephone or Internet, if eligible to do so, by following the instructions included on the enclosed proxy card; or

Obtaining proper written authority from the institution or broker holding your shares and attending the meeting and vote in person.

Q: **How do I vote in person?**

A: If you plan to attend the meeting and vote in person, we will give you a proxy card when you arrive. If your shares are held in the name of your broker, bank, or other nominee, you must bring an account statement or letter from that broker, bank, or nominee. The account statement or letter must show that you were the direct or indirect beneficial owner of the shares on April 20, 2009, the Record Date for voting. Alternatively, you may contact the person in whose name your shares are registered and obtain a proxy from that person and bring it to the meeting.

Q: **What are abstentions and broker non-votes?**

A: An abstention represents the action by a stockholder to refrain from voting for or against a proposal. Broker non-votes represent votes that could have been cast on a particular matter by a broker, as a stockholder of record, but that were not cast because the broker (i) lacked discretionary voting authority on the matter and did not receive voting instructions from the beneficial owner of the shares, or (ii) had discretionary voting authority but nevertheless refrained from voting on the matter. Broker non-votes are considered No Votes for stockholder proposal 3.

Q: **What is the quorum requirement for the meeting?**

A: A quorum of stockholders must be present for any business to be conducted at the meeting. The quorum requirement for holding the meeting and transacting business is the presence in person or by proxy of a majority of our outstanding shares entitled to be voted. Abstentions and broker non-votes will be treated as shares present for quorum purposes. On the Record Date, there were 35,326,944 shares outstanding and entitled to vote. Thus, 17,663,473 must be represented by stockholders present at the meeting or by proxy to have a quorum.

***Q*: Who is paying for the costs of soliciting these proxies?**

A: The Company will pay all the costs of soliciting these proxies, including the preparation, assembly, printing and mailing of this proxy statement, the proxy card and any additional information furnished to stockholders. In addition to the solicitation of proxies by mail, our officers and employees also may solicit proxies by telephone, fax or other electronic means of communication, or in person. The Company has also retained AST to assist in the solicitation of proxies for its customary fee estimated at $3,000 plus out-of-pocket expenses.

Table of Contents

Q: **How do I find out the results of the voting at the annual meeting?**

A: Preliminary voting results will be announced at the annual meeting. Final voting results will be published in our quarterly report on Form 10-Q for the second quarter of fiscal year 2009.

Q: **Who should I call if I have any questions?**

A: If you have any questions about the meeting, voting or your ownership of the Company s common stock, please call us at (650) 289-3060 or send an e-mail to Scott Harvey, Secretary and Chief Legal Officer, at sharvey@htgc.com.

TABLE OF CONTENTS

Table of Contents

HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

400 Hamilton Avenue, Suite 310

Palo Alto, California 94301

(650) 289-3060

PROXY STATEMENT

2009 Annual Meeting of Stockholders

This proxy statement is furnished in connection with the solicitation of proxies by the Board of Hercules Technology Growth Capital, Inc. a Maryland Corporation (the Company, we, us or our), for use at the Company s 2009 Annual Meeting of Stockholders to be held on Wednesda June 3, 2009, at 10:00 a.m. at our Boston office at 31 St. James Avenue, Suite 790, Boston, Massachusetts 02116, and at any postponements or adjournments thereof. This proxy statement, the accompanying proxy card and the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2008 are first being sent to stockholders on or about April 29, 2009.

We encourage you to vote your shares, either by voting in person at the meeting or by granting a proxy *(i.e.,* authorizing someone to vote your shares). If you properly sign and date the accompanying proxy card, and the Company receives it in time for the meeting, the persons named as proxies will vote the shares registered directly in your name in the manner that you specified. This proxy statement is also available via the Internet at http://www.amstock.com/proxyservices/viewmaterial.asp?conumber=14146. The website also includes electronic copies of the form of proxy and the Company s Annual Report. If your shares are registered in the name of a bank or brokerage firm, you may be eligible to vote your shares electronically via the Internet or by telephone. A large number of banks and brokerage firms participate in the American Stock Transfer and Trust Company s (AST) online program. This program provides eligible stockholders who receive a copy of the Company s Annual Report on Form 10-K and proxy statement, either by paper or electronically, the opportunity to vote via the Internet or by telephone. If the entity holding your shares participates in AST s program, your voting form will provide instructions. If your voting form does not reference Internet or telephone voting information, please complete and return the paper proxy card in the pre-addressed, postage-paid envelope provided.

Quorum Required

A quorum of stockholders must be present for any business to be conducted at the meeting. The presence at the meeting, in person or by proxy, of a majority of our outstanding shares entitled to be voted as of the Record Date will constitute a quorum. Abstentions and broker non-votes will be treated as shares present for quorum purposes. On the Record Date there were 35,326,944 shares outstanding and entitled to vote. Thus 17,663,473 must be represented by stockholders present at the meeting or by proxy to have a quorum.

If a quorum is not present at the meeting, the stockholders who are represented may adjourn the meeting until a quorum is present. The persons named as proxies will vote those proxies for such adjournment, unless marked to be voted against any proposal for which an adjournment is sought, to permit further solicitation of proxies.

Table of Contents

Information Regarding This Solicitation

The Company will bear the expense of the solicitation of proxies for the meeting, including the cost of preparing, printing, and mailing this proxy statement, the accompanying Notice of Annual Meeting of Stockholders, and the proxy card. We have requested that brokers, nominees, fiduciaries and other persons holding shares in their names, or in the name of their nominees, which are beneficially owned by others, forward the proxy materials to, and obtain proxies from, such beneficial owners. We will reimburse such persons for their reasonable expenses in so doing.

In addition to the solicitation of proxies by the use of the mail, proxies may be solicited in person and by telephone or facsimile transmission by directors, officers or regular employees of the Company (for which no director, officer or regular employee will receive any additional or special compensation). The Company has also retained AST to assist in the solicitation of proxies for an estimated fee of $3,000, plus out-of-pocket expenses.

Any proxy given pursuant to this solicitation may be revoked by notice from the person giving the proxy at any time before it is exercised. Any such notice of revocation should be provided in writing signed by the stockholder in the same manner as the proxy being revoked and delivered to the Company s proxy tabulator.

Vote Required

Election of Directors. The election of a director requires the affirmative vote of the holders of a plurality of the shares of stock outstanding and entitled to vote thereon.

Ratification of Independent Registered Public Accounting Firm. The affirmative vote of a majority of the votes cast at the meeting in person or by proxy is required to ratify the appointment of Ernst & Young LLP to serve as the Company s independent registered public accounting firm. Abstentions will not be counted as votes cast and will have no effect on the result of the vote.

Approval of the proposal to authorize the Company to sell or otherwise issue up to 20% of the Company s outstanding common stock at a price below the Company s then current NAV per share. Approval of this proposal requires the affirmative vote of: a majority of outstanding shares of common stock entitled to vote at the meeting, as defined below; and a majority of the outstanding shares of common stock entitled to vote at the meeting which are not held by affiliated persons of the Company.

For purposes of this proposal, the Investment Company Act of 1940 (the 1940 Act) defines a majority of outstanding shares as (i) 67% or more of the voting securities present at such meeting if the holders of more than 50% of the outstanding voting securities of such company are present or represented by proxy; or (ii) 50% of the outstanding voting securities of such company, whichever is less. Abstentions and broker non-votes will have the effect of a vote against this proposal.

Approval to authorize the Company to offer and issue debt securities with warrants or debt convertible into shares of its common stock at an exercise or conversion price that, at the time such warrants or convertible debt are issued, will not be less than the fair market value per share but may be below NAV. Approval of this proposal requires the affirmative vote of a majority of the votes cast at the meeting in person or by proxy. Abstentions and broker non-votes will not be counted as votes cast and will have no effect on the result of the vote.

Also, a stockholder vote may be taken on one or more of the proposals in this proxy statement prior to any such adjournment if there are sufficient votes for approval of such proposal(s).

Table of Contents

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth, as of April 20, 2009, the beneficial ownership of each current director, each nominee for director, the Company s executive officers, each person known to us to beneficially own 5% or more of the outstanding shares of our common stock, and the executive officers and directors as a group.

Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission (the SEC) and includes voting or investment power with respect to the securities. Common stock subject to options or warrants that are currently exercisable or exercisable within 60 days of April 20, 2009 are deemed to be outstanding and beneficially owned by the person holding such options or warrants. Such shares, however, are not deemed outstanding for the purposes of computing the percentage ownership of any other person. Percentage of ownership is based on 35,326,944 shares of common stock outstanding as of April 20, 2009.

Unless otherwise indicated, to our knowledge, each stockholder listed below has sole voting and investment power with respect to the shares beneficially owned by the stockholder, except to the extent authority is shared by spouses under applicable law, and maintains an address c/o Hercules Technology Growth Capital, Inc., 400 Hamilton Avenue, Suite 310, Palo Alto, California 94301.

The Company s directors are divided into two groups interested directors and independent directors. Interested directors are interested persons as defined in Section 2(a)(19) of the 1940 Act.

Name and Address of Beneficial Owner	Number of Shares Owned Beneficially[(1)]	Percentage of Class
Interested Director		
Manuel A. Henriquez[(2)]	2,091,953	5.9%
Independent Directors		
Robert P. Badavas[(3)]	61,399	*
Joseph W. Chow[(4)]	75,038	*
Allyn C. Woodward, Jr.[(5)]	68,321	*
Executive Officers		
Samir Bhaumik[(6)]	265,068	*
Scott Harvey[(7)]	265,155	*
David M. Lund[(8)]	177,521	*
Parag I Shah[(9)]	404,928	1.1%
Executive officers and directors as a group[(10)]	3,436,989	9.7%
Other		
T. Rowe Price Associates, Inc.[(11)] 100 E. Pratt Street Baltimore, MD 21202	2,347,100	6.6%
Putnam Investment Management, Inc.[(11)] One Post Office Square Boston, MA	1,748,821	5.0%

* Less than 1%

(1) Beneficial ownership has been determined in accordance with Rule 13d-3 of the Securities Exchange Act of 1934.

(2) Includes 1,288,829 shares of common stock that can be acquired upon the exercise of outstanding options and 142,187 shares of restricted stock. Includes shares of the Company s common stock held by certain trusts controlled by Mr. Henriquez.

7

Table of Contents

(3) Includes 6,667 shares of common stock that can be acquired upon the exercise of outstanding options and 6,111 shares of restricted stock.
(4) Includes 794 shares of common stock that can be acquired upon the exercise of outstanding 5-year warrants, 6,667 shares of common stock that can be acquired upon the exercise of outstanding options and 6,111 shares of restricted stock.
(5) Includes 3,333 shares of common stock that can be acquired upon the exercise of outstanding options and 2,500 shares of restricted stock.
(6) Includes 3,797 shares of common stock that can be acquired upon the exercise of outstanding 5-year warrants, 179,070 shares of common stock that can be acquired upon the exercise of outstanding options and 50,250 shares of restricted common stock.
(7) Includes 4,279 shares of common stock that can be acquired upon the exercise of outstanding 5-year warrants, 213,840 shares of common stock that can be acquired upon the exercise of outstanding options and 31,250 shares of restricted common stock.
(8) Includes 129,113 shares of common stock that can be acquired upon the exercise of outstanding options and 37,000 shares of restricted common stock.
(9) Includes 2,994 shares of common stock that can be acquired upon the exercise of outstanding 5-year warrants, 290,858 shares of common stock that can be acquired upon the exercise of outstanding options and 77,000 shares of restricted common stock.
(10) Includes 11,864 shares of common stock that can be acquired upon the exercise of outstanding 5-year warrants, 2,118,377 shares of common stock that can be acquired upon the exercise of outstanding options and 352,409 shares of restricted stock.
(11) Information about the beneficial ownership of our principal stockholders is derived from filings made by them with the SEC.

The following table sets forth as of April 20, 2009, the dollar range of our securities owned by our directors and employees primarily responsible for day-to-day management of our investment portfolio.

Name	Dollar Range of Equity Securities Beneficially Owned[1]
Independent Directors:	
Robert P. Badavas	over $100,000
Joseph W. Chow	over $100,000
Allyn C. Woodward, Jr.	over $100,000
Interested Director:	
Manuel A. Henriquez	over $100,000
Other Executive Officers:	
Samir Bhaumik	over $100,000
Scott Harvey	$50,001 $100,000
David M. Lund	$50,001 $100,000
Parag I Shah	over $100,000

(1) Beneficial ownership has been determined in accordance with Rule 16a-1(a)(2) of the Securities Exchange Act of 1934.

8

Table of Contents

PROPOSAL 1: ELECTION OF DIRECTORS

Board of Directors

The number of directors on our Board is currently fixed at four directors.

Our Board is divided into three classes. Class I directors hold office initially for a term expiring at the annual meeting of stockholders to be held in 2011, Class II directors hold office for a term expiring at the annual meeting of stockholders to be held in 2009 and Class III directors hold office for a term expiring at the annual meeting of stockholders to be held in 2010. Each director holds office for the term to which he or she is elected and until his or her successor is duly elected and qualified. Messrs. Badavas and Chow s terms expire in 2011, Mr. Henriquez s term expires in 2010, and Mr. Woodward s term expires in 2009.

Mr. Woodward has been nominated for re-election for a three year term expiring in 2012. Mr. Woodward is not being nominated as a director for election pursuant to any agreement or understanding between such person and the Company. Mr. Woodward is an independent director of the Company as defined under the 1940 Act.

A stockholder can vote for or withhold his or her vote from the nominee. **In the absence of instructions to the contrary, it is the intention of the persons named as proxies to vote such proxy FOR the election of the nominee named below. If a nominee should decline or be unable to serve as a director, it is intended that the proxy will be voted for the election of such person as is nominated by the Board as a replacement.** The Board has no reason to believe that the person named below will be unable or unwilling to serve.

Required Vote

This proposal requires the affirmative vote of the holders of a plurality of the shares of stock outstanding and entitled to vote thereon.

THE BOARD RECOMMENDS THAT YOU VOTE FOR THE ELECTION OF THE NOMINEE NAMED IN THIS PROXY STATEMENT.

Table of Contents

Information about the Directors and Executive Officers

Certain information, as of April 20, 2009, with respect to the nominee for re-election at the meeting, as well as each of the current directors and executive officers, is set forth below, including their names, ages, a brief description of their recent business experience, including present occupations and employment, certain directorships that each person holds, and the year in which each person became a director of the Company.

The business address of each nominee and director listed below is c/o Hercules Technology Growth Capital, Inc., 400 Hamilton Avenue, Suite 310, Palo Alto, California 94301.

Name	Age	Positions
Interested Director:		
Manuel A. Henriquez(1)	45	Co-founder, Chairman of the Board, President and Chief Executive Officer
Independent Directors:		
Robert P. Badavas(2)(3)(4)(5)	56	Director
Joseph W. Chow(2)(3)(4)(5)	56	Director
Allyn C. Woodward, Jr.(2)(3)(4)(5)	68	Director
Executive Officers:		
Samir Bhaumik	45	Senior Managing Director and Technology Group Head
Scott Harvey	54	Co-founder, Secretary, Chief Legal Officer and Chief Compliance Officer
David M. Lund	55	Vice President of Finance and Chief Financial Officer
Parag I. Shah	37	Senior Managing Director and Life Sciences Group Head

(1) Mr. Henriquez is an interested person, as defined in section 2(a)(19) of the 1940 Act, of the Company due to his position as an executive officer of the Company.
(2) Member of the audit committee.
(3) Member of the valuation committee.
(4) Member of the compensation committee.
(5) Member of the nominating and corporate governance committee.

Director Nominee

Independent Director

The following director is independent under the Nasdaq Stock Market rules and is not an interested director as defined in Section 2(a)(19) of the 1940 Act.

Allyn C. Woodward, Jr. has served as a director since February 2004. Mr. Woodward was Vice Chairman of Adams Harkness Financial Group (AHFG-formerly Adams, Harkness & Hill) from April 2001 until January 2006 when AHFG was sold to Canaccord, Inc. He previously served as President of AHFG from 1995 to 2001. AHFG was an independent institutional research, brokerage and investment banking firm headquartered in Boston, MA. Prior to joining AHFG, Mr. Woodward worked for Silicon Valley Bank from April 1990 to April 1995, initially as Executive Vice President and Co-founder of the Wellesley, MA office and more recently as Senior Executive Vice President and Chief Operating Officer of the parent bank in California. Silicon Valley Bank is a commercial bank, headquartered in Santa Clara, CA whose principal lending focus is directed toward the technology, healthcare and venture capital industries. Prior to joining Silicon Valley Bank, Mr. Woodward was Senior Vice President and Group Manager of the Technology group at Bank of New England, Boston, MA where he was employed from 1963-1990. Mr. Woodward is currently the Chairman of the Board of Directors and a member of the Compensation Committee of Lecroy Corporation. He is also a former Director of Viewlogic and

10

Table of Contents

Cayenne Software, Inc. Mr. Woodward serves on the Board of three private companies and is on the Board of Advisors of five venture capital funds. Mr. Woodward is on the Board of Overseers and a member of the Finance Committee of Newton Wellesley Hospital, a 250 bed hospital located in Newton, MA. Mr. Woodward is on the Board of Overseers and the Investment Committee and the Finance Committee of Babson College in Babson Park, MA. Mr. Woodward graduated from Babson College with a degree in finance and accounting. He also graduated from the Stonier Graduate School of Banking at Rutgers University.

Current Directors

Interested Director

The following director is an interested director because he is the Company s Chairman and Chief Executive Officer.

Manuel A. Henriquez is a co-founder of the Company and has been our Chairman and Chief Executive Officer since December 2003 and our President since April 2005. Prior to co-founding our company, Mr. Henriquez was a Partner at VantagePoint Venture Partners, a $2.5 billion multi-stage technology venture fund, from August 2000 through July 2003. Prior to VantagePoint Venture Partners, Mr. Henriquez was the President and Chief Investment Officer of Comdisco Ventures, a division of Comdisco, Inc., a leading technology and financial services company, from November 1999 to March 2000. Prior to that, from March 1997 to November 1999, Mr. Henriquez was a Managing Director of Comdisco Ventures. Mr. Henriquez was a senior member of the investment team at Comdisco Ventures that originated over $2.0 billion of equipment lease, debt and equity transactions from 1997 to 2000. Mr. Henriquez received a B.S. in Business Administration from Northeastern University.

Independent Directors

Each of the following directors are independent under the Nasdaq Stock Market rules and is not an interested director as defined in Section 2(a)(19) of the 1940 Act.

Robert P. Badavas has served as a director since March 2006. Mr. Badavas is the President and Chief Executive Officer of TAC Worldwide, a staffing and business services company owned by RADIA Holdings (formerly known as Goodwill Group) of Japan. From November 2003 until becoming president and CEO in December 2005, he was the Executive Vice President and Chief Financial Officer of TAC Worldwide. Prior to joining TAC Worldwide, Mr. Badavas was Senior Principal and Chief Operating Officer of Atlas Venture, a venture capital fund management company, from September 2001 to September 2003. Prior to joining Atlas Venture, he was Senior Corporate Adviser to the Office of the Chairman of Aether Systems, Inc., a provider of wireless data products and services, from September 2000 to June 2001. Prior to that, he was Chief Executive Officer of Cerulean Technology, Inc., a provider of mobile information systems applications, from December 1995 until Aether Systems, Inc. acquired the company in September 2000. From 1986 to October 1995, Mr. Badavas was Senior Vice President and Chief Financial Officer, among other capacities, of Chipcom Corporation, a provider of computer networking intelligent switching systems. Mr. Badavas was previously a board member and Chairman of the Audit Committee for RSA Security, Inc. until its acquisition by EMC Corporation in September 2006. Mr. Badavas currently serves on the board of directors of Airvana, Inc. and Constant Contact, Inc., and is the Chairman of the audit committees of both Airvana and Constant Contact. He was previously a director and Chairman of the Audit Committee of ON Technology, until ON Technology was acquired by Symantec, Inc. in 2004 and is a former director of Renaissance Worldwide, until its acquisition by a privately-held company in 2001. Mr. Badavas is a Trustee of both Bentley University in Waltham, MA and Hellenic College/Holy Cross School of Theology in Brookline, MA. He is also Chairman of the Board of The Learning Center for the Deaf in Framingham, MA. Mr. Badavas is a graduate of Bentley University with a BS in Accounting and Finance.

Joseph W. Chow has served as a director since February 2004. Mr. Chow is Executive Vice President at State Street Corporation responsible for the development of business strategies for emerging economies. He serves on State Street s Asia Pacific Executive Board and European Executive Board. Previously, he was Head

Table of Contents

of Risk and Corporate Administration, having retired from the company in August 2003 and rejoined in July 2004. Prior to August 2003, Mr. Chow was Executive Vice President and Head of Credit and Risk Policy at State Street. Before joining State Street, Mr. Chow worked at Bank of Boston in various international and corporate banking roles from 1981 to 1990 and specialized in the financing of emerging-stage high technology companies. Mr. Chow is a graduate of Brandeis University with a B.A. in Economics. He also received an M.C.P. from the Massachusetts Institute of Technology and an M.S. in Management (finance) from the MIT Sloan School of Management.

Compensation of Directors

The compensation committee engages an outside compensation consultant to review the competitiveness and effectiveness of our director compensation program relative to market practices within comparison group companies based on market size, industries, geographic regions and other factors, as discussed in the Compensation Discussion and Analysis. The compensation committee historically has retained Watson Wyatt Worldwide, Inc. to act as its compensation consultant regarding independent director compensation. The consultant recommends to the compensation committee the mix of cash versus equity compensation to be offered as well as the types of long-term incentives to be granted.

The following table discloses the cash, equity awards and other compensation earned, paid or awarded, as the case may be, to each of our directors during the fiscal year ended December 31, 2008.

Name	Fees Earned or Paid in Cash ($)	Restricted Stock Awards ($)(2)	Option Awards ($)(3)	All Other Compensation ($)(5)	Total ($)
Robert P. Badavas	$ 257,096(1)	$ 17,620	$ 3,915	$ 5,222	$ 278,631
Joseph W. Chow	$ 127,000	$ 17,620	$ 3,915	$ 5,222	$ 148,535
Allyn C. Woodward, Jr.	$ 142,000	$ 15,036	$ 4,355	$ 3,645	$ 161,391
Manuel A. Henriquez(4)					

(1) Represents $134,096 in additional retainer fees. Mr. Badavas elected to receive a portion of the additional retainer fee as 6,668 shares of our common stock stock in lieu of cash. The total value of the shares issued to Mr. Badavas for services in fiscal 2008 was $69,864.

(2) During 2008 we granted Messrs. Badavas and Chow total restricted stock awards of 5,000 shares each. See the discussion set forth under 2006 Non-Employee Director Plan below. The column represents the dollar amount recognized as an expense during 2008 for financial statement reporting purposes with respect to restricted stock awarded to directors during 2008 and in prior years. Restricted stock awarded to directors are charged to expense in the Company s financial statements as earned based on the fair market value of such awards as determined on their grant dates in accordance with the provisions of Statement of Financial Accounting Standards (SFAS) No. 123R, Share Based Payments . See Note 1 to the Company s Consolidated Financial Statements included in the Company s Annual Report on Form 10-K for the year ended December 31, 2008 regarding assumptions underlying valuation of equity awards.

(3) During 2008 we granted Messrs. Badavas and Chow total stock option awards of 15,000 shares each. See the discussion set forth under 2006 Non-Employee Director Plan below. This column represents the portion of the grant date fair value of the stock option grants made to the directors in 2008 and prior years that was recognized as expense for financial reporting purposes during 2008 in accordance with the provisions of SFAS No. 123R, Share-based Payments. See Note 1 to the Company s Consolidated Financial Statements included in the Company s Annual Report on Form 10-K for the year ended December 31, 2008 regarding assumptions underlying valuation of equity awards.

(4) As an employee director, Mr. Henriquez does not receive any compensation for his service as a director. The compensation Mr. Henriquez receives as Chief Executive officer of the company is disclosed in the Summary Compensation Table as set forth herein.

(5) Represents dividends paid on unvested restricted stock awards during 2008.

Table of Contents

As compensation for serving on our Board, each of our independent directors receives an annual fee of $50,000 and the chairperson of each committee receives an additional $15,000 annual fee. Each independent director also receives $2,000 for each Board or committee meeting they attend, whether in person or telephonically. Employee directors and non-independent directors will not receive compensation for serving on the Board. In addition, we reimburse our directors for their reasonable out-of-pocket expenses incurred in attending Board meetings.

On July 26, 2006, our Board approved an additional retainer fee to be paid to non-interested directors. Messrs. Chow and Woodward received their retainer fee, however, Mr. Badavas continues to be paid the retainer fee on a quarterly basis through September 30, 2009 due to joining the Board subsequent to the other directors. Mr. Badavas received an additional $134,096, and elected to receive a portion of the retainer fee in stock in lieu of cash.

Directors do not receive any perquisites or other personal benefits from the Company.

Under current SEC rules and regulations applicable to business development companies (BDC), a BDC may not grant options and restricted stock to non-employee directors unless it receives exemptive relief from the SEC. The Company filed an exemptive relief request with the SEC to allow options and restricted stock to be issued to its non-employee directors, which was approved on October 10, 2007.

On June 21, 2007, the stockholders approved amendments to the 2004 Plan and the 2006 Non-Employee Director Plan (the 2006 Plan) (collectively, the 2004 and 2006 Plans) allowing for the grant of restricted stock. The 2004 and 2006 Plans limit the combined maximum amount of restricted stock that may be issued under both of the 2004 and 2006 Plans to 10% of the outstanding shares of the Company s stock on the effective date of the 2004 and 2006 Plans plus 10% of the number of shares of stock issued or delivered by the Company during the terms of the 2004 and 2006 Plans. See the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2008.

Committees of the Board

The Board has established an audit committee, a valuation committee, a compensation committee, and a nominating and corporate governance committee. A brief description of each committee is included in this proxy and the charters of the audit, compensation, and nominating and corporate governance committees are available on the Investor Relations section of the Company s web site at www.htgc.com.

During 2008, the Board held 17 Board meetings and 23 committee meetings. All of the directors attended all of the Board meetings. All of the directors attended all of the meetings of the respective committees on which they served; therefore all directors attended at least 75% of the respective committee meetings on which they serve. Each director makes a diligent effort to attend all Board and committee meetings, as well as the Annual Meeting of Stockholders. Each of the directors attended the Company s 2008 Annual Meeting of Stockholders in person.

Audit Committee. Our Board has established an audit committee. The audit committee is comprised of Messrs. Badavas, Chow and Woodward, each of whom is an independent director and satisfies the independence requirements for purposes of the rules promulgated by the Nasdaq Stock Market and the requirements to be a non-interested director as defined in Section 2(a)(19) of the 1940 Act. Mr. Badavas currently serves as chairman of the audit committee and is an audit committee financial expert as defined under the Nasdaq Stock Market rules. The audit committee is responsible for approving our independent accountants, reviewing with our independent accountants the plans and results of the audit engagement, approving professional services provided by our independent accountants, reviewing the independence of our independent accountants and reviewing the adequacy of our internal accounting controls. During the last fiscal year, the audit committee held six meetings.

Table of Contents

Valuation Committee. Our Board has established a valuation committee. The valuation committee is comprised of Messrs. Badavas, Chow and Woodward, each of whom is an independent director and satisfies the independence requirements for purposes of the rules promulgated by the Nasdaq Stock Market and the requirements to be a non-interested director as defined in Section 2(a)(19) of the 1940 Act. Mr. Chow currently serves as chairman of the valuation committee. The valuation committee is responsible for reviewing and recommending to the full Board the fair value of debt and equity securities that are not publicly traded in accordance with established valuation procedures. The valuation committee may utilize the services of an independent valuation firm in arriving at fair value of these securities. During the last fiscal year, the valuation committee held five meetings.

Compensation Committee. Our Board has established a compensation committee. The compensation committee is comprised of Messrs. Badavas, Chow and Woodward, each of whom is an independent director and satisfies the independence requirements for purposes of the rules promulgated by the Nasdaq Stock Market and the requirements to be a non-interested director as defined in Section 2(a)(19) of the 1940 Act. Mr. Woodward currently serves as chairman of the compensation committee. The compensation committee determines compensation for our executive officers, in addition to administering ouign="right" valign="bottom" width="9%" style="border-bottom: white;">

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12,000

(1) Reflects the dollar amount recognized for financial reporting purposes for 2007 in accordance with FASB 123(R), which equates to the fair value of the option awards on the date of grant. The method and assumptions used to determine the amount of expense recognized for options is set forth in Note 9 to our consolidated financial statements. As of December 31, 2007, each non employee director had the following number of options granted: Mr. Stuppin, 10,000; Mr. Casentini, 10,000; Mr. Kasper, 10,000; Mr. Wolfson, 7,000, and Mr. von Paumgartten, 7,000.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires the Company's officers and directors and persons who own more than 10% of a registered class of the Company's equity securities to file certain reports regarding ownership of, and transactions in, the Company's securities with the Securities and Exchange Commission (the "SEC"). Such officers, directors and 10% stockholders are also required by SEC rules to furnish the Company with copies of all Section 16(a) forms that they file.

Based solely on its review of such forms furnished to the Company and written representations from certain reporting persons, the Company believes that, all filing requirements applicable to the Company's executive officers, directors and more than 10% stockholders were complied with for 2007.

Audit Committee

The Company's Audit and Finance Committee acts as the standing audit committee of the Board of Directors, currently consisting of Messrs. Casentini (Chairman), Stuppin and Kasper. The Board of Directors has determined that Messrs. Casentini and Stuppin each is an "audit committee financial expert" as defined by SEC rules and an Independent Director.

Item 11. EXECUTIVE COMPENSATION AND OTHER MATTERS

Compensation Discussion and Analysis

The Compensation Committee of our Board of Directors has the responsibility for administering our executive compensation program. The Committee reviews and, as appropriate, makes recommendations to the full Board regarding the base salaries and annual cash bonuses for executive officers, and administers our 2004 plan, including the grant of stock options. Where appropriate, we have also entered into employment agreements with certain executive officers.

Compensation Philosophy and Objectives. Our principal executive compensation policy, which is endorsed by the Committee, is to provide a compensation program that will attract, motivate and retain persons of high quality and will support a long-standing internal culture of loyalty and dedication to the interests of the Company and our shareholders. In administering the executive compensation program, the Committee is mindful of the following principles and guidelines, which are supported by the full Board of Directors:

- Base salaries for executive officers should be competitive.
- A sufficient portion of annual compensation should be at risk in order to align the interests of executives with those of our shareholders.
- The variable part of annual compensation should reflect both individual and corporate performance.
- As a person's level of responsibility increases, a greater portion of total compensation should be at risk and include more stock-based compensation to provide executives long-term incentives and help to align further the interests of executives and shareholders in the enhancement of shareholder value.

Our executive officers' compensation currently has three primary components: base salary, annual cash bonuses and stock-based awards granted pursuant to our 2004 plan. In addition, executive officers receive certain benefits that are specifically provided for in their employment agreements or are generally available to all salaried employees. We do not have any defined benefit pension plans, nonqualified deferred compensation arrangements or supplemental retirement plans for our executive officers.

For each executive officer, the Committee determines the appropriate level for each compensation component based in part, but not exclusively, on its view of competitive market factors, internal equity and consistency, and other considerations deemed relevant, such as rewarding extraordinary performance. Our Chief Executive Officer provides the Committee with recommendations for executive officers other than himself, which the Committee reviews and approves as submitted or with revisions, if any. The Committee has not adopted any formal or informal policies or guidelines for allocating compensation between long-term and currently paid compensation, between cash and non-cash compensation, or among different forms of non-cash compensation, and has not sought to formally benchmark our compensation against that of our peers.

Base salary increases for Messrs. Davenport, Berchtold, Hilliard and Buelow in 2007 were 0%, 0%, 13% and 31%, respectively. In determining these increases, the primary factors considered were increases in the cost-of-living, the officers' individual performances, the growth of the Company, changes in their duties and responsibilities and period of time since their last review.

Base Salary. Base salaries for executive officers are based on a review of salaries for similar positions requiring similar qualifications in similar industries. In determining executive officer salaries, the Compensation Committee has approved the use by management of information from salary surveys.

The President and Chief Executive Officer annually assesses the performance of all other executive officers and recommends salary increases to the Compensation Committee based on a number of factors such as performance evaluations, comparative data and other relevant factors. The Compensation Committee then reviews and approves the increases for any person with total annual compensation over $100,000.

In addition to reviewing performance evaluations, the Compensation Committee also reviews the financial condition of Energy Focus in setting salaries.

Bonus Incentive Plan. The Compensation Committee administers an incentive plan to provide additional compensation to executives who meet established performance goals. In consultation with the President and Chief Executive Officer, the Compensation Committee annually determines the total amount of cash bonuses available for executive officers and certain other management employees. For fiscal 2007, awards under this bonus plan were contingent upon Energy Focus' attainment of operating profit targets set by the Compensation Committee in consultation with the President and Chief Executive Officer. The target amount of bonuses for senior executive officers was set by the Compensation Committee. Awards are weighted so that higher awards are received when Energy Focus' performance reaches maximum targets, smaller awards are received when Energy Focus' performance reaches minimum targets and no awards are made when Energy Focus does not meet minimum performance targets. After the total eligible bonus pool is determined, annual incentives are paid to executive officers, based on their individual performance as determined by Energy Focus' President and Chief Executive Officer. Energy Focus' performance in fiscal 2007 was not on target, and no bonuses were paid under this bonus incentive plan. Consistent with Energy Focus' objective of aligning compensation with performance, the Compensation Committee anticipates that future bonus payments will be based on specific targets and performance.

Each of our executive officers is eligible to receive annual cash bonuses based on determinations made by the Committee. Except in the case of Mr. Davenport, the Company has not historically adopted a formal or informal annual bonus plan with preset criteria and targets. Rather, the determination to pay a cash bonus, if any, was made after the year-end based on the Committee's subjective judgment with respect to the past performance of the individual or on the individual's attainment of quantified performance goals during the year. In either such case, the bonus may be based on the specific accomplishments of the individual or on the overall success of the Company, or both. However, for 2007, the Committee has adopted a plan pursuant to which target bonuses of 10% - 20% of base salary for executive officers and key employees, other than Mr. Davenport, will be based on specific criteria set for the Company, as well as individual goals. No bonuses will be payable under the plan unless the Company's goal of positive cash flow, as determined by the Committee, is achieved. If this goal is achieved, each participant will receive one-third of the target bonus. An additional one-third of the target bonus will be paid if the company achieves EFO sales of $12 million for the year, and another third of the target will be awarded based on personal performance against expectations. In the case of Mr. Davenport, his employment agreement provides for an objective annual cash bonus based on our planned profit and EFO revenue growth. Mr. Davenport's bonus for 2007 will be determined in the same manner as the other executive officers, with a target bonus of 25% - 50% of base salary based upon performance of the company against established goals and objectives.

The only discretionary cash bonus for individual 2006 performance and accomplishments awarded to an executive officer paid during 2007 was awarded to Mr. Buelow. No cash bonuses were paid to executive officers or key employees for 2007 performance.

Stock Options - The Compensation Committee believes that employee equity ownership provides significant motivation to executive officers to maximize value for Energy Focus' shareholders and, therefore, periodically grants stock options under Energy Focus' 2004 Stock Incentive Plan at the then current market price. The Compensation Committee administers the Company's 2004 Stock Incentive Plan. Stock options will only have value if Energy Focus' stock price increases over the exercise price.

The Compensation Committee grants options to executive officers after consideration of recommendations from the President and Chief Executive Officer. Recommendations for options are based upon the relative position, responsibilities of each executive officer, previous and expected contributions of each officer to Energy Focus, previous option grants to such executive officers and customary levels of option grants for the respective position in other comparable companies. Options generally vest over a four-year period at a rate of 25% per year. In 2001, executive officers were granted options under a Time Accelerated Restricted Stock Award Plan ("TARSAP") within the 1994 Stock Option Plan with a seven year vesting period. The vesting of these options can be accelerated upon achievement of Energy Focus and individual objectives during the fiscal year 2007. As a result of not achieving these objectives in 2007, the TARSAP options have not qualified for accelerated vesting, but roll forward to a future year whereupon the vesting may be accelerated if the objectives for that future year are met. Consistent with the Company's objective of aligning compensation with performance, the Company anticipates that future grants to incumbent executive officers will be based on specific targets and performance.

The Committee also administers our 2004 plan to provide stock-based incentives to our key employees, including executive officers. Grants of stock options, restricted shares of stock, and other possible stock-based compensation are based on each individual's position within the company, level of responsibility, past performance, and expectation of future performance. In determining the number of stock-based awards to be granted to each executive officer, the Committee also considers the number of stock-based awards made in prior years to the executive officer.

Grants of stock-based awards to Mr. Davenport are made on or soon after the date the earnings for the preceding calendar year are released. Pursuant to this agreement, Mr. Davenport was awarded options to purchase 50,000 shares in April 2007. The Committee also may make grants to executive officers at other times during the year in connection with new hires or promotions. The exercise price for stock options is set at the closing per share market price of our common stock on the date of grant.

Our stock-based compensation policies have been impacted by the implementation of FASB 123(R). Generally, FASB 123(R) requires all stock-based payments to employees, including grants of employee stock options, to be expensed based on their fair values over the vesting period.

The stock options granted to the other executive officers in 2007 vest in four annual installments.

Section 162(m). Section 162(m) of the Internal Revenue Code and related Treasury Department regulations limits Energy Focus' ability to deduct certain compensation in excess of $1,000,000 paid to Energy Focus' chief executive officer and each of the four other most highly compensated executive officers. Energy Focus' 1994 Stock Option Plan and 2004 Stock Incentive Plan are structured to permit awards under the plan to qualify as performance-based compensation and to maximize the tax deductibility of the awards so long as the options are granted by a committee whose members are non-employee directors. Energy Focus expects that the Compensation Committee will be comprised of non-employee directors, and that, to the extent the Compensation Committee is not so constituted for any period of time, the options granted during such period will not be likely to result in compensation exceeding $1,000,000 in any year. The Compensation Committee does not believe that other components of Energy Focus' compensation will be likely to exceed $1,000,000 for any executive officer in the foreseeable future and therefore concluded that no further action with respect to qualifying such compensation for deductibility is necessary at this time. In the future, the Compensation Committee will continue to evaluate the advisability of qualifying its executive compensation for deductibility of such compensation. The Compensation Committee's policy is to qualify its executive compensation for deductibility under applicable tax laws as practicable.

Base Salaries. The Committee determines levels of the executive officers' base salaries so as to be competitive with amounts paid to executives performing similar functions in comparable size, non-durable manufacturing companies. The amount of each executive's annual increase in base salary, if any, is based on a number of largely subjective factors, including changes in the individual's duties and responsibilities, the personal performance of such executive officer, the performance of the company, cost-of-living increases, and such other factors as the Committee deems appropriate, including the individual's overall mix between fixed and variable compensation and between cash and stock-based compensation.

Summary Compensation Table

The following table sets forth the cash and non-cash compensation for 2007, 2006 and 2005 earned by our President and Chief Executive Officer, our Chief Financial Officer and our three other executive officers:

Name and Principal Position	Year	Salary ($)	Bonus ($)(1)	Option Awards ($)(2)	Non-Equity Incentive Plan Compensation ($)(3)	Change in Pension Value and Non-Qualified Deferred Compensation Earnings ($)	All Other Compensation ($)(4)	Total ($)
John M. Davenport	2007	250,000	—	277,928	—	—	880	528,808
President and Chief	2006	250,000	—	294,039	—	—	773	544,812
Executive Officer	2005	250,000	—	200,000	—	—	773	450,773
Nicholas G. Berchtold	2007	68,317	—	8,912	—	—	108	77,373
Chief Financial	2006	—	—	—	—	—	—	—
Officer and	2005	—	—	—	—	—	—	—
Vice President of Finance								
(August 1, 2007 to present)								
Eric Hilliard	2007	180,000	—	90,517	—	—	612	271,129
Chief Operating	2006	28,846	—	—	—	—	—	28,846
Officer	2005	—	—	—	—	—	—	—
Roger Buelow	2007	183,229	10,000	33,052	—	—	365	226,646
Vice President, General								
Manager	2006	140,000	—	38,603	—	—	258	178,861
Chief Technology	2005	111,600	—	—	—	—	258	111,858
Officer								
Barry R. Greenwald	2007	212,500	—	11,798	—	—	79,199(a)	303,497
President — Pool &	2006	202,000	—	34,788	—	—	1,113	237,901
Spa Division	2005	189,500	—	—	—	—	1,113	190,613
Ted des Enfants	2007	145,498	—	58,968	12,550(b)		92,847(c)	309,863
Vice President, U.S.	2006	175,000	—	57,768	12,550(b)	—	258	245,576
Commercial Sales (employed								
until October 8, 2007)	2005	175,000	—	15,000	—	—	258	190,258
Robert A. Connors	2007	126,108	—	19,798	—	—	137,535(c)	283,441
Vice President,	2006	191,000	—	52,703	—	—	808	244,511
Finance Chief Financial Officer								
(employed until July 31, 2007)	2005	166,000	—	—	—	—	807	166,807

(1) Reflects discretionary bonuses earned in 2007, 2006 and 2005.

(2) Reflects the dollar amount of expense recognized for financial reporting purposes in 2007, 2006 and 2005 with respect to stock option awards in accordance with FASB 123(R) and thus, in the case of option awards, includes amounts from awards granted in and prior to 2007, 2006 and 2005. The method and assumptions used to determine the amount of expense recognized for options is set forth in Note 9 to our consolidated financial statements included in our annual report on Form 10-K.

(3) Reflects bonus earned in 2007, 2006 and 2005.

(4) Includes company contributions to a life insurance policy , automobile allowance and severance payment.

(a) – first of the additional management compensation payment installments to Barry Greenwald, as per his revised Management Agreement. The total agreed additional management compensation to Mr. Greenwald was $308,996, to be paid in installments from 2007 and 2011.

(b) – Sales Commission earned by Ted des Enfants.

(c) – Severance paid out as required by their employment agreements.

Grants of Plan-Based Awards

The following table sets forth information with respect to stock option awards granted to the named executive officers during 2007:

		Estimated Possible Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Option Awards	Grant Date Fair Value of Stock and Option
Name	**Grant Date**	**Threshold ($)**	**Target ($)**	**Maximum ($)**	**Threshold (#)**	**Target (#)**	**Maximum (#)**	**(1) (2) (4)**	**($/Sh) (3)**	**Awards ($) (5)**
John M. Davenport	4/19/07	—	—	—	—	—	—	50,000	6.53	155,450
Nicholas G. Berchtold	8/10/07 12/06/07	—	—	—	—	—	—	25,000 25,000	6.05 6.06	71,300 71,275
Eric Hilliard	4/26/07	—	—	—	—	—	—	50,000	6.36	152,050
Roger Buelow	12/06/07	—	—	—	—	—	—	25,000	6.06	71,275

(1) Such stock options vest as to 25% of the shares covered by the respective options on each anniversary of the grant date, becoming fully vested on the fourth anniversary of the date of grant. Under the terms of the Company's 2004 Stock Incentive Plan, the Board of Directors or a duly appointed committee of the Board retains the discretion, subject to certain limitations within the Option Plan, to modify, extend, or renew outstanding options and to re-price outstanding options, and to accelerate the vesting of options in the event of any merger, consolidation, or reorganization in which the Company is not the surviving corporation. Options may be re-priced by canceling outstanding options and reissuing new options with an exercise price equal to the fair market value on the date of reissue which may be lower than the original exercise price of such canceled options.

(2) Based on 189,000 options granted to employees in Fiscal 2007.

(3) The exercise price on the date of grant was equal to 100% of the fair market value on the date of grant.

(4) Subject to earlier termination upon certain events related to termination of employment.

(5) The grant date present value is based on a Black-Scholes Options pricing model with the following weighted average assumptions for grants made in 2007: time of exercise: 4.0 years; risk-free interest rate: 4.7 %; volatility: 56%; dividend yield: none.

Option Exercises and Stock Vested

None of the named executive officers exercised stock options in 2007.

Outstanding Equity Awards at Fiscal Year-End

The following table includes certain information with respect to the value of all unexercised options held by the named executives, as of December 31, 2007:

	Option Awards				
Name	**Number of Securities Underlying Unexercised Options (#) Exercisable**	**Number of Securities Underlying Unexercised Options (#) Unexercisable**	**Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)**	**Option Exercise Price ($)**	**Option Expiration Date**
John M. Davenport	—	10,000(1)	—	2.95	02/28/12
	100,000	—		3.96	07/01/12
	20,000			7.23	12/04/13
	18,125	1,875(2)		8.60	05/19/14
	125,000	75,000(3)		9.60	06/28/15
	8,333	41,667(4)		6.53	04/19/17
Nicholas G. Berchtold	2,605	22,395(5)		6.05	08/10/17
	521	24,479(10)		6.06	12/06/17
Eric Hilliard	21,877	53,123(7)		7.19	11/13/16
	8,333	41,667(8)		6.36	04/26/17
Roger Buelow	18,750	—		3.35	02/19/13
	15,104	9,895(9)		10.64	07/01/15
	521	24,479(10)		6.06	12/06/17

(1)Options will vest on February 28, 2009

(2)Options will vest on May 19, 2008

(3)Options will vest on June 28, 2009

(4)Options will vest on June 19, 2011

(5)Options will vest on August, 10, 2011

(7)Options will vest on November, 13, 2010

(8)Options will vest on April 26, 2011

(9)Options will vest on July 1, 2009

(10)Options will vest on December 6, 2011

Equity Compensation Plan Information

The following table sets forth information with respect to our equity compensation plans as of December 31, 2007:

Plan Category	Number of Shares to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Shares Remaining Available for Future Issuance
Equity compensation plans approved by security holders	1,188,517	$ 7.19	154,000
Equity compensation plans not approved by security holders	—	—	—
Total	1,188,517	$ 7.19	154,000

Employment Agreements

We have an employment agreement with Mr. Davenport. Mr. Davenport receives a base salary of $250,000 per year. He is also eligible to receive a minimum bonus of 25% of his base salary if the Company achieves the operating income plan established for each year, or up to a maximum bonus of 50% of his base salary if the Company exceeds the operating income plan. Each year the operating income plan is negotiated between Mr. Davenport and the Board of Directors. On July 1, 2005, Mr. Davenport received an option to purchase 200,000 shares of our common stock at an exercise price equal to the closing price of the Registrant's common stock on the date of grant. This option vests as to 25% of the shares on each anniversary of the grant date, becoming fully vested on the fourth anniversary. Mr. Davenport received an additional option to purchase 50,000 shares in 2007 since certain targets for 2006 were achieved.

On September 13, 2005, the Compensation Committee of the Board of Directors of the Registrant (the "Compensation Committee") and the Board of Directors (the "Board") approved the form of Management Continuity Agreement which has been entered in to with Roger Buelow. Under these agreements, Mr. Buelow is entitled to receive severance payments in the event his employment with us is terminated without cause, or if such officer terminates his employment following a material reduction in his responsibilities inconsistent with his position and past responsibilities and under certain other conditions, including under certain conditions following a change in control as such term is defined in their agreements. Mr. Buelow will receive severance payments for a period of months equal to the total number of years he was employed with Energy Focus. The amount of his monthly severance payment will equal the total monthly salary he was receiving immediately prior to the termination of his employment plus the average commission or other contingent compensation received during the preceding twelve months, excluding equity compensation.

Potential Payments Upon Termination or Change of Control

As set forth in the table below, in the event of a change of control of the Company or termination of employment within three years of the effective date of the Management Continuity Agreement, each of the named executives is likely to receive the amounts as shown.

Regardless of the manner in which an executive officer's employment terminates, including upon death, disability or termination for cause, he is entitled to receive amounts earned during his term of employment. Such amounts include:

- salary through the date of termination;
- stock-based compensation in which he has vested; and

- unused vacation pay.

The following table summarizes the estimated severance payments to be made under each employment agreement, plan or arrangement which provides for payments to an executive officer at, following or in connection with a termination of employment due to voluntary resignation, involuntary termination not for cause, death or disability or change in control:

Employee	Voluntary Termination Without Change in Control ($)	Involuntary Termination Without Change in Control ($)	Death or Disability ($)	Termination With Change in Control ($)
John M. Davenport				
Severance(1)	—	187,500	—	187,500
Accelerated Vesting of Stock-Based Awards (2)	—	—	—	64,621
Roger Buelow				
Severance(1)		116,667	—	116,667
Accelerated Vesting of Stock-Based Awards	—	—	—	—

(1) The estimated severance payments are based on base salaries plus commission draw as at December 31, 2007.

(2) The estimated value of accelerated vesting of stock-based awards is based on the non-vested options held by Mr. Davenport on December 31, 2007 and the closing per share market price of our common stock on that date.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

SECURITY OWNERSHIP OF PRINCIPAL SHAREHOLDERS AND MANAGEMENT

The following table sets forth certain information with respect to beneficial ownership of the Company's Common Stock as of December 31, 2007 as to (i) each person known by the Company to own beneficially more than five percent of the outstanding shares of Common Stock, (ii) each of the Company's directors, (iii) the Company's Chief Executive Officer and each of the Company's executive officers ("Named Executive Officers"), and (iv) all named executive officers and directors of the Company as a group. Unless otherwise specified, the address for each officer and director is 32000 Aurora Road, Solon, OH 44139.

The table should be read with the understanding that more than one person may be the beneficial owner or possess certain attributes of beneficial ownership with respect to the same securities. Therefore, special attention should be given to the footnotes.

	Shares Beneficially Owned(1)	
Name and Address	**Number**	**Percent of Outstanding Common Stock(2)**
5% Shareholders:		
The Quercus Trust (3)	1,073,917	9.2%
Diker Management, LLC (4)	787,929	6.8%
Welch & Forbes LLC (5)	931,659	8.0%
Directors and Named Executive Officers:		
John M. Davenport (6)	344,290	3.0%
John B. Stuppin	233,692	2.0%
Ronald A. Casentini	30,167	*
Michael Kasper	34,917	*
Paul von Paumgartten	29,542	*
David N. Ruckert	292,073	2.5%
Philip Wolfson	87,433	*
Roger Buelow (6)	62,957	*
Nicholas G. Berchtold (6)	6,252	*
Eric Hilliard (6)	38,023	*
All executive officers and directors as a group Of 10 persons	1,159,349	9.9%

*Less than one percent

(1) To Energy Focus's knowledge, the persons named in the table have sole voting and investment power with respect to all shares of Common Stock shown as beneficially owned by them, subject to community property laws, where applicable, and the information contained in the footnotes to this table.

(2) Based on 11,622,885 shares outstanding as of December 31, 2007. In addition, shares issuable pursuant to options and warrants which may be exercised within 60 days of December 31, 2007 are deemed to be issued and outstanding and have been treated as outstanding in calculating the percentage ownership of those individuals possessing such interest, but not for any other individuals. Thus, the number of shares considered to be outstanding for the purposes of this table may vary depending on the individuals' particular circumstances.

(3) Based solely upon information in a Schedule 13D/A filed by The Quercus Trust on December 28, 2007, the Trust had shared voting power and shared disposition power for these shares.

(4) Based solely on information in a Schedule 13G filed by Diker Management, LLC with the Securities and Exchange Commission on February 12, 2007, Diker Management, LLC had sole voting power and sole dispositive power for these shares.

(5) Based solely on information in a Form 13F filed by Welch & Forbes LLC with the Securities and Exchange Commission on January 15, 2008, Welch & Forbes LLC had sole voting power with respect to 810,689 shares and sole disposition power as to all shares.

(6) Includes shares subject to options exercisable within 60 days of December 31, 2007

Item 13. Certain Relationships and Related Transactions and Director Independence

CERTAIN TRANSACTIONS

The company entered into a consulting agreement with Jeffrey H. Brite, a member of its Board of Directors, on November 1, 2004. This agreement ended on March 7, 2007, upon Jeffrey H. Brite's resignation as a member of the Board of Directors. As a consultant under this agreement, Mr. Brite assisted the company in various capacities. In return, the company compensated Mr. Brite with the award of an option for the acquisition of up to 40,000 shares of its common stock at a per-share exercise price of $7.23, which was expensed during 2004, and with annual aggregate cash payments of $50,000 paid in quarterly installments during each of the years 2005, 2006, and part of 2007. Payments for the twelve months ending December 31, 2007, were $13,690, compared to $50,000 in 2006 and 2005, respectively.

Gensler Architecture, Design, and Planning, P.C., a New York professional corporation ("Gensler"), provided contract services to the company since December 15, 2004. Mr. Jeffrey Brite, an employee of Gensler, was a member of the company's Board of Directors through March 7, 2007. Since his resignation, the contract with Gensler has been terminated as well. The company had entered into a three-year consulting agreement with Gensler for design- and marketing-related matters. In return, the company compensated Gensler with a one-time cash payment in 2005 of $60,750 and a $50,000 annual cash payment paid in quarterly installments of $12,500 in arrears for each of the calendar years 2005, 2006, and part of 2007. Also, there was a one-time option award for acquiring up to 75,000 shares of the company's common stock at a per-share exercise price of $6.57, which was expensed in 2006 under FAS 123(R). No payments were made in the fourth quarter of 2007 to Gensler, but the company accrued expenses of $12,500. Payments total $37,500 for the twelve months ending December 31, 2007, compared to $50,000 in 2006 and 2005, respectively.

On July 1, 2005, David Ruckert, the company's CEO, resigned as CEO and served as president and director through September 30, 2005, after which he served as director. Mr. Ruckert signed a severance agreement with the company that was effective July 1, 2005, and which resulted in a payment of $332,076 upon his departure as an employee on October 1, 2005.

On February 3, 2006, the company had entered into a consulting agreement with David Ruckert, a member of its Board of Directors. Additionally, Mr. Ruckert was granted options to purchase 32,000 shares of the company's common stock. Stock expense incurred under FAS 123(R) related to these options was $30,000 during 2007, compared to $15,000 during 2006.This agreement was terminated on June 30, 2007. Mr. Ruckert was paid $110,000 during 2006 and $76,000 during 2007 under this agreement.

On March 14, 2008, the company closed a private placement of its common shares and warrants that raised $9,500,000 in equity financing, net of expenses. The investment was made by several current Energy Focus shareholders, including four members of the Board of Directors. These investors purchased approximately 3.1 million units for $3.205 per unit, based on the closing bid price of Energy Focus common shares on March 13, 2008 of $3.08. Each unit comprise of one share of the Company's common stock, par value $0.0001 per share, and one warrant to purchase one share of the Company's common stock at an exercise price of $3.08 per share. The warrants were immediately separable from the units and immediately exercisable, and will expire five years after the date of their issuance. This additional financing is being used to fund working capital, pay debt and perform additional research and development. Among the investors were Ronald A. Casentini, John M.Davenport, John B. Stuppin and Philip Wolfson, all of whom are members of our Board of Directors and who invested approximately $100,000 in the aggregate.

Director Independence

The Board of Directors has determined each of the following directors to be an "independent director" as that term is defined by applicable listing standards of The NASDAQ Stock Market and SEC rules:

John B. Stuppin
Ronald A. Casentini
Michael Kasper
Paul von Paumgartten
Philip E. Wolfson

In this 10K/A statement these five directors are referred to individually as an "Independent Director" and collectively as the "Independent Directors."

15

Item 14. Principal Accountant Fees and Services

The following table presents fees for professional audit services rendered by Grant Thornton LLP for the audit of Energy Focus' annual financial statements for 2007 and 2006, and fees billed for other services rendered by Grant Thornton LLP in 2007 and 2006.

	Year Ended December 31, 2007		2006	
Audit Fees	$	506,812	$	534,053
Audit-Related Fees		1,500		---
Total	$	508,312	$	534,053

Item 15. Exhibits, Financial Statement Schedules

Exhibit Number	Description of Documents
24.1	Power of Attorney (incorporated by reference from Exhibit 24.1 to the Registrant's Annual Report on Form 10-K filed on March 17,2008)
31.1	Rule 13a-14(a) Certification by Chief Executive Officer
31.2	Rule 13a-14(a) Certification by Chief Financial Officer

16

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereto duly authorized.

ENERGY FOCUS, INC.

Date: April 28, 2008	By:	/s/ JOHN M. DAVENPORT John M. Davenport President and Chief Executive Officer (Principal Executive Officer)

In accordance with the Securities Exchange Act of 1934, this Report has been signed by the following persons on behalf of the Registrant and in the capacities indicated on April 28, 2008.

Signature	Title
/s/ JOHN M. DAVENPORT John M. Davenport	President, Chief Executive Officer and Director *(Principal Executive Officer)*
/s/ NICHOLAS G. BERCHTOLD Nicholas G. Berchtold	Vice President Finance and Chief Financial Officer *(Principal Financial and Accounting Officer*)
* JOHN B. STUPPIN John B. Stuppin	Director
* RONALD CASENTINI Ronald Casentini	Director
* MICHAEL KASPER Michael Kasper	Director
* PAUL VON PAUMGARTTEN Paul Von Paumgartten	Director
* DAVID N. RUCKERT David N. Ruckert	Director
* PHILIP WOLFSON Philip Wolfson	Director

* The undersigned, by signing his name, signs this Report on April 28, 2008 on behalf of the above officers and directors pursuant to a Power of Attorney executed by them and filed as an exhibit to this Report.

By:/s/ JOHN M. DAVENPORT

John M. Davenport, Attorney-in-Fact.

17

EXHIBIT INDEX

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18